# ANALYSING THE ROLE OF HUMAN CAPITAL, SOCIAL CAPITAL, AND FINANCIAL CAPITAL ON FIRM PERFORMANCE: INSIGHTS FROM YOUNG ENTREPRENEURS

*Thesis*
*Submitted to the University of Calicut*
*for the award of degree of*
*Doctor of Philosophy in Commerce*

*By*

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# DECLARATION

I hereby declare that the work presented in the thesis entitled **"Analysing the Role of Human Capital, Social Capital, and Financial Capital on Firm Performance: Insights from Young Entrepreneurs"** is based on the original work done by me under the guidance of **Dr. Nissar P,** Assistant Professor, Department of Commerce, PSMO College, Tirurangadi and has not been included in any other thesis submitted previously for the award of any degree. The contents of the thesis are undergone plagiarism check using iThenticate software at C.H.M.K. Library, University of Calicut, and the similarity index found within the permissible limit. I also declare that the thesis is free from AI generated contents.

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# CERTIFICATE

This is to certify that the thesis entitled **"Analysing the Role of Human Capital, Social Capital, and Financial Capital on Firm Performance: Insights from Young Entrepreneurs"** is a bonafide record of research work carried out by **Mr. Muhammed Ramees O** under my supervision and guidance for the award of Ph.D. Degree of the University of Calicut. No part of the thesis has been presented for the award of any degree, diploma, or other similar title or recognition of any other university or institution before.

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# ANALYSING THE ROLE OF HUMAN CAPITAL, SOCIAL CAPITAL, AND FINANCIAL CAPITAL ON FIRM PERFORMANCE: INSIGHTS FROM YOUNG ENTRPRENEURS

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## Abstract

This study encompasses an investigation on the role of human capital, social capital and financial capital on firm performance. This study conducted among young innovative entrepreneurs in Kerala. Young people are the backbone of every nation, representing its strength and potential. The resources, skills, and capabilities of each individual can contribute meaningfully to national growth and development when they are nurtured. But it is quite difficult to identify those key skills and resources, once identified it's better to update and upgrade regularly. Human capital, financial capital, and social capital are the three fundamental types of organisational capital that make up a successful enterprise in the entrepreneurial process. In this context, the present study examines the relationship between human capital, social capital, and financial capital on financial and non-financial performance of startup firms led by young entrepreneurs in Kerala. Furthermore, the study analysing the mediating effect of innovation on the relationship between human capital, social capital, and financial capital and firm financial and non-financial performance.

The study used both primary and secondary data analysis. Primary data is collected from innovative young entrepreneurs for measuring the human capital, social capital, financial capital, innovation and firms' performance in subjective manner. The researcher selected 300 respondents for data collection. Secondary data are used to identify the constructs and dimensions to get a comprehension of the study topic.

The study has used exploratory factor analysis, confirmatory factor analysis and structural equation modelling for data analysis. EFA has been used to finalize the scale. CFA is to assess the extent to which the data support the proposed measurement model and SEM used to analyse the multiple dependent and independent variables in the research model.

The study focuses on the role of human capital, social capital, financial capital and innovation on the firm's financial and non-financial performance of young entrepreneurs in Kerala. The study revealed that human capital, social capital and financial capital have a direct positive relationship on firms' financial performance. Additionally, human capital and social capital also have a direct effect on firms' non-financial performance, but financial capital doesn't have such a relationship. The main highlight of this study is that innovation mediates the relationship between human

capital and social capital on firms' financial and non-financial performance, but innovation doesn’t mediate the relationship between financial capital and firms' financial and non-financial performance.

The study provides suggestions to entrepreneurs, government and college/university for foster the firm performance based on the research findings. Entrepreneurs are advised to invest in human capital, social capital, and financial capital, as these play a vital role in entrepreneurial development. It is also beneficial for firms to engage in innovative activities, particularly in the areas of human and social capital. Additionally, it is recommended that universities and governments improve their support services for students, aspiring entrepreneurs, and young entrepreneurs with a focus on helping them realize, enhance and develop their human capital, social capital, and financial capital to optimize firm performance.

**Keywords**: Entrepreneurship, Human capital, Social capital, Financial capital, Innovation, Firm performance

# സ്ഥാപന പ്രകടനത്തിൽ മനുഷ്യ മൂലധനം, സാമൂഹിക മൂലധനം, സാമ്പത്തിക മൂലധനം എന്നിവയുടെ പങ്ക്: യുവ സംരംഭകരിൽ നിന്നുള്ള ഉൾക്കാഴ്ചകൾ

മുഹമ്മദ് റമീസ് ഒ
ഗവേഷകൻ

ഡോ. നിസ്സാർ പി.
ഗവേഷണ മാർഗ്ഗദർശി



## സംഗ്രഹം

ഈ പഠനം മനുഷ്യ മൂലധനം, സാമൂഹിക മൂലധനം, സാമ്പത്തിക മൂലധനം എന്നിവയുടെ സ്ഥാപന പ്രകടനത്തിലുള്ള പങ്ക് പരിശോധിക്കുന്നു. കേരളത്തിലെ നൂതന ആശയങ്ങളുള്ള യുവ സംരംഭകരിൽ നിന്നാണ് ഈ പഠനം നടത്തിയിട്ടുള്ളത്. യൗവ്വനം ഓരോ രാജ്യത്തിന്റെയും ശക്തിയും ഭാവിപ്രതീക്ഷയുമാണ്. യുവ സംരംഭകരുടെ കഴിവുകളും വിഭവങ്ങളും കൃത്യമായി ഉപയോഗപ്പെടുത്തിയാൽ അത് രാജ്യത്തിന് വലിയൊരു മുതൽക്കൂട്ടാവും. ഓരോ വ്യക്തികളുടെയും പ്രധാനപ്പെട്ട കഴിവുകളും വിഭവങ്ങളും കണ്ടുപിടിക്കുക എന്നുള്ളത് വലിയ കാര്യം തന്നെയാണ്. തിരിച്ചറിഞ്ഞ കഴിവുകൾ കൃത്യമായി ഉപയോഗിക്കുകയും കാലത്തിനനുസരിച്ച് പുതുക്കുകയും ചെയ്യുന്നത് സുപ്രധാനമാണ്. സംരംഭഘടനയിൽ വിജയത്തിലേക്ക് നയിക്കുന്ന അടിസ്ഥാനപരമായ മൂലധനങ്ങളാണ് മനുഷ്യ മൂലധനം, സാമൂഹിക മൂലധനം & സാമ്പത്തിക മൂലധനം. ഈ സന്ദർഭത്തിൽ, കേരളത്തിലെ യുവ സംരംഭകർ നയിക്കുന്ന സ്റ്റാർട്ടപ്പ് സ്ഥാപനങ്ങളുടെ സാമ്പത്തിക, സാമ്പത്തികേതര പ്രകടനത്തിൽ മനുഷ്യ മൂലധനം, സാമൂഹിക മൂലധനം, സാമ്പത്തിക മൂലധനംഎന്നിവയുടെ പങ്ക് ഈ പഠനം പരിശോധിക്കുന്നു. കൂടാതെ, മനുഷ്യ മൂലധനം, സാമൂഹിക മൂലധനം, സാമ്പത്തിക മൂലധനം എന്നിവ സാമ്പത്തിക, സാമ്പത്തികേതര പ്രകടനം തമ്മിലുള്ള ബന്ധത്തിൽ നവീകരണത്തിന്റെ മധ്യസ്ഥ ഫലത്തെ പഠനം വിശകലനം ചെയ്യുന്നു.

പ്രാഥമിക, ദ്വിതീയ ഡാറ്റ വിശകലനം ഉപയോഗിച്ചാണ് പഠനം നടത്തിയത്. മനുഷ്യ മൂലധനം, സാമൂഹിക മൂലധനം, സാമ്പത്തിക മൂലധനം, നവീകരണം, സ്ഥാപനങ്ങളുടെ പ്രകടനം എന്നിവ ആത്മനിഷ്ഠമായ രീതിയിൽ അളക്കുന്നതിനായി നൂതന യുവ സംരംഭകരിൽ നിന്ന് പ്രാഥമിക ഡാറ്റ ശേഖരിച്ചു. ഡാറ്റ ശേഖരണത്തിനായി 300 സാമ്പിൾ തിരഞ്ഞെടുത്തു. പഠന വിഷയത്തെക്കുറിച്ച് ഒരു ധാരണ ലഭിക്കുന്നതിനും ഘടനകളും അളവുകളും തിരിച്ചറിയാൻ ദ്വിതീയ ഡാറ്റ ഉപയോഗിക്കുച്ചു.

ഡാറ്റ വിശകലനത്തിനായി പര്യവേക്ഷണ ഘടക വിശകലനം, സ്ഥിരീകരണ ഘടക വിശകലനം, ഘടനാപരമായ സമവാക്യ മോഡലിംഗ് എന്നിവ ഉപയോഗിച്ചു. സ്കെയിൽ അന്തിമമാക്കാൻ പര്യവേക്ഷണ ഘടക വിശകലനം ഉപയോഗിച്ചു. നിർദ്ദിഷ്ട അളവെടുപ്പ് മോഡലിനെ ഡാറ്റ എത്രത്തോളം പിന്തുണയ്ക്കുന്നുവെന്ന് വിലയിരുത്തുന്നതിന് വേണ്ടി സ്ഥിരീകരണ ഘടക വിശകലനവും കൂടാതെ ഗവേഷണ മോഡലിലെ ഒന്നിലധികം ആശ്രിതവും സ്വതന്ത്രവുമായ വേരിയബിളുകൾ വിശകലനം ചെയ്യാൻ ഉപയോഗിക്കുന്ന ഘടനാപരമായ സമവാക്യ മോഡലിംഗ് എന്നിവയും ഡാറ്റ വിശകലനത്തിനായി ഉപയോഗിച്ചു.

കേരളത്തിലെ യുവ സംരംഭകരുടെ സാമ്പത്തിക, സാമ്പത്തികേതര പ്രകടനത്തിൽ മനുഷ്യ മൂലധനം, സാമൂഹിക മൂലധനം, സാമ്പത്തിക മൂലധനം, നവീകരണം എന്നിവയുടെ പങ്കിലാണ് പഠനം ശ്രദ്ധ കേന്ദ്രീകരിക്കുന്നത്. മനുഷ്യ മൂലധനം, സാമൂഹിക മൂലധനം, സാമ്പത്തിക മൂലധനം എന്നിവ സ്ഥാപനങ്ങളുടെ സാമ്പത്തിക പ്രകടനത്തിൽ നേരിട്ട് പോസിറ്റീവായിട്ട് ബന്ധമുണ്ടെന്ന് പഠനം വെളിപ്പെടുത്തുന്നു . കൂടാതെ, മനുഷ്യ മൂലധനവും സാമൂഹിക മൂലധനവും സ്ഥാപനങ്ങളുടെ സാമ്പത്തികേതര പ്രകടനത്തിൽ നേരിട്ട് സ്വാധീനം ചെലുത്തുന്നു, എന്നാൽ സാമ്പത്തിക മൂലധനത്തിന് അത്തരമൊരു ബന്ധമില്ല. ഈ പഠനത്തിന്റെ പ്രധാന ഹൈലൈറ്റ്, നവീകരണം മനുഷ്യ മൂലധനവും സാമൂഹിക മൂലധനവും തമ്മിലുള്ള ബന്ധത്തെ സ്ഥാപനങ്ങളുടെ സാമ്പത്തിക, സാമ്പത്തികേതര പ്രകടനത്തിൽ മധ്യസ്ഥമാക്കുന്നു എന്നതാണ്, എന്നാൽ സാമ്പത്തിക മൂലധനവും സ്ഥാപനങ്ങളുടെ സാമ്പത്തിക, സാമ്പത്തികേതര പ്രകടനവും തമ്മിലുള്ള ബന്ധത്തെ നവീകരണം മധ്യസ്ഥമാക്കുന്നില്ല.

ഗവേഷണ കണ്ടെത്തലുകളെ അടിസ്ഥാനമാക്കി, സംരംഭകർക്കും, സർക്കാരിനും, കോളേജ്/സർവകലാശാലകൾക്കും സ്ഥാപന പ്രകടനം വളർത്തുന്നതിനുള്ള നിർദ്ദേശങ്ങൾ ഈ പഠനം നൽകുന്നു. സംരംഭക വികസനത്തിൽ നിർണായക പങ്ക് വഹിക്കുന്നതിനാൽ, മനുഷ്യ മൂലധനം, സാമൂഹിക മൂലധനം, സാമ്പത്തിക മൂലധനം എന്നിവയിൽ നിക്ഷേപിക്കാൻ സംരംഭകരോട് നിർദ്ദേശിക്കുന്നു. പ്രത്യേകിച്ച് മനുഷ്യ, സാമൂഹിക മൂലധന മേഖലകളിൽ നൂതന പ്രവർത്തനങ്ങളിൽ ഏർപ്പെടുന്നതും സ്ഥാപനങ്ങൾക്ക് ഗുണകരമാണ്. കൂടാതെ, വിദ്യാർത്ഥികൾ, അഭിലാഷമുള്ള സംരംഭകർ, യുവ സംരംഭകർ എന്നിവർക്ക് പിന്തുണാ സേവനങ്ങൾ മെച്ചപ്പെടുത്താനും സ്ഥാപനത്തിന്റെ പ്രകടനം ഒപ്റ്റിമൈസ് ചെയ്യുന്നതിന് അവരുടെ മനുഷ്യ മൂലധനം, സാമൂഹിക മൂലധനം, സാമ്പത്തിക മൂലധനം എന്നിവ തിരിച്ചറിയാനും മെച്ചപ്പെടുത്താനും വികസിപ്പിക്കാനും സഹായിക്കുന്നതിൽ ശ്രദ്ധ കേന്ദ്രീകരിക്കാനും ശുപാർശ ചെയ്യുന്നു.

# LIST OF ABBREVIATIONS

| | | |
|---|---|---|
| RBV | : | Resource-Based View |
| RBVT | : | Resource-Based View Theory |
| RBT | : | Resource Based Theory |
| DPIIT | : | Department for Promotion of Industries and Internal Trade |
| KSUM | : | Kerala Startup Mission |
| EFA | : | Exploratory Factor Analysis |
| CFA | : | Confirmatory Factor Analysis |
| SEM | : | Structural Equation Modeling |
| NOI | : | Net Operating Income |
| AMOS | : | Analysis of Moment Structure |
| AVE | : | Average Variance Extracted |
| CFI | : | Comparative Fit Index |
| CR | : | Composite Reliability |
| GFI | : | Goodness of Fit Indices |
| PGFI | : | Parsimonious Goodness of Fit Index |
| PNFI | : | Parsimonious Normed Fit Index |
| RMSEA | : | Root Mean Square Error of Approximation |
| SPSS | : | Statistical Package for Social Science |
| TLI | : | Tucker–Lewis's index |

# Chapter 1

# INTRODUCTION

## 1.1 Introduction

Entrepreneurship has emerged as the best method for accelerating and sustaining the economic growth of a nation throughout its explosive domestic economic transformation. Innovation and change in the economy are said to be inspired by entrepreneurship. Entrepreneurs tend to be seen as promoters for change and introducers of greater degrees of competition. Entrepreneurs make tremendous attempts to move the country from its existing level of development to the desired one. Entrepreneurs use their skills to uncover and take advantage of unexplored market possibilities to satisfy customers' underlying requirements. They can predict the future, grab possibilities, make expected modifications, and act proactively prior to others, which distinguishes them from others. They contribute to the nation's growth and development because of their capacity to respond to change effectively and take positive action.

The world is facing crucial situations all the time, the COVID-19 pandemic caused an enormous adverse effect on practically every aspect of the world economy, such as employment, business, financing, industrial production, and agricultural output. The COVID-19 pandemic has created unparalleled shocks in the international supply chains and overwhelmed the world economic system. “In 2020, the value of global trade in goods and services in nominal dollar terms fell by 9.6 per cent, while global GDP fell by 3.3 per cent, in the most severe recession since World War II” World Trade Report 2021. During the financial year 2020-21, the Indian economy affected by the COVID-19 pandemic. At the peak pandemic period was nationwide lockdowns and a decline in economic activity such as gross domestic product (GDP), exports,

industrial growth, employment, etc. India has the third-largest start-up ecosystem in the world, with about 73,000 start-ups spread in 56 different industries. Despite the fact that the COVID-19 pandemic caused a global economic crisis, it also significantly increased traffic to the internet. This gave tech-based entrepreneurs the chance to make solutions and IT/ITeS-based businesses and industries emerged as a solution to a number of issues. In order to make solution, number of other start-ups sectors have been established such as digital education, finance, health and wellbeing, shared office space, and remote working tools. The entrepreneurial ecosystem is a collection of social, economic, cultural, and political elements that work together to create an environment for both current and future business owners. The ease of getting resources in an ecosystem for entrepreneurs is influenced by a location's culture, size and density of its social networks, public regulations, and economic structure (Spigel, 2020).

In the current period, entrepreneurship has become a significant strategic instrument to incorporate youngsters into the labour market. In India also, youth entrepreneurship has been developing significantly with many young individuals preferring to become an entrepreneur. Besides Unemployment, the other cause that motivates individuals to seek for entrepreneurship is their desire to attain personal success. The personal success includes being one's own boss, higher earnings, standard of living, authority, freedom etc. Moreover, the development of entrepreneurship can be attributed to two main factors. The primary reason that contributes is an increase in the proportion of young and unemployed individuals and next is their desire for skill development and competitiveness (Dash & Kaur, 2012). Entrepreneurship enables people to investigate new ideas and opportunities.

However, merely having an idea won't do much good if entrepreneurs and their individual firms do not have the required attitude and capacities to run successfully. To achieve the abovementioned rewards, entrepreneurs and their companies need to be really entrepreneurial. Entrepreneurs need to come up with concepts that are unique to the market, take significant risks, and undertake initiatives that have not before been explored. Resources are something that everyone owns but the quality and skill to

transform these resources into usefulness gives sustainability to an enterprise and also an entrepreneur. The capabilities in the form of superior networking connections, competitive marketing techniques, rewarding managerial methods, innovation of goods and services and continuous learning mechanisms enable entrepreneurs and their organisations to function better. In order to attain better performance, entrepreneurs need to realize their own resources. These resources include human capital, social capital and financial capital. However, due to entrepreneurship research being at its young stage the studies that explore the issue are still extremely fragmented with most of them focusing on researching the limited aspects. Thus, there is a requirement to analyse the role of human capital, social capital and financial capital on firm performance of youth entrepreneurs.

**Human Capital:** Human capital is the knowledge and abilities of individuals that permit them to change their actions and contribute to economic growth (Coleman, 1988). Human capital is one of the most important public policies of a knowledge-based economy. Human capital is the knowledge which is embodied within people (Coff, 2002). In general, education, experience, and knowledge are essential characteristics of human capital. (Wright et al., 1995). Human capital has been argued as the major determinant of venture performance by different disciplines (Davidsson & Honig, 2003; Dobbs & Hamilton, 2007; Jones et al., 2010).

**Social Capital**: Social capital is defined as "goodwill that is engendered in the social relations of social systems and that can be mobilised to facilitate collective action" (Adler & Kwon, 2002). Numerous kinds of social capital have been investigated in the literature, including the individual the organisational and the societal (Nahapiet & Ghoshal, 1998; Putnam, 1993). Through a variety of techniques, social relationships foster the dissemination of information and expertise both across and inside firms (Beugelsdijk & van Schaik, 2005) which includes fostering cooperation between businesses and enabling more efficient resource use; producing a high absorptive capacity(Bjørnskov & Méon, 2015).

**Financial Capital**: Financial capital consists of both debt and equity, according to (van Praag, 2003). In this study, financial capital is considered as financial capital

availability and accessibility in subjective manner. Financial capital availability stimulates businesses to enter new markets and strengthen their positions, while low financial availability deters them from continuing their operation (Xu & Hitt, 2020). In other hand, financial capital accessibility is the greater access to varied financial skills can be able to attain different resources which help them to establish competitive positioning (Liu et al., 2016)

The present study intends to bridge this research gap by studying human capital, social capital, and financial capital and their role in affecting firms financial and non-financial performance of youth entrepreneurship. This research also focusing the mediating effect of innovation on the relationship between human capital, social capital, financial capital and the financial and non- financial performance. The current research attempts to fulfil its aims by concentrating on youth entrepreneurs' firms in Kerala.

**Statement of the problem**

Human capital, financial capital, and social capital are the three fundamental types of organisational capital that make up a successful enterprise in the entrepreneurial process. All of these factors have a strong relationship with entrepreneurial performance (Fatoki, 2011).Organizational capital is a key element of entrepreneurial success. Organizational capital is a complex concept that includes several types of intangible capital. The limited scale of operations and infrastructure forces to focus primarily on their intangible assets as a means of achieving competitiveness (Fang et al., 2023). A wide range of entrepreneurship theories including resource-based view ((Davis & DeWitt, 2021), Human capital theory (Becker, 2009), social network theory (Liu et al., 2017) are used to evaluate all the factors that contribute to financial and non-financial performance of youth entrepreneurship. Resource based view theory emphasizes that the key to a firm's competitive advantage lies in its internal resources, which should be valuable, rare, inimitable, and non-substitutable. These resources can include anything from human capital to organizational processes and intellectual property. RBV suggests that firms can achieve sustained competitive advantage by leveraging these unique resources effectively (Barney, 1991). Human capital theory,

which derives from microeconomics, postulates that individuals have talents, knowledge, and skills that are valuable to businesses financially (Youndt et al., 1996). Social network theory (Liu et al., 2017) refers to the interconnectivity of individuals and groups in various ways, including their interaction, the exchange of information, and their interrelationships for efficient business operations.

This study examines the relationship between human capital, social capital, and financial capital regarding the financial and non-financial performance of startup companies in Kerala. Everyone has a lot of skills, but it is quite difficult to realise these skills. Human beings should upgrade their skills once they have identified and also be upgraded and updated regularly. Human beings face a huge problem in identifying their skills since most of them are incapable of doing so. Entrepreneurs will also possess a lot of skills and resources. These skills and resources can be transferred to the organizational level. A majority of entrepreneurs do not realize their resources for transforming the business success. They are not concerned with making changes to their resources to have more effect on the result. Human capital refers to the knowledge and abilities of individuals that allow them to change their actions and contribute to economic growth. There are various types of employees in entrepreneurship, including skilled, unskilled, and semi-skilled employees. A large number of entrepreneurs do not realize the importance of investing in human capital for achieving organisational goals. Although there are many platforms available for entrepreneurs to grow their business and build strong relationships, there is some uncertainty about how to build social capital on these platforms. Social capital plays an important role in achieving more success in business, but most entrepreneurs are unaware of it. There is no readiness on the part of entrepreneurs to utilize more financial capital resources and no serious effort to increase access to financial capital.

Business performance can be classified in financial performance and non-financial performance. Past studies have examined the impact of human capital, social capital, and financial capital on firms' financial performance, but few have investigated how these capitals combine to affect firms' financial performance; these studies fail to consider firms' non-financial performance. Past studies attempted the direct

relationship between human, social, financial capital and firm performance, but there is to be checked the direct and indirect relationship through the innovation. Specifically, this study intends to investigate the direct and indirect effects of human, social, and financial capital on firms financial and non-financial performance.

**Research Questions**

Q1: What are the different dimensions of human capital, social capital and financial capital?

Q2: Whether human capital, social capital and financial capital have an effect on financial performance?

Q3. Whether human capital, social capital and financial capital have an effect on non-financial performance?

Q4: Whether innovation effects the relationship between human, social and financial capital on the financial performance?

Q5: Whether innovation effects the relationship between human, social and financial capital on the non-financial performance?

**Significance of the study**

Innovative concepts and growth tactics may be found in young brains. Because of these benefits, being an entrepreneur is becoming a very popular career choice. Many young people nowadays want to launch their own businesses and take on all the risks and responsibilities that come with it after seeing the success of others in similar fields. Though many young people join the entrepreneurial ecosystem, just a few of them go on to maintain their position over the long term. The majority of young entrepreneurs fail in their first years of business. The lack of necessary resources, high levels of uncertainty, lack of expertise, poor technological progress, low levels of financial assistance, and insufficient skills make it challenging for young entrepreneurs to run their businesses effectively. Due to the high number of businesses that fail to endure the market rivalry and continue operating, firm performance has

come up for discussion. Therefore, it has become essential to research the variables influencing business performance in order to ensure their long-term success.

Utilisation of resources at maximum level is very important for success of any enterprises. As a part of the entrepreneurial process, there are three basic types of capital that contribute to the success of a venture: human capital, financial capital and social capital (Fatoki, 2011). Studying entrepreneurial human capital, social capital, and financial capital would help to introduce more innovation and it bring necessary changes in businesses. Entrepreneurs can attain more human capital through training and education. Social network can bring more addition to the social capital. Availability and accessibility of more financial resource can help to sustain financial capital. Studying the entrepreneurial human, social, and financial capital would help the effect of these factors on the financial and non-financial performance of young entrepreneurs in Kerala. There is a potential benefit for the following groups


**Scope of the study.**

1) The current research employs an explorative, descriptive and analytical approach, aiming to offer a broad perspective on how human capital, social capital, and financial capital influence the financial and non-financial performance of youth entrepreneurship

2) The scope of the research is mainly based on primary data. The data was collected from innovative youth entrepreneurs in Kerala. Registered entrepreneurs in the Kerala startup mission have been considered innovative entrepreneurs.

3) Kerala State Youth Commission Bill 2013 defines youth as anyone between the ages of 18 and 39. This study includes respondents between the ages of 18 and 39.

4) This study examines the young entrepreneur's firm performance in Kerala. The study focused on major components of capital, such as human capital, social capital, and financial capital of young entrepreneurs in Kerala. Firm performance includes financial and non-financial performance.

5) The scope of the study covers the following topics: Human capital, social capital, financial capital, innovation, financial performance and non-financial performance.

6) The scope of variables under this study includes learning and education, experience and expertise, and innovation and creation as the dimensions of human capital. Relational Dimension, Structural Dimension, and Cognitive Dimension are the dimensions of social capital. Additionally, financial capital availability and financial capital accessibility are coming under the construct of financial capital. These all variables are the independent variable, and innovation is the mediating variable in this study. Dependent variables are the financial and non-financial performance.

**Research Objectives**

1. To study the role of human capital, social capital, and financial capital on firms Financial and non-financial Performance of youth entrepreneurship

2. To study the effect of innovation on Firms financial and non-financial Performance of youth entrepreneurship

3. To study the effect of innovation on the relationship between human capital, social capital and financial capital on firms' financial and non-financial performance of youth entrepreneurship

**Variables**

This study explores how innovation mediates the relationship between human capital, social capital, and financial capital on business performance of startup companies. Detailed descriptions of variables used in this study are provided below.

**Sources of Statements Generated for the Study**

The construct, dimension and statements have been adapted from the previous literature. Some statements have been rephrased and rearranged according to the study's and sample's suitability.

**Table 1.1**

*Source of Measurement Scale Adapted*

| Constructs | Dimension | Number of Statements | Sources |
|---|---|---|---|
| Human Capital | Learning and Education | 6 | (Hult and Ferrell, 1997), (Gomez et al., 2005) |
| | Experience and Expertise | 6 | (Sharabati et al., 2010) |
| | Innovation and Creation | 6 | (Chen & Chang, 2013) |
| Social Capital | Relational Dimension | 4 | (Wu et al., 2008) |
| | Structural Dimension | 4 | (Lawson et al., 2007) |
| | Cognitive Dimension | 4 | (Wu et al., 2008) |
| Financial Capital | Financial Capital Availability | 4 | (Cooper et al., 1994) |
| | Financial Capital Accessibility | 4 | (Wiklund & Shepherd, 2005) |
| Innovation Level | Innovation Level | 7 | (Manimala, 1992), (Schumpter, 1934) |
| Firm Performance | Financial Performance | 6 | (Lumpkin & Dess, 1996) (Lumpkin and Dess, 1996), (Walter et al., 2006), (Blesa et al., 2010) |
| | Non-Financial Performance | 5 | (Lumpkin & Dess, 1996)(Lumpkin and Dess, 1996), (Walter et al., 2006), (Hilmi et al., 2010) |

**Human Capital**

Human capital consists of the knowledge, capacity, capability and skills that enable them to change their behaviour and economic progress. It has been studies using three constructs namely learning and education, experience and expertise, innovation and creation.

**Learning and Education**

Learning and education refers to the learning capacity of the organisational employees and their educational level. In an organisation, learning and education include learning from colleagues, self-learning for various tasks, group discussion, updating of knowledge, etc.

**Table 1.2**

*Key Indicators of Learning and Education*

| Item Code | Indicators |
|---|---|
| LE1 | Our decisions and activities are continually evaluated over time |
| LE2 | It is possible to assess our achievement of goals through self-assessment |
| LE3 | Managers in the firm often provide useful feedback that helps in identifying potential problems and opportunities |
| LE4 | Company's employees continuously learn from others |
| LE5 | We always discuss and analyse errors and failures at all levels |
| LE6 | The company invests a great deal of time and effort in updating and developing its employee's knowledge and skills |

**Experience and Expertise**

Expertise refers to an employee's ability to perform a particular task in an efficient and effective manner, and experience refers to the work experience one has in a similar field of work.

**Table 1.3**

*Key Indicators of Experience and Expertise*

| Item Code | Indicators |
|---|---|
| EE1 | There is a high level of expertise among the company's employees in their respective fields |
| EE2 | Performance of the company's employees is consistently high |
| EE3 | The company's employees generally give all they have to the company, making it stand out among its competitors |
| EE4 | Company's employees have worked many years in the firm |
| EE5 | Staff members at this company are highly professional |
| EE6 | As a company, we are proud of our ability to be efficient |

**Innovation and Creation**

Innovation and creation include innovative ideas to perform a task, novel approaches, embracing novel technology and procedures, and appreciating inventive solutions, which are all indicators of organisational innovation and creation.

**Table 1.4**

*Key Indicators of Innovation and Creation*

| Item Code | Indicators |
|---|---|
| IC1 | Compared to other companies in the industry, the company's employees are considered creative and bright |
| IC2 | It's common for company employees to come up with new ideas |
| IC3 | There is a high level of participation in group discussions among employees |
| IC4 | Employees are constantly contributing new knowledge and ideas to the business and sharing this knowledge with colleagues |
| IC5 | Employees at the company strive to do things in an innovative manner |
| IC6 | Large number of products or services are launched compared with competitors |

**Social Capital**

Social capital is referred to as the rules, aspects of social structure, social relationship, social network and interpersonal trust that promote collaboration for mutual gain. It has been studied using three constructs namely Relational Dimension, Structural Dimension and Cognitive Dimension.

**Relational Dimension**

"Relational dimension" refers to all the relationships that are created between organizations and people through cooperation, power, or economic connections.

**Table 1.5**

*Key Indicators of Relational Dimension*

| Item code | Indicators |
|---|---|
| RD1 | These exist a strong relationship between employees and employer |
| RD2 | We develop strong relationship with our business partners |
| RD3 | Our employees always keep their promises to us |
| RD4 | Our relationship with employees is characterized by mutual trust |

**Structural Dimension**

Structural capital is the equipment, software, databases, organisational structure, trademarks, logos, and anything else that increases employee productivity.

**Table 1.6**

*Key Indicators of Structural Dimension*

| **Item Code** | **Indicators** |
|---|---|
| SD1 | Resources from different teams can be combined and exchanged by our team members |
| SD2 | Throughout the team, our employees share useful information together |
| SD3 | We frequently contact with team managers |
| SD4 | We communicate functionally with the team managers of the organisation |

**Cognitive Dimension**

The concept of cognitive capital refers to resources that provide common representations, understandings, and systems of meaning among network members

**Table 1.7**

*Key Indicators of Cognitive Dimension*

| Item Code | Indicators |
|---|---|
| CD1 | Our employees clearly understand the goal and vision of our company |
| CD2 | Our team is passionate about pursuing the overall organization's goals and missions |
| CD3 | Our employees share the goal and vision of company, which is always same of directors |
| CD4 | Our employees understand how we do work effectively for the business |

**Financial Capital**

"Financial capital" refers to the money, funds, debt, etc., that a company owns or has available for the purposes of its operations. Financial capital consists both debt and equity. It has been studied using two constructs namely financial capital availability and financial Capital Accessibility

**Financial Capital Availability**

Financial capital availability means the availability of various sources of funds to do a project or an investment**.** A company's internal and external financing can have a significant impact on its performance in innovative areas such as research and development, and social initiatives.

**Table 1.8**

*Key Indicators of financial capital availability*

| Item Code | Indicators |
|---|---|
| FCAV1 | We are satisfied with the financial capital available for business operations |
| FCAV2 | Financial constraints do not impede our business activities |
| FCAV3 | Our business activities are better financed than our key competitors' business |
| FCAV4 | Financial resources are available on time for the smooth running of business activities |

**Financial Capital Accessibility**

Financial capital accessibility means the accessibility to raise funds from various source of finance, such as debt or equity.

**Table 1.9**

*Key Indicators of Financial capital accessibility*

| Item Code | Indicators |
|---|---|
| FCAC1 | We can easily access financial capital to achieve our business growth |
| FCAC2 | In order to fund business initiatives, managers have substantial financial resources at their disposal |
| FCAC3 | Financial assistance would be easy to obtain if we needed it for our business operations. |
| FCAC4 | We have no more complicated procedures to access financial capital |

**Innovation Level**

A person who is an innovator is someone who introduces new ideas into the market. A key component of entrepreneurship is innovation, which is the process of continuously developing a concept to produce new goods or services.

Researcher measured innovation level on the basis on entrepreneurs' individual strategic orientation.

**Table 1.10**

*Key Indicators of Innovation level*

| Item code | Indicators |
|---|---|
| IN1 | I focused research and development of product/services instead of marketing |
| IN2 | I used to introduce new method of production or service rather than conventional method |
| IN3 | I search for novel technology, procedures, and work method |
| IN4 | I prefer innovative ideas rather than conventional knowledge when it comes to solving problems. |
| IN5 | I found new ways of managing finance |
| IN6 | I found new supply sources |
| IN7 | I developed new structures, systems, or procedures |

**Firm Performance**

The result of an entrepreneur's and a firm's activities is known as firm performance. A competitor-cantered measuring technique is used to evaluate firm performance (Day & Nedungadi, 1994). Since quantitative data were not available, the research used subjective measurements instead of objective measurements. Furthermore, owners' perceptions of the firm's performance are consistent with the true performance of the firm. It has been studied using two constructs namely financial performance and non-financial performance.

**Financial Performance**

The Financial Performance of a company is a measure of the firm's performance as far as qualitative parameters are concerned

**Table 1.11**

*Key Indicators of Financial Performance*

| Item Code | Indicators |
|---|---|
| FP1 | Growth in sales |
| FP2 | Gross profit |
| FP3 | Net profit |
| FP4 | Return on investment |
| FP5 | Return on Assets |
| FP6 | Company's market value (Total stock value) |

**Non-Financial Performance**

To assess a company's entire success, non-financial performance must be taken into account. Only the financial component of the firm will be shown by financial performance, but the entrepreneurs' degree of happiness will be revealed by non-financial performance.

**Table 1.12**

*Key Indicators of Financial Non-Financial Performance*

| Item Code | Indicators |
|---|---|
| NFP1 | Employee Productivity |
| NFP2 | Customer Satisfaction |
| NFP3 | Owner satisfaction |
| NFP4 | Customer retention |
| NFP5 | sense of self-fulfilment |

The following items are used to measure "non-financial performance":

**Hypotheses**

The following hypotheses are formulated on the basis of objectives**.**

**H1:** Human capital constructs have a direct positive effect on firm performance

H1a: Human capital constructs have a direct positive effect on firm financial performance

H1b: Human capital constructs have a direct positive effect on firm non-financial performance

**H2:** Social capital constructs have a direct positive effect on firm performance

H2a: Social capital constructs have a direct positive effect on firm financial performance

H2b: Social capital constructs have a direct positive effect on firm non-financial performance

**H3:** Financial capital constructs have a direct positive effect on firm performance

**H3a**: Financial capital constructs have a direct positive effect on firm non-financial performance

**H3b**: There is a significant relationship between financial capital and non-financial performance

**H4**: Human capital constructs have a positive effect on innovation activity

**H5**: Social capital constructs have a positive effect on innovation activity

**H6**: Financial capital constructs have a positive effect on innovation activity

**H7**: Innovation positively effects on the firm performance

**H7a:** Innovation positively effects on the firm financial performance

**H7b**: Innovation positively effects on the firm non-financial performance

**The Mediation Hypotheses**

**MED.H8**: Innovation plays a mediating effect between human capital and firm performance

**MED.H8a**: Innovation plays a mediating effect between human capital and firm financial performance

**MED.H8b**: Innovation plays a mediating effect between human capital and firm non-financial performance

**MED.H9**: Innovation plays a mediating effect between social capital and firm performance

**MED.H9a**: Innovation plays a mediating effect between social capital and firm financial performance

**MED.H9b**: Innovation plays a mediating effect between social capital and firm non-financial performance

**MED.H10**: Innovation plays a mediating effect between financial capital and firm performance

**MED.H10a**: Innovation plays a mediating effect between financial capital and firm financial performance

**MED.H10b**: Innovation plays a mediating effect between financial capital and firm non-financial performance

**CONCEPTUAL MODEL**

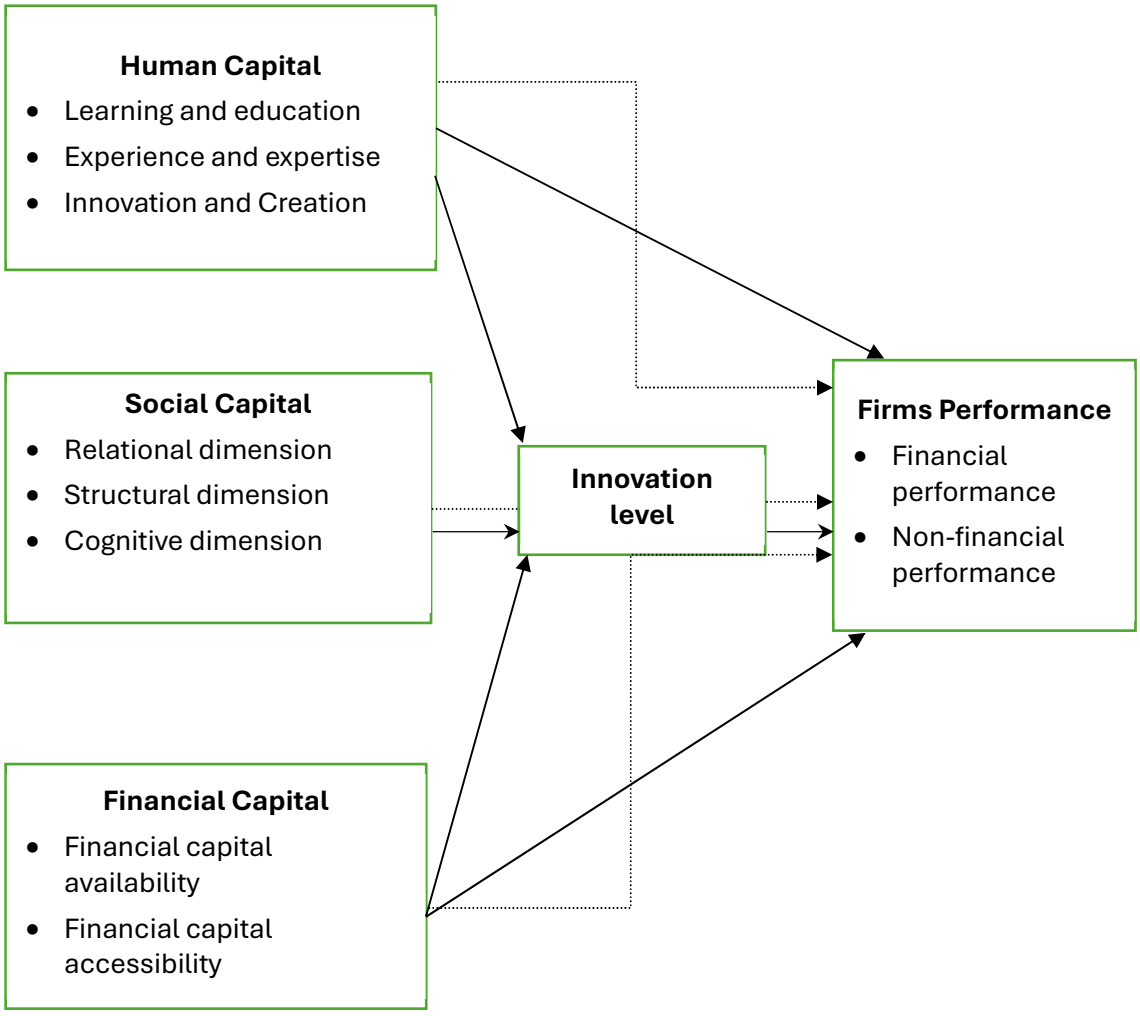
Previous studies were explored in the previous chapter to examine the relationship between different constructs. The purpose of this chapter is to provide the conceptual framework for this study. The conceptual framework explains all of the frameworks the researcher used. The researcher outlines the statements that will be used to test the study's constructs after conceptualising the components. subsequently, a discussion of the objective hypothesis mapping will show the relationship between the study's aims

and its developed hypotheses. Next, the researcher suggests a conceptual model that explains how the various constructs relate to one another.

An extensive assessment of the literature served as the foundation for the proposal of a conceptual model that includes many components. The proposed model attempts to examine the effect of human capital, social capital and financial capital on Firm Performance. The model further functions to explore the mediating effect of innovation on the relationship between human capital, social capital and financial capital on Firm Performance**.**

**Figure 1.1**

*Proposed Conceptual Framework*



Based on the above proposed model, it can be shown how the constructs of the study are related to each other.

Human Capital: Human Capital has been measured through three constructs, such as

- Learning and Education
- Experience and Expertise
- Innovation and Creation

Social Capital: Social Capital has been measured through three constructs, such as

- Relational dimension
- Structural dimension
- Cognitive dimension

Financial Capital: Financial Capital has been measured through three constructs, such as

- Financial capital availability
- Financial capital accessibility

Innovation Level: According to Schumpeter (1934) innovation is operationalized through the concept of "newness."

Firm Performance: The financial and non-financial performance indicators are used to measure the multi-dimensional nature of firm performance.

- Financial performance
- Non-financial performance

The entrepreneurs and scholars have both placed a lot of emphasis on the firm performance. Discovering the elements that would enable them to improve their company's performance has been the main focus of entrepreneurs. As performance might fluctuate based on many factors, this research measures business performance using both financial and non-financial metrics. The product profile and human

element are as important for a company's long-term survival as the financial component. A company must constantly create new goods and services to be competitive in a changing market. Customers who are happy with a business stay with it longer and contribute to its success. In a similar vein, staff productivity also contributes to a company's improved success via higher production.

A number of factors have been identified in the literature that may affect firm performance, but this study examines the effect of human capital, social capital, and financial capital on firm performance. In this study, human capital, social capital, and financial capital deal with entrepreneurs' perceptions from an organisational perspective. On the basis of a review of the literature, researchers identified various constructs such as human capital, social capital, and financial capital. The constructs of human capital include three dimensions such as learning and education, experience and expertise, innovation, and creation. The constructs of social capital are the relational dimension, structural dimension, and cognitive dimension. The constructs of financial capital include financial capital availability and financial capital accessibility. In this research, researcher aims to investigate the effect of human capital, social capital and financial capital on firms financial and non- financial performance.

As the prior research highlights, the relationship between human capital, social capital, and financial capital on firms' performance is very complex when innovation mediates the relationship between human capital, social capital, and financial capital on firms' performance. According to the literature, human capital, social capital, and financial capital lead to firm performance. This study investigates not only the direct relationship between human capital, social capital, and financial capital on firm performance but also the indirect relationship. The present study attempts to study the mediating effect of innovation on the relationship between human capital, social capital, and financial performance in firms, both financial and non-financial.

**RESEARCH METHODOLOGY**

A significant part of this chapter is devoted to discussing the research methods, the research design used, the targeted population, the technique used for sampling, the

size of the sample, and the method of data collection used for the successful completion of the study. It also includes the various methodologies and limitations.

**Research Design**

The current study includes analytical and descriptive research elements. This research adopts an analytical research design, in this study, statistical techniques are employed to analyse quantitative data and examine the relationship between various forms of capital and firm performance. This is also descriptive in nature; it gathers descriptive information about specific aspects of a topic and is extensively studied in the context of young entrepreneurs.

**Population of the research**

The population is the innovative young entrepreneurs in Kerala. The Kerala State Youth Commission Bill (2013) defined 'youth' as person in the age between 18-39 years. As usually, startup founders are considered innovative entrepreneurs. Startups have a vital role in innovation processes.(Colombo & Piva, 2008; Davila et al., 2003). Young entrepreneurs are under the age of 40, running startups or small businesses that develop new products, improve processes, or develop new business models. The population of this study covered all youth entrepreneurs having their own startups or innovative-driven business.

**Sampling Design**

This study adopted probability sampling and employed simple random sampling to select firms that met specific inclusion criteria

**Inclusion Criteria**:

- The firm must operate an innovation-driven business model.
- The business must have been scaled and in operation for at least three years.
- The entrepreneur must be between 18 and 39 years old at the time of the study.

The sampling frame consisted of registered young entrepreneurs under the Kerala Startup Mission (KSUM) who met the inclusion criteria: aged between 18 and 39, running innovation-driven businesses, and having scaled their business for at least three years.

- The initial sampling frame consisted of 5,000 innovation-driven startups registered under the Kerala Startup Mission (KSUM)-*), Startups are entities engaged in innovation, development, or improvement of products and services and have a high potential for creating employment or wealth. (KSUM Official Site)*
- A total of 2500 entrepreneurs were included in the final sampling frame after fulfilling the inclusion criteria.
- Each eligible entrepreneur in the sampling frame was assigned a unique identification number. A random sample was selected using computer-generated random numbers

**Sampling Size**

A study's sample size refers to how many observations were used. There are several methods that can be used for calculating sample size. The researcher used an a priori sample size calculator, its online sample size calculator for structural equation modelling.

**A priori sample size calculator**

This study used an a priori sample size calculator for structural equation modelling (SEM) (Soper, 2020). Data input requirements for this software include an estimate of the expected effect size, a statistical power level, the number of observed variables and latent variables in the model, and the probability of detecting the minimum sample size for SEM (Christopher Westland, 2010; Cohen, 2013).

**Sample size calculation**

| |
|---|
| Anticipated effect size:0.25 |
| Desired statistical power level:0.8 |
| Number of latent variables: 11 |
| Number of observed variables:56 |
| Probability level:0.05 |
| Recommended minimum sample size:298 |
| **Researcher used 300 sample for the study** |

**Data Collection**

The two sources of data collection are primary and secondary sources**.** Primary data are those that have been gathered particularly for the specific problem by a researcher. Under primary data collection method, researcher collects data directly from respondents. This original information was gathered by questionnaires, surveys, experiments, interviews, and observations. On the other hand, secondary data are those that have already been gathered and are in the public domain via both published and unpublished sources. Secondary data are used to identify the constructs and get a comprehension of the study topic. In order to get the necessary data for the research, this study used both primary and secondary data. While secondary data was employed to identify important study components, identify research gaps, establish the conceptual framework, and establish the study's foundation, primary data were used to provide first-hand observation of the constructs.

**Sources of Primary data**

A structured questionnaire was distributed to startup founders enrolled in the Kerala Startup Mission to collect primary data.

**Sources of Secondary data**

Secondary data were gathered from previously published sources, including books, journals, research papers, and internal documents.

- Website of Kerala Startup Mission
- Startup India Website
- Research dissertation and thesis
- Blogs
- DPIIT (Department for Promotion of Industries and Internal Trade) Website
- Annual report of Kerala startup mission

**Data Collection Instrument**

In this study, researcher used well structures questionnaire to collect data. In order to ensure that the instrument was internally and externally consistent, the reliability and validity of the questionnaire were analysed. Structure of questionnaire can be classified in two parts:

- First part of the questionnaire includes the demographic details of respondents (Age, gender, Education etc.) and the general information about their organisation (nature of the firm, number of employees, types of employees etc.)
- The second part of the questionnaire includes a series of items or statements that measuring various construct of the study such as Human Capital, Social Capital, Financial Capital and Firms Performance.

Overall, the questionnaire has **56** statements (excluding demographics) on different aspects of the constructs that are covered in the questionnaire

**Pilot Study**

The Pilot study is vital to developing a valid and reliable instrument to ensure accurate measurements and achieve the study's objective (Sekaran & Bougie, 2016). The purpose of the pilot survey is to ensure that the instructions, questions, and scale of questions were clear and understandable to the participants. A pilot study is necessary to determine if the questionnaire's design can provide the type of data required to make reliable findings. Additionally, a pilot study serves as a warning system by drawing attention to flaws in a suggested research tool, such as the places where research methods would not be effective or the places where the tool could run out inappropriately. It is recommended that pilot tests be carried out to see if the questionnaire has any ambiguities or whether respondents had any difficulties. In order to prevent claims that are incorrect, repetitive, or improper, surveys are pilot-tested. The research instrument is pilot-tested to make sure it can be used correctly and that consistent data is collected using it.

A pilot study was carried out on a sample of 100 young entrepreneurs in order to pre-test the questionnaire. This was done in order to calibrate the questionnaire, evaluate the respondents' comprehension and identify any inconsistencies. Every concern raised by respondents has been taken into account and examined to improve the questionnaire. The purpose of the pilot study was to measure the amount of time needed to effectively complete a questionnaire and to assess the research instrument's viability, clarity, reliability, and validity.

**Results of Pilot Study**

The questionnaire was finalized based on the results of the pilot study and refined based on the feedback received from the respondents during the survey process. There have been some questions rearranged, some patterns changed, and some terminologies redefined in order to make the questionnaire easier to understand for the respondents. Cronbach's alpha was calculated to test the internal consistency of the questionnaire, and the results showed that it has a good level of reliability with an alpha of .939. Researchers believe any value of Cronbach's alpha over 0.7 represents good reliability and is sufficient for the final study (Cronbach, 1951). Moreover, individual constructs were found to be reliable. To improve the questionnaire's understandability, a few statements were refined based on insights shared by respondents.

**Data Compilation**

The data were compiled before data analysis in order to make the data useable for a specific tool and statistical software**.**

- **Data Coding**

A numeric code has been used to code the data, such as 1- Male, 2- Female. Each of the questionnaire's questions and statements has been treated equally

- **Data Cleaning**

A thorough cleaning of the collected data has been undertaken in order to remove any missing or unengaged responses. Respondents who score similar answers to all survey questions and display fewer differences between their responses are unengaged. It is

important to calculate the standard deviation for each respondent in order to distinguish unengaged responses. It indicates an unengaged response from a specific respondent if the standard deviation is extremely low and close to zero, so that respondent's information should be deleted (Malhotra and Dash, 2011). A standard deviation calculation has been used to remove unengaged responses.

The term "missing value" refers to a variable in the information set where the response score is not recorded correctly or indicates an unclear response. The results of the study may be influenced by a significant number of missing values. The handling of missing responses may become an issue if the number of missing responses exceeds 10 percent of the total sample size. One method of managing is to delete the responses, and another method is to replace the missing score with the mean score. (Malhotra and Dash, 2011). The missing values in this study have been identified and replaced by the mean score

**Data Analysis and Interpretation**

The data have been analysed using SPSS 26 and AMOS 24

**Data Analysis Tools and Techniques**

- **Reliability Analysis**

A reliability analysis is used to check the internal consistency of different items based on different dimensions and constructs. It is very important to check internal consistency of various dimensions and construct for the data analysis.

- **Normality Analysis**

The normality test determines whether the data collected falls within an acceptable skewness range and whether sample size distribution is normal. It is also necessary to check the normality of the data because it is one of the basic assumptions of AMOS-based structural equation modeling. Skewness and kurtosis values are descriptive measures commonly used to determine distribution shape.

- **Correlation**

In correlation analysis, the variables should not correlate with any other variable or must significantly correlate with at least 3 other variables >0.3 and 0.9 are considered acceptable.

- **Exploratory Factor Analysis**

The purpose of factor analysis is to reduce a large number of variables to a smaller number. Various scales were adapted for measuring human capital, social capital, financial capital, and firm performance in this study. The purpose of EFA is to check the adequacy of the samples, to extract the factors, and to calculate the variance explained by the factors combined. This method reveals how many factors and variables are associated with a specific factor.

**Confirmatory Factor Analysis**

Data are analysed using CFA to determine whether the proposed measurement model is supported by the data. It is used to test how well accurate the measured variables are at representing the number of constructs. In the confirmatory factor analysis, various indices are used to assess the reliability and validity of the constructs and model fit of the measurement model.

- **Structural Equation Modelling**

Structural equation modelling (SEM) is a powerful method of analysing complex relationships between variables. SEM helps to test multiple dependent and independent variables in a model simultaneously.

**Data Analysis Procedure**

The study investigated the effect of human capital, social capital, and financial capital on firm performance. It has also examined the mediating effect of innovation on the relationship between human capital, social capital, financial capital, and firm performance. The analysis has been done in three stages, explained below.

**Stage 1: Direct Effect of Human capital, Social capital and Financial capital on Firm performance**

In the first stage, the direct effect of human capital, social capital, and financial capital on firm performance has been examined. Human capital is measured by using three dimensions: learning and education, experience and expertise, and innovation and creation. Social capital is measured by using three dimensions: relational dimension, structural dimension, and cognitive dimension. Financial capital is measured by using financial capital availability and financial capital accessibility. Firm performance has been measured using both financial and non-financial performance. For the first objective, the effect of human capital, social capital, and financial capital on firm Performance has been tested and interpreted. The relationship has been studied using structural equation modeling. AMOS 24 was used to run the structural equation model, and standardized regression weights and p-values were used to draw inferences.

**Stage 2: Direct effect of innovation on firm performance**

A direct effect of innovation on firm performance is examined in the second stage. An operationalized measure of innovation has been adapted to examine the level of innovation among entrepreneurs by relating it to (Schumpeter, 1934) cross-cutting theme of "newness". The direct effect of innovation on firm financial and non-financial performance indicators has been investigated to test their significance in explaining variance in firm performance. The relationship between innovation and firm performance has been studied using structural equation modeling. To run the structural equation modeling AMOS 24 have been used and the standardized regression weights and p-values were used to draw the inferences**.**

**Stage 3: Mediating effect of innovation on the relationship between human capital, social capital and financial capital on the firm performance.**

After examining the direct effect of human capital, social capital, and financial capital on firm performance, in the next stage, the mediating effect of innovation was investigated. The researcher used the bootstrapping method for mediation analysis.

Bootstrapping is a resampling technique that involves repeatedly sampling with replacement from the data to estimate the distribution of a statistic. It is a modern and more powerful technique for mediation analysis

To determine whether full mediation or partial mediation occurs when human capital, social capital, and financial capital are measured directly on firm performance in the absence and presence of innovation. Partial mediation occurs when the independent variable continues to have a significant effect on the dependent variable even in the presence of a mediating variable. As opposed to this, full mediation occurs when the mediating variable makes the direct effect of the independent variable on the dependent variable insignificant**.**

The purpose of this chapter is to explain the methodology and sampling design used in the study. Data collection methods used in the chapter have also been discussed. In this chapter, the results of the pilot study are discussed in greater detail. A detailed explanation of the data analysis tools, techniques, and procedures has also been provided. The next chapter i.e. Analysis and Interpretation presents the results and interpretations of all the statistical tests.

**Period of the study**

The study's timeframe consists of the period from July 2020 to June-2025. Primary data was collected from well structure questionnaire from innovative young entrepreneurs in Kerala during the period of April 2023 to December 2024**.**

**Limitations of the study**

- The study is limited to focus component of capital such as human capital, social capital and financial capital.
- The quality of primary data depends on the information supplied by respondents and it depends on the views, attitudes of respondents and it was very difficult to get the responses from busy scheduled entrepreneurs and potential entrepreneurs especially in the field of startups.

Its difficulty to reaching out to the target sample

**Chapterisation**

The whole research report is divided into six chapters. Chapterisation of the thesis is presented in the following sections**.**

**Chapter 1: Introduction**

This chapter provides a preamble to the thesis. It contains details such as the background of the study, research problem, significance of the study, scope of the study, objectives, operational definitions of the terms used in the study, proposed hypotheses, conceptual model developed, research methodology adopted, and finally the limitations of the study

**Chapter 2: Review of literature**

This chapter includes evaluations of previous literature pertaining to entrepreneurship, human capital, social capital, financial capital, innovation and business performance. These reviews are categorized and presented under distinct themes. Furthermore, the chapter addresses the research gap that emerged from the literature review

**Chapter3: Human capital, Social capital & Financial capital on Firm Performance**

This chapter provides a basic introduction of human capital, social capital, financial capital, innovation and business performance. This chapter includes a theoretical overview of the relationship between human capital, social capital, and financial capital on financial and non-financial performance of startup companies and how innovation mediate the business performance.

**Chapter 4: Data analysis and interpretation**

This chapter presents the data analysis and interpretations. CFA & SEM have been used to study the effect of human capital, social capital, and financial capital on financial and non-financial performance of startups companies. Additionally, this chapter includes the mediating effect of innovation on the relationship between human capital, social capital and financial capital on the financial and non-financial performance of startup companies**.**

**Chapter 5: Summary, Findings and Conclusions**

This chapter presented overall summary of this research work. This chapter includes the finding of this research work and brief summary

**Chapter 6: Recommendations**

This chapter presents suggestions based on the research findings and also included the scope for future research, and implications of the research work.

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# Chapter 2

# REVIEW OF LITERATURE

## 2.1 Introduction

Youth entrepreneurship has a vital role in the academic community and economy. In recent years, intangible resources of organisational capital like human capital, social capital, and financial capital have become increasingly important in shaping business outcomes. Entrepreneurial firms rely on these forms of capital for their sustainability, competitiveness, and growth, especially in innovative and dynamic environments. The purpose of this chapter is to provide a comprehensive review of the existing literature on how human capital, social capital, and financial capital influence firm performance. It emphasizes the context of young, innovative entrepreneurs in Kerala. In this chapter, critically assess the relationships between various constructs based on a detailed review of past research. Literature reviews are used to summarize existing knowledge in the area of interest and to initiate further research. This review is based on secondary sources that are already available in web databases. Comprehensive definitions and their dimensions of human capital, social capital, financial capital, and business performance have been presented in the chapter to assist the research and describe how these factors relate to one another in light of the objectives of the study.

## 2.2 Entrepreneurship

Since the previous two decades, the idea of entrepreneurship has expanded and is now much more prevalent in both developed and developing nations, including India. Entrepreneurship is the root of all entrepreneurial activity and how these activities influence the success and growth of an economy has drawn the attention of academics from a variety of disciplines. According to Turker & Sonmez Selcuk (2009) , entrepreneurship is becoming more important for economic growth, employment

possibilities, job design, and restructuring of innovation across a range of industries. (Liñán et al., 2011) stated that Being an entrepreneur involves having a solid understanding of strategies to use in order to successfully launch a firm by using market possibilities. A person must be able to take risks in order to succeed in business, and creativity will help the firm flourish (Hébert & Link, 1989). Hyder & Lussier (2016) supported the same argument, he stated that Entrepreneurship is a key topic in management studies and is seen as a crucial component of personal achievement

The idea of entrepreneurship can potentially be investigated from a wide range of perspectives. In his study, Bird (1992) said that entrepreneurship is not something that can be forced onto a person; rather, it is something that can be fostered by a person's feeling of drive and long-term outlook. Shane & Venkataraman (2000) specifically focused on entrepreneurial opportunities and discovered in his research that there is a discrepancy between economic opportunities and entrepreneurial opportunities because entrepreneurial opportunities have different latitudes and are generated by entrepreneurs' discoveries of new things.

Entrepreneurship is essential to the well-being of any economy. It is one of the key components of economic development that aids an economy in expanding and overcoming its stagnant goals. The economic development of any country purely determines the success of business enterprises fosters economic expansion and development, raising real per capita income and infrastructure (Jevwegaga et al., 2018). It creates financial gains and maintains the health of the economy. Research has shown that entrepreneurship is not only a viable career option but also a potent weapon against economic problems, emphasising its cross-border and developmental advantages.

Entrepreneurs contribute to economic growth in terms of innovation, the creation of jobs, and extra revenue production from outside sources, according to (Smallbone & Welter, 2001), who acknowledged the importance of this role. They also stated that entrepreneurs have different goals and phases of market change.(Shrivastava & Shrivastava, 2013) highlighted in their research that entrepreneurship and well-established firms work together to influence a nation's economic growth to a great

degree. According to Naudé (2008), entrepreneurship may help a country transition from a mainly agricultural economy to a modern one. Growth that is driven by innovation increases productivity, but a lack of entrepreneurship adds to economic slowness and developmental gaps. Quantity and quality of entrepreneurship are determined by the rate of self-employment, new businesses, and the credit market in every given country. (Stel et al., 2005) discovered that the degree of per capital income had a distinct influence on entrepreneurial activity in various countries. The above-mentioned studies clearly show the importance of entrepreneurial development for increasing per capita income as well as nation-wide economic growth.

In today's world, unemployment is a major concern. It seems that entrepreneurship is a fantastic substitute for young unemployment. Entrepreneurship not only helps new markets expand, but it also helps people develop their own entrepreneurial attitudes and traits. (Adenutsi, 2023) defined entrepreneurship as a dependable source of money generating for entrepreneurs, labour, and other factor inputs. All income producers, including entrepreneurs, workers, and factor inputs, become more autonomous to meet problems as entrepreneurial activities develop. In the same sense, Lowery (2011) argued in different perspective which is the importance of entrepreneurship and made a distinction between "employment jobs," or employment offered by an employer to an employee, and "entrepreneurial jobs," or employment created by company owners on their own. The authors describe the importance of entrepreneurship in promoting employment as well as how it functions in practice. When a business begins to produce something useful and these items find a market, the entrepreneurs hire workers to increase their production, which opens up a lot of options for employment.

The importance of entrepreneurship in reducing unemployment has been explained by many authors. According to Sorokhaibam & Thaimei (2012), entrepreneurship development is the key strategy for generating sufficient job possibilities. Entrepreneurship helps the economy of the country by giving jobs to both skilled and unskilled job seekers. Small businesses work to provide employment for a big number of people and to reduce the number of jobless individuals in the country. Given the consistently growing rates of unemployment and underemployment, particularly among educated workers, entrepreneurship development has become the only practical way to address the issue and stabilise the employment situation in India.

**Table 2.1**

*Review of Literature Summary – Entrepreneurship*

| Author and Year | Findings |
|---|---|
| (Liñán et al., 2011) | A successful entrepreneur has a sound knowledge of ideas on how to create successful businesses by taking advantage of market opportunities |
| (Bird, 1992) | An individual's sense of drive and long-term outlook can foster entrepreneurial spirit; it cannot be forced upon them |
| (Shane & Venkataraman 2000) | Entrepreneurial opportunities, which are characterized by innovative discoveries, have distinct latitudes and differ from economic opportunities due to their unique nature. |
| (Hyder and Lussier, 2016) | Management studies emphasize entrepreneurship as a crucial component of personal success |
| (Hébert & Link, 1989) | An entrepreneur has to be able to take risks in order to be successful in business, and creativity will help the firm achieve success. |
| (Jevwegaga et al., 2018) | The economic development of a nation is purely determined by entrepreneurial development |
| (Smallbone and Welter, 2001) | Entrepreneurs contribute to economic development via innovation, the creation of employment, and the generation of more revenue. |
| (Shrivastava and Shrivastava, 2013) | Well-established firms and entrepreneurship play a significant role in a nation's economic development |
| (Naudé, 2008) | Entrepreneurship encourages efficiency, whereas a lesser level of entrepreneurship slows the economy down |
| (Stel et al., 2005) | Entrepreneurship development helps a country flourish by transforming an agricultural economy into an industrial economy |
| (Adenutsi, 2023) | Allocation and utilisation of various resources through entrepreneurial activities stimulate production and marketing processes and generate employment opportunities. |
| (Sorokhaibam and Thaimei, 2012) | Both skilled and underqualified workers are likely to discover employment opportunities in talented and promising businesses. |

## 2.3 Human Capital

The concept of human capital is the knowledge and abilities of individuals that make possible changes in action and economic growth (Coleman, 1988). It is possible to develop human capital through formal education and training that aims to update and renew one's capabilities in order to succeed in society. Investing in human capital serves as a means of integrating knowledge, skills, and competencies among employees within an organization. It also supports knowledge collection and transfer (Obeidat et al., 2017). It has been demonstrated that human capital contributes to the creation, transfer, and innovation of knowledge within MNC subsidiaries (Minbaeva et al., 2003). Additionally, human capital facilitates knowledge management and helps individuals within an organization develop appropriate and necessary processes (I. Hsu & Sabherwal, 2012). With increasing levels of human capital in subsidiaries, it is expected that explicit knowledge creation capacity will strengthen the influence of innovation; combining knowledge from external and internal sources toward innovation depends on employee skills, motivation, and competence.

A key component of human capital theory is the belief that human capital has a direct impact on firm performance (Ployhart & Moliterno, 2011). Researchers use human capital theory to understand how individuals' knowledge, skills, abilities, and other competences and characteristics impact firm performance, (Delaney & Huselid, 1996; Martin et al., 2013). Similarly, Crook et al. (2011) stated that consistent human capital will affect directly to firm performance. Similar findings are reached by Jiang et al. (2012) stated that organizations use human resource approaches intended to increase employees' competencies to fulfil their goals and improve their financial performance.

In the context of entrepreneurship, the relationship between human capital and firm performance is significant (Gimmon & Levie, 2009). Since the resourcefulness, creativity, and dedication of entrepreneurial participants constitute the foundation of new venture success, an understanding of the effects of human capital on new ventures is crucial for entrepreneurs (Zahra & Bogner, 2000). Human capital is a significant factor in determining how an organization behaves, particularly in the early phases of venture formation. According to Jones et al. (2010), human capital plays a particularly

significant role in the success of small and new businesses because it enhances firm performance by having an impact on a firm's capacity to create "strategic space," which is the means by which start-ups gain access to resources, inspiration, and the capacity to evaluate and improve upon current practices. On the other side, established businesses or large businesses will not have any active participants among human resources for their strategic or any decision-making (Kamm & Nurick, 1993). Additionally, new businesses depend more on the competence, experience, talents, and psychological characteristics of their founders (Gartner, 1985). These characteristics are crucial parts of human capital.

Different disciplines have asserted that human capital is the primary factor influencing venture success (Dobbs & Hamilton, 2007; Jones et al., 2010; Unger et al., 2011). The resource-based viewpoint showed that human capital not only provides a distinctive source advantage that facilitates entrepreneurship by reducing risk and increasing returns from investments but also provides the capability to manage this limited resource controlled by a business (Hayton, 2005). The performance of new ventures has been greatly influenced by human capital, according to recent research that has provided empirical support for this claim. For instance, Peña (2002) discovered that the survival and expansion of new ventures seemed to be favourably correlated with the quantity of human capital founders possessed. According to the qualitative case study by Goxe (2010), a small and medium-sized enterprise's (SME) entrepreneurial human capital, including entrepreneurial skills, technical expertise, and international experience, positively influences the SME's performance.

**Table 2.2**

*Review of Literature Summary – Human Capital*

| Author and Year | Findings |
|---|---|
| (Coleman, 1988) | Human capital is referred to as the knowledge and skills of people who enable changes in behaviour and economic progress. |
| (Obeidat et al., 2017) | The integration of knowledge, skills, and competences among individuals within an organisation is achieved through investing in human capital |

| Author and Year | Findings |
|---|---|
| (Minbaeva et al., 2003) | Within MNC subsidiaries, human capital promotes creation of knowledge, transfer, and innovation. |
| (Hsu & Sabherwal, 2012) | Knowledge management is facilitated by human capital, which also helps people in creating the required and suitable organisational procedures. |
| (Delaney & Huselid, 1996) | Uncovered that modern HRM techniques, such as selectivity in hiring, training, and incentive pay, are linked favourably to subjective assessments of organisational performance |
| (Martin et al., 2013) | Entrepreneurship-specific education can make an impact on the development of human capital. |
| (Ployhart & Moliterno, 2011, Gimmon & Levie, 2009) | An organization's performance is directly impacted by the quality of its human capital |
| (Crook et al., 2011) | The performance of a firm will be directly affected by consistent human capital |
| (Jiang et al., 2012) | The purpose of human resource approaches is to increase employees' competencies in order to achieve the organization's goals and to improve the company's financial performance. |
| (Zahra and Bogner, 2000) | Human capital plays a crucial role in the success of new ventures, requiring entrepreneurs to understand how it works |
| (Jones et al., 2010) | The success of small and young firms is especially reliant on human capital. |
| (Peña, 2002) | The amount of human capital founders possessed seems to be positively connected with the survival and growth of new companies. |

In this study, human capital is measured by three dimensions such as learning and education, experience and expertise, innovation and creation.

### 2.3.1 Learning and Education

According to (Prahalad & Hamel, 2003), organisational learning is generally acknowledged as a crucial component for competing effectively in a global market.

However, the literature's descriptions of organisational learning's components are still mostly descriptive. Researchers created the idea that there were three subprocesses to organisational learning: knowledge creation, knowledge retention, and knowledge transfer, the author stated that organisational learning and business success are related (Day, 1994; Slater & Narver, 1995). According to Ellinger et al. (2002), learning organisation practises and objective business financial performance have a favourable relationship. Similar to this, Garvin (2000) argued that a process of change must be included in any practical understanding of organisational learning. Leadership behaviours in an organisation have a big impact on how well people learn in organisations. Organisational learning and innovation were identified by (García-Morales et al., 2006) as the two pillars of successful entrepreneurship after studying the causes and effects of organisational learning in entrepreneurship. According to Zehir & Wujiabudula (2016), organisational learning has a beneficial effect on business success. The four factors that the authors examined; open mindedness, dedication to learning, shared visions, and intra-organizational information sharing were identified as the major drivers of business success.

There are positive correlations between higher levels of education and performance (Felício et al., 2014). Understanding knowledge management inside organisations is centred on the procedures or activities involved in absorbing external information and using it to produce value for the business (Cantú et al., 2009). Researchers found that there is a direct relationship between organisational learning and firm performance (Henri, 2006; Jiang & Li, 2008; Lloréns Montes et al., 2005). This contrasted with the findings of the (Akgün et al., 2014) research, which revealed that organisational learning employing management commitment and systems viewpoint methodologies did not improve business performance.

**Table 2.3**

*Review of Literature Summary – Learning and Education*

| Author and Year | Findings |
|---|---|
| (Prahalad and Hamel 1990) | Organisational learning is often regarded as an essential element for successfully competing in a global market. |
| (Day, 1994; Slater and Narver, 1995) | The author claimed that organisational learning and business success are connected and proposed that there are three subprocesses to organisational learning: knowledge generation, knowledge retention, and knowledge transfer. |
| (Ellinger et al., 2002) | A beneficial relationship exists between the practices of learning organisations and objective corporate financial performance. |
| (Garvin, 2000) | There should be a change while organisational learning occurs. |
| (García-Morales et al., 2006) | Organisational learning and innovation as the two foundations of successful entrepreneurship after examining the causes and consequences of organisational learning in entrepreneurship |
| (Felicio et al., 2014) | Higher education levels and performance have a favourable relationship. |
| (Cantu et al., 2009) | The processes or actions involved in absorbing outside information and putting it to use in the business in order to create value are at the heart of knowledge management as it is practiced within enterprises. |
| (Wujiabudula and Zehir, 2016); (Jiang & Li 2008); (Henri 2006); (Montes et al., 2005). | Researchers found that there is a direct relationship between organisational learning and firm performance |
| (Akgün et al., 2014) | Business performance was not enhanced by organisational learning, that used management commitment and systems perspective approaches. |

### 2.3.2 Experience and Expertise

There are several definitions in the literature, but none of them appear to be generally applicable since they vary depending on the context (Sveiby, 1997). For the purpose of literature, the concept of expertise can be defined as the level of knowledge and

skill in a particular field acquired through experience and study in that area. The concept of experience refers to the knowledge and skills that are acquired through involvement in a particular activity over time. Work experience, managerial experience, and entrepreneurial experience are all related to the activities of the organization (Felício et al., 2014). Based on Davidsson & Honig (2003) research, it is suggested that the harmonization of knowledge becomes isolated among people due to their work experiences.

Experience affects how well a company performs. According to Sandberg & Hofer (1987), industry structure and company strategy have a bigger influence on new venture success than the entrepreneur's background does. (Keeley & Roure, 1990) substantiated this conclusion. (Dyke, Fischer, Reuber, 1992) discovered that the influence of experience on performance varied across the five sectors they examined, which is not unexpected given the fact that management practises varied among businesses. It is surprising that any relationships between experience and performance have been found, and perhaps even that research on this topic is still being conducted, given the inconsistent definitions and methods used across studies, the existence of other influences on firm performance, and the similar backgrounds of entrepreneurs in some studies.

A considerable and favourable relationship between performance and various types of experience, particularly previous managerial experience and start-up experience, is pretty consistently shown (Dyke, Fischer, Reuber, 1992). Experts in the field, including venture capitalists, are often found to concur that a company's success depends on the expertise of its owners. (Riquelme & Rickards, 1992). Sandberg & Hofer (1987) stated that, even the authors who do not detect a correlation between the experience of the entrepreneur and business success are wary of drawing conclusions about that experience, or lack thereof. (Duchesneau & Gartner, 1990) acknowledges that behaviours (actions or choices) are founded on skills, and that experience is a common way for skills to be learned.

**Table 2.4**

*Review of Literature Summary – Experience and Expertise*

| Author and Year | Findings |
|---|---|
| (Felcio et al., 2014). | An organization's activities determine work experience, managerial experience, and entrepreneurial experience |
| (Davidsson and Honig 2003) | People's work experiences cause them to become isolated from each other, thus preventing the harmonisation of knowledge among them. |
| (Sandberg and Hofer 1987) | Industry structure, corporate strategy, and experience all have a greater impact on a firm's performance than the entrepreneur's background does on the success of a new endeavour. |
| (Dyke, Fischer, Reuber, 1992) | Performance strongly correlates with experience, particularly previous managerial experience and start-up experience |
| (Riquelme & Rickards, 1992) | The success of a firm is often agreed upon by industry experts, including venture capitalists, to rely on the skill of its owners**.** |
| (Duchesneau & Gartner, 1990) | Skills are the basis of behaviours (e.g., actions or decisions), and experience is a frequent method for skills to be acquired**.** |

### 2.3.3 Innovation and Creation

Innovation capacity may be characterised as the ability to continuously turn information and ideas into new products, processes and systems for the benefit of the company and its stakeholders. Innovation, as defined by Sharabati et al. (2010), is a process that allows a novel concept to be implemented. The universe of ideas and the world of human endeavours are connected through innovation. On the other hand, creativity denotes the capacity to generate new ideas or the ability to revise old ones. For an organisation to function better, innovation and creativity can be additionally emphasised (Yates-Mercer & Bawden, 2002).

Innovation competence includes both the ability to successfully manage a new business stream and the capacity to synthesise operational paradigms (Lawson & Samson, 2001). Similarly, It defines innovation capacity as the abilities and know-how required to efficiently assimilate, master, and enhance both current technologies as well as develop brand-new ones (Romijn & Albaladejo, 2002). Additionally, the

ability to acquire, create, and use modern technology for designing and manufacturing is another definition of innovative ability (Xu et al., 2008). A deeper comprehension of the concept is provided by (Ngo & O'Cass, 2009), who define innovation-based capability as the integrative process of using a firm's collective knowledge, skills, and resources to achieve innovation activities pertaining to technical innovations.

A positive relationship between innovation and company success in the manufacturing business is shown by academic studies (Cheng et al., 2010; Lööf & Heshmati, 2002). Some previous literature showing that there is no relationship between innovation and firm performance (Chandler & Hanks, 1994; Subramanian & Nilakanta, 1996). Similarly, (Kraus et al., 2012; Nazri et al., 2015) revealed that innovation is not a crucial element for business success. Tidd & Bessant (2015) point out the presence of a dynamic innovation capacity that may vary continually in response to the pressure of competition and quickening technological progress. Lack of such a capacity is a major factor in many failures, even in big and established businesses, as a result of the inability to grab on novel ideas. Consequently, a company's process for learning to manage innovation is an essential one.

In order to guarantee that an organisation has a consistent supply of competitive advantage for generating value, prosperity, and sustainable development, knowledge production should be prioritised at the top of the organization's knowledge activities. The capacity for innovation of an organisation depends on its capacity for new knowledge creation (Nonaka, 1994). The knowledge creation process helps a firm to be more effective and productive since it increases the speed and the cost of generating new items (Nonaka et al., 2000).

**Table 2.5**

*Review of Literature Summary – Innovation and Creation*

| Author and Year | Findings |
|---|---|
| (Sharabati et al., 2010) | Innovation is a process that permits a unique idea to be realised |
| (Yates-Mercer and Bawden, 2002) | Innovation and creativity are additionally emphasised in order to improve an organization's performance. |

| Author and Year | Findings |
|---|---|
| (Lawson & Samson, 2001) | The skill to synthesise operational paradigms and effectively manage a new business stream are both examples of innovation competency. |
| (Romijn and Albaladejo, 2002) | Innovation capacity as the skills and knowledge necessary to effectively master, improve, and create both new and existing technologies |
| (Xu et al., 2008) | Another definition of innovation is the capacity to get, produce, and use contemporary technologies to designing and manufacturing. |
| (Ngo and O'Cass, 2009) | The integrative process of using a firm's combined knowledge, skills, and resources to accomplish innovative activities relevant to technological advancements is known as innovation-based capacity |
| (Lööf & Heshmati 2002; Cheng et al., 2010) | A positive relationship between innovation and company success in the manufacturing business is shown by academic studies |
| (Chandler & Hanks 1994; Subramaniam & Nilakanta, 1996) | Innovation and business performance are not related. |
| (Kraus et al., 2012); (Nazri et al., 2015) | Innovation is not a crucial element for business success |
| (Tidd and Bessant, 2015) | A dynamic creation potential that could shift continuously in response to competitive pressure and accelerating technical development |
| (Nonaka, 1994) | The capacity for innovation of an organisation depends on its capacity for new knowledge creation |
| (Nonaka et al., 2000) | A company can grow more efficient and productive by using the knowledge creation process, which accelerates the pace and raises the cost of producing new goods. |

## 2.4 Social Capital

Social capital is defined as "goodwill that is engendered in the social relations of social systems and that can be mobilised to facilitate collective action" (Adler & Kwon, 2002). Numerous kinds of social capital have been investigated in the literature, including the individual the organisational and the societal (Nahapiet & Ghoshal, 1998; Putnam, 1993). The core thesis of the social capital literature is that networks

of connections are resources that are employed for the benefit of a person or a group, or that lead to such resources. First, social capital has been described as the resources that are embedded in one's interactions with others on an individual level. Second, social capital has been described as the value that an organisation derives from the relationships that its members establish in order to engage in collective activity (Nahapiet & Ghoshal, 1998). Third, the influence of social capital on the well-being of societies or regions has been examined on an additional macro level (Putnam, 1993).

Internally, the company views social capital as a value that consists of three interrelated dimensions: structural, cognitive, and relational (Leana & Pil, 2006; Nahapiet & Ghoshal, 1998).Pastoriza & Ariño (2013) state that the structural dimension refers to who and how often members of a firm share information and resources, the relational dimension to the degree that relationships are marked by trust, reciprocity, and emotional intensity, and the cognitive dimension to the degree that they share a common perspective on the firm's goals (Moran, 2005).

Through a variety of techniques, social relationships foster the dissemination of information and expertise both across and inside firms (Beugelsdijk & van Schaik, 2005) which includes fostering cooperation between businesses and enabling more efficient resource use; producing a high absorptive capacity(Bjørnskov & Méon, 2015). Combining knowledge and concepts from other fields, as well as inspiring agents to perform effectively (Subramaniam & Youndt, 2005). Sabatini (2008) studies the effect of various forms of social capital on SMEs' labour productivity, with a focus on the Italian scenario.

The importance of social capital for entrepreneurs has been widely acknowledged in the literature (Anderson & Miller, 2003; Myint et al., 2005) that used models of structural and cognitive social capital affects business growth are beginning to appear (Liao & Welsch, 2005). According to Lazega (1999) social capital is a byproduct of multi-complex networks, namely when work and friendship ties are combined, since this promotes coherence and a variety of performance-enhancing benefits, which are stronger in the case of friendship than in the case of work. According to Teece (2005),

effective communication is a critical skill for businesses to succeed. Overall, the literature that has already been written emphasizes how crucial social capital is to the success.

**Table 2.6**

*Review of Literature Summary – Social Capital*

| Author and Year | Findings |
|---|---|
| (Adler & Kwon, 2002) | Social capital is defined as "goodwill that is engendered in the social relations of social systems and that can be mobilised to facilitate collective action" |
| (Nahapiet and Ghoshal, 1998) | An organization's social capital is derived from the relationships that its members establish in order to accomplish collective goals |
| (Putnam, 1993) | A macro-level study of how social capital affects societies or regions has been conducted |
| (Leana & Pil, 2006) | Internally, the company views social capital as a value that consists of three interrelated dimensions: structural, cognitive, and relational |
| (Pastoriza & Ariño, 2013) | Structural dimension is the degree to which members share information and resources, relationship is the degree to which relationships are characterized by trust, reciprocity, and emotional intensity |
| (Moran, 2005) | Cognitive dimension in terms of how much they agree on the firm's objectives. |
| (Beugelsdijk and van Schaik, 2005) | Through a number of ways, social interactions encourage the diffusion of knowledge and expertise both across and within businesses |
| (Subramaniam and Youndt, 2005) | Social capital is the Combination information and ideas from other areas, as well as encouraging agents to operate successfully |
| (Sabatini, 2008) | There is a positive relationship between social capital and SMEs productivity |
| (Liao and Welsch, 2005) | Business growth is affected by both structural and cognitive social capital |
| (Lazega, 1999) | In multi-complex networks, social capital emerges from the combination of coherence and a variety of performance-enhancing benefits, which are stronger for friendship than for work. |
| (Teece, 2005) | Social capital has a vital role in business success. |

In this study, social capital is measured by three dimensions, relational dimension, Structural dimension and cognitive dimension.

### 2.4.1 Relational Dimension

The relationship capital of an organization refers to its external relationships with channel partners, supply chain partners, business partnerships, agreements, and so on. In alliances, relational capital is a relational rent produced in an exchange partnership that cannot be produced independently by each enterprise. It has been determined to be a resource produced by social network processe (Wathne & Heide, 2004)**.** According to Ordóñez de Pablos (2003), Customer capital is defined in relation to relational capital, which is a broader term that includes the value of relationships with shareholders, governments, suppliers, competitors, research institutions, industry associations, and other external networks connected to the organisational value chain. Similarly, Welbourne & Pardo-del-Val (2009), the collection of all relationships made between businesses, institutions, and individuals in terms of collaboration, power dynamics, and market ties is known as "relational capital."

According to authors (Paoloni et al., 2019), the establishment of a new research observatory causes the transfer and transformation of connections among the observatory's supporters, which results in the production of relational capital. This enhances the value of alliances and cooperation in an obvious way. There has been an increase in networking between firms and colleges via initiatives, alumni groups, incubation centres, and new enterprises (Belwal et al., 2017)**.** The information that the company has acquired as a consequence of its contacts with parties and the potential to trade knowledge in the future is known as relational capital. According to Ordóñez de Pablos (2003), the firm's worth is closely correlated with its understanding of relationships with third parties throughout time.

**Table 2.7**

*Review of Literature Summary – Relational Dimension*

| Author and Year | Findings |
|---|---|
| (Wathne and Heide, 2004) | Relational capital, a relational rent produced in alliances, is a resource generated by social network processes, not independently produced by each enterprise. |
| (Ordoñez de Pablos, 2003) | Customer capital is linked to relational capital, which encompasses relationships with various stakeholders within an organization's value chain. |
| (Welbourne & Pardo-del-Val, 2009) | The word "relational capital" refers to the entirety of every relationship created between organisations and people in terms of cooperation, power relationships, and economic connections |
| (Paoloni et al., 2019) | A new research observatory's foundation results in the transmission and transformation of connections among its supporters, which leads to the creation of relational capital |
| (Belwal et al., 2017) | There has been an upsurge in networking between businesses and institutions via projects, alumni clubs, incubation facilities, and new businesses. |
| (Ordonez de Pablos, 2003) | The value of the business is highly associated with its comprehension of relationships with third parties throughout time. |

### 2.4.2 Structural Dimension

Databases, organisational charts, procedure manuals, procedures, physical manifests, and anything else that has a cost to the organisation that is greater than its material cost are all examples of structural capital in businesses. Structural capital is defined as "what stays in the organisation while employees go home for the night" by Roos et.al (1997). Structural capital is the equipment, software, databases, organisational structure, trademarks, logos, and anything else that increases employee productivity. According to (Bontis et al., 1999), structural capital is the enabling infrastructure that makes it possible for human capital to be used. It provides a context-specific description of an organization's internal structure, including its methods, core competencies, and way of life. Similarly, (Kong, 2008), The regular knowledge that an organisation uses to provide value, including information that is kept in databases,

processes, publications, and organisational culture, is known as structural capital. In other words, according to Jansen et al. (2009), structural capital is the knowledge that is embedded in an organization's procedures, routines, and practises. According to Watson & Stanworth (2006), a company's structural capital includes its non-human knowledge repositories and supports its human capital.

According to Tseng and Goo (2005), organisational processes, information systems, organisational culture, internal organisational structure, and administrative systems all contribute to the development of effective structural capital. Additionally, it is merely structurally the organization's and is freely reproducible and transferable. In addition to developing mechanisms for knowledge acquisition (Crossan et al., 1999). Structural capital also offers a method for gathering and integrating to acquired knowledge (Grant, 1996).

Relational capital and human capital require structural capital in order to attain organisational performance. Additionally, since structural capital is private and not self-renewing in nature, it benefits from the addition of human and relational capital (Roos & Roos, 1997).According to Firer & Mitchell Williams (2003), there is moderate positive relationship between structural capital and firm performance. Similarly, (Hsu & Wang, 2012) demo nstrated a favourable relationship between structural capital and firm performance. The research also revealed that the independent and dependent variables had a positive connection, showing that structural capital and innovation capabilities have a substantial impact on company performance (Abdirahman & Tarique, 2020).

**Table 2.8**

*Review of Literature Summary – Structural Dimension*

| Author and Year | Findings |
|---|---|
| (Roos et al., 1997) | Structural capital is private and does not renew itself, it gains from the addition of human and relational capital. |
| (Bontis et al., 1999) | structural capital is the enabling infrastructure that makes it feasible for human capital to be employed |

| Author and Year | Findings |
|---|---|
| (Kong, 2008) | The regular knowledge that an organisation utilises to produce value, including information that is stored in databases, procedures, publications, and organisational culture, is known as structural capita |
| (Jansen et al., 2009) | The information ingrained in an organization's practises, routines, and processes is known as structural capital. |
| (Stanworth, 2006) | A company's structural capital supports its human capital and includes its non-human knowledge repositories. |
| (Tseng and Goo, 2005) | Effective structural capital is developed via the interaction of organisational processes, information systems, organisational culture, internal organisational structure, and administrative systems |
| (Grant, 1996) | Additionally, structural capital provides a means of compiling and incorporating newly learned information |
| (Hsu and Wang, 2012) | There is a positive correlation between structural capital and business success |
| (Abdirahman & Tarique, 2020). | The positive relationship between the independent and dependent variables demonstrates that structural capital and innovation skills have a significant influence on business success |

### 2.4.3 Cognitive Dimension

A team member's view of how much the other team members share common information, beliefs, philosophies, and methods to problem-solving is known as cognitive capital (Yu et al., 2013)**.** According to (Chua, 2002; Lee, 2009; Tang, 2016) Cognitive capital is defined as resources providing network members with common representations, understandings, and systems of meaning. For instance, the capacity of people to comprehend network activity and the components of the collaborative learning process is termed as cognitive capita. (Butler & Purchase, 2008). Shared norms, beliefs, and methods of doing things provide the cognitive capital that facilitates cooperation inside an organisation (Nahapiet & Ghoshal, 1998).

Employees are believed to be able to strengthen social relationships inside their companies, perform effectively at work, and assist in accomplishing organisational

objectives when they have a high level of cognitive capital (Gelderman et al., 2016; Yu et al., 2013). Shared language and beliefs within a network are examples of cognitive social capital, which has been seen as a desired tool to enhance substantive performance (Krause et al., 2007). Particularly, common values and language could allow an organisation to reduce the likelihood of disputes and misunderstandings within its network, enabling the business to access the resources and expertise it needs to boost operational performance and customer service (Gulati et al., 2000; Jap & Anderson, 2003).

Zhang et al. (2020) shows how a company's beliefs and conventions affect its workers' ability to achieve a shared goal. Further, Powers & Reagan (2007) explains that cultural value systems, cultural norms, and cultural beliefs are dictated by a collective establishment such as religion or society. When people in a network come to share common knowledge and meaning, cognitive capital is revealed as the third dimension of social capital (Krause et al., 2007). Members are able to develop a self-reinforcing sense-making process across the network with a common meaning and understanding (Krause et al., 2007). Shared values are often seen as the crucial component of cognitive capital (Inkpen & Tsang, 2005; Krause et al., 2007). Data consistency is considered to be an additional aspect of cognitive capital and to be crucial in the setting of businesses (Chiu et al., 2006).

**Table 2.9**

*Review of Literature Summary – Cognitive Dimension*

| Author and Year | Findings |
|---|---|
| (Yu et al., 2013) | Cognitive capital is a team member's assessment of how much the other team members share common information, beliefs, philosophies, and methods. |
| (Lee, 2009; Tang, 2016); (Lia and Welsch, 2003) | Resources that provide network members with common representations, understandings, and systems of meaning are cognitive capital |
| (Butler and purchase, 2008) | A person's ability to comprehend network activity and collaborative learning components is termed as cognitive capital |

| Author and Year | Findings |
|---|---|
| (Powers & Reagan , 2007) | Collective establishments such as religion or society dictate cultural values, norms, and beliefs |
| (Krause et al., 2007) | Cognition capital is the third dimension of social capital occurred when people in a network shared common knowledge and meaning |
| (Chiu et al., 2006) | Cognitive capital includes data consistency, which is crucial to setting businesses up |
| (Gelderman, 2016) | In companies with a high level of cognitive capital, employees are able to enhance social relationships, perform well at work, and accomplish organizational goals |
| (Jap & Anderson, 2003) | Particularly, consistent principles and language might assist a company to lessen the risk of disagreements and misunderstandings within its network, allowing the firm to access the resources and knowledge it needs to increase operational performance and customer service |
| (Nahapiet,1998) | Cooperation within an organization is facilitated by shared norms, beliefs, and methods. |

## 2.5 Financial Capital

The term "financial capital" refers to the funds, money, debt, etc., owned or available by a business. It is important for a firm to have financial capital because different businesses face accidental shocks, but the firm's own financial capital provides a shield against them (Cooper et al., 1994). Financial capital consists of both debt and equity, according to (van Praag, 2003).Eisenhardt & Martin (2000) illustrate the significance of financial capital to the success of SMEs using the Resource Based Theory. There should be a positive correlation between venture survivability and the quantity of funds raised. Researching the financial backing of start-up businesses has long been a tradition since it is an essential component of the entrepreneurial process that brings resources together.

(Coleman, 2007) revealed that there is a positive relationship between financial capital and firms' performance. Financial capital plays several critical roles in the development, expansion, and launch of businesses. These roles includes execution of innovative ideas (Boso et al., 2012), Maintaining the daily operational expenses and paying responsibilities on time (Huang et al., 2012), In economic recessions, it helps

firms cope with unexpected losses and accidental shocks during their early stages, It helps to manage cash flow activities and reduce problems related with over due payment (Vorasubin & Chareonngam, 2007) and it helps to attain organisational objectives (Cooper et al., 1994). (Khan et al., 2019) stated that financial capital has a vital influence on firms performance. In emerging market perspective, (Memon et al. (2020) examined that firms can easily exploit investment opportunities as a result of more financial capital. In similar, Khan et al. (2019) emphasized that financial capital has significant for firm performance and competitiveness. In a new dynamic market, firms with sufficient financial capital can expand their operating activities and successfully survive for a long time, whereas firms with a lesser amount of financial capital are prevented from expanding their operational activities or activities (Mol-Gómez-Vázquez et al., 2019).

**Table 2.10**

*Review of Literature Summary – Financial Capital*

| Author and Year | Findings |
|---|---|
| (Cooper et al., 1994) | Financial capital is crucial for a firm as it serves as a shield against accidental shocks that may arise in various businesses. |
| (Van Praag, 2003) | Financial capital consists of both debt and equity |
| (Coleman, 2007) | The study found a positive correlation between financial capital and firm performance, highlighting its crucial role in business development, expansion, and execution. |
| (Boso et al., 2012) | **Sufficient financial capital keeps up daily operating costs and makes timely payments for obligations.** |
| (Huang, et al., 2012) | Financial capital assists businesses in the early phases of economic recessions in responding to unanticipated losses and unexpected shocks. |
| (Vorasubin & Chareonngam, 2007) | Financial capital facilitates the management of cash flow operations and minimises late payment issues. |
| (Khan et al., 2019) | financial capital has significant for firm performance and competitiveness |
| (Mol-Gómez-Vázquez et al., 2019) | Firms with sufficient financial capital can expand their operations and survive in a dynamic market, while those with less capital face challenges in expanding their operations. |

In this study, financial capital is measured by financial capital availability (Cooper et al., 1994) and financial capital accessibility (Wiklund & Shepherd, 2005).

### 2.5.1 Financial capital availability

The efficient operation of a firm depends on financial resources. A high amount of capital availability stimulates businesses to enter new markets and strengthen their position in the market, whereas a low level of financial availability may deter businesses from continuing with current operations (Xu & Hitt, 2020). According to (Khan et al. (2019), sufficient financial resources can encourage sustained competitive advantage from an RBV perspective. Specifically, in emerging countries, a company's resources and competencies do not determine its competitive advantage and sustainability until adequate financing is available for different operational tasks (Fonseka et al., 2014).

Firms execute a range of inventive activities and need adequate financial resources despite the major role of financial resources in innovation (Mina et al., 2013). Previous research indicated that having sufficient funds to engage in new projects encourages businesses to do so (Hubbard, 1997). On the other hand, capital structure such as a firm's internal and external financing; (Himmelberg & Petersen, 1994) can have an impact on a firm's innovative performance, research and development, and social activities. Scholars such as (Himmelberg & Petersen, 1994) and (Mulkay et al., 2001) have posited that research and development, as well as creative activities, are greatly aided by financial resources. A firm's investment and participation in CSR initiatives fall as its financial resources decline (Julian & Ofori-dankwa, 2013). Lack of financial resources is one of the main causes of small businesses failing (López-Pérez et al., 2017)

Financial assistance is more important for the beginning of a firm and provides the owner with the finest prospects (Davari & Farokhmanesh, 2017). Furthermore, there is no disputing that financing has a significant impact on company leaders' ability to see new opportunities. Furthermore, research in this area has shown that the availability of finance positively affects a company's potential to innovate while also

enhancing managerial decision-making and possibilities to raise concrete financial resources (George, 2005).

**Table 2.11**

*Review of Literature Summary – Financial Capital Availability*

| Author and Year | Findings |
|---|---|
| (Xu & Hitt, 2020) | Financial capital availability stimulates businesses to enter new markets and strengthen their positions, while low financial availability deters them from continuing their operation |
| (Khan et al., 2019) | The availability of sufficient financial resources can contribute to sustained competitive advantage from the perspective of RBV |
| (Fonseka et al., 2014) | Competitive advantage and sustainability are not determined by a company's resources and competencies until it has adequate financing for different operational tasks |
| (Mina et al., 2013) | Financial resources are vital to innovation, despite their major role in firms' inventive activities |
| (Hubbard, 1997) | A business that has sufficient funds to undertake new projects is more likely to engage in them in the future |
| (Himmelberg & Petersen, 1994) | An organization's internal and external financing can affect its innovative performance, research and development, and social activities. |
| (Mulkay et al., 2001) | Research and development, as well as creative activities, are greatly aided by the availability of financial resources. |
| (Julian & Ofori-dankwa, 2013) | Financial resources cause firms to invest less in compulsory social responsibility. |
| (López-Pérez et al., 2017) | An important factor in the failure of a small business is the lack of financial resources |
| (Davari & Farokhmanesh, 2017) | Financial support is especially crucial for a business's early stages and offers the owner the best opportunities. |
| (George, 2005) | Research indicates that financial availability enhances a company's innovation potential, improves managerial decision-making, and allows for the acquisition of tangible financial resources |

### 2.5.2 Financial Capital Accessibility

Financial capital is very essential to achieve competitive achievement (Sauka, 2014). Managers that have greater access to varied financial skills can be able to attain different resources which help them to establish competitive positioning (Liu et al., 2016). Businesses with more financial resources could grow more profitable in the near term, which gives them a long-term competitive edge (Fonseka et al., 2014). It is believed that the business can raise funds from a variety of sources to strengthen its competitive advantage over competing companies and competitors in the sector (Akhigbe et al., 2003). Access to financial resources that are quick, affordable, sufficient, and of high quality helps businesses in reducing production and delivery costs. One of the main assumptions of the extensive literature on the finance-growth relationship is that finance fosters growth by directing credit towards the best qualified businesses, and a wealth of macroeconomic data indicates that financial expansion boosts the economy's overall growth (Levine et al., 2004). Additionally, an increasing amount of microeconomic research has shown that financial capital accessibility has a favourable impact on the expansion of businesses (Demirgüç-Kunt & Maksimovic, 1998).

One of the main barriers to a company's expansion and a factor in its decreased performance is inadequate fund. There is a lot of difficulty in operating a company with inadequate funding. (Schiffer & Weder, 2001) has been discovered that, in comparison to bigger enterprises, small businesses suffer more difficulty acquiring financing. The coefficient's negative value and scale suggest that inadequate financing is a significant obstacle to the expansion of the business. (Ayyagari et al., 2008) demonstrate how a major obstacle that businesses must overcome is a lack of funding, which has a negative impact on their ability to flourish.

**Table 2.12**

*Review of Literature Summary – Financial Capital Accessibility*

| Author and Year | Findings |
|---|---|
| (Sauka, 2014) | A sound financial capital is one of the most important factors in achieving competitive success |
| (Liu et al., 2016) | In an organisation, as manager become more familiar with varied financial skills, they can able to attain more resources that can help them to gain a competitive edge over their competitors. |
| (Fonseka et al., 2014) | In the short term, businesses with better financial resources are more likely to be profitable, which will give them a competitive advantage in the long run |
| (Akhigbe et al., 2013) | Businesses in the sector are believed to be able to raise funds from a variety of sources to enhance their competitive advantage |
| (Levine et al., 2004) | According to the extensive literature on finance-growth, finance encourages growth by providing credit to businesses with the best qualifications, and a wealth of macroeconomic data indicates financial expansion boosts economic growth. |
| (Demirgüç-Kunt & Maksimovic, 1998) | The availability of financial capital has been shown to have a favorable effect on the expansion of businesses in an increasing number of microeconomic studies |
| (Schiffer and Weder, 2001) | Inadequate funding is a significant barrier to the business's expansion, based on the coefficient's negative value and scale |
| (Ayyagari et al., 2008) | Lack of finance is a significant obstacle for firms, hindering their growth capacity |

## 2.6 Innovation

Innovation is often seen as a key component of the processes, activities, and actions that comprise entrepreneurship**.** An organization's innovation activity, which can be started by individuals or groups, is a reflection of its entrepreneurial mindset (Lumpkin & Dess, 1996).

The theory that entrepreneurship and innovation are related was primarily inspired by (Schumpeter, 1934). Schumpeter was especially interested in researching the role that entrepreneurs play in the innovation creation process**.** From a similar perspective point, (Miles et al., 1978) contend that an innovator is a person who brings new ideas to market. Entrepreneurs are innovators, according to (Drucker, 1985)**,** who advises businesses to look for indicators and sources that show how innovations have succeeded as well as to understand and put these concepts into practice. Entrepreneurship fosters skill development, expands the range of job opportunities, and creates an environment that is conducive to innovation.

Entrepreneurs' networks, expertise, and training are crucial in supplying the resources required to launch and grow enterprises. Entrepreneur-owners of small businesses have a significant influence on both the performance and strategic orientations of their companies (Donckels & Fröhlich, 1991). Therefore, any attempt to comprehend the degree of innovation in enterprises has to look at the traits of their founders as well as the organization as a whole.

**Table 2.13**

*Review of Literature Summary – Innovation*

| **Author and Year** | **Findings** |
|---|---|
| (Lumpkin and Dess, 1996) | Here is a direct correlation between an organization's entrepreneurial mindset and the innovation activity it engages in, whether it be initiated by individuals or groups of people |
| (Miles et al., 1978) | A person who is an innovator is someone who introduces new ideas into the market |
| (Drucker, 1985) | Revealed that the organisations not only comprehend and implement these ideas, but also search for markers and references that demonstrate how innovations have been successful. |
| (Donckels & Fröhlich, 1991) | Entrepreneurs' networks, expertise, and training are crucial for launching and growing enterprises, impacting their company's performance and strategic orientation. |

## 2.7 Firm Performance

A firm's performance is an assessment of all the actions and endeavours made to accomplish the initial business objectives. In management studies, one of the most researched constructs is firm performance. In order for a venture to achieve success, it must garner attention from both academicians and practitioners (Azmi & Hashim, 2018). A firm's nonfinancial and financial performance are combined to generate its overall performance. Previous literature shows that two major performance measurement indicators are financial and non-financial performance (Cardinaels & van Veen-Dirks, 2010). Financial performance deals with the financial aspects of the business, such as sales growth and returns on investment, while nonfinancial performance takes into account reaching certain objectives set by the owners and management of the company, such as market expansion, customers satisfaction and customers retention (Smith, 1976).

Basically, performance can be classified in objective and subjective. Subjective measurements represent the subjective evaluation of each respondent, whereas objective measures relate to the quantitative information (González-Benito & González-Benito, 2005). Subjective measurements assess a business success based on how each person feels about the business. The authors of the management study recommended using subjective measures to assess firm performance as they make it easier to examine complex performance aspects. The authors provided justification for the use of subjective metrics for two main reasons: first, the difficulties to gather objective data, and second, the incompatibility of various objective performance measures (Hult et al., 2008). subjective measurements can be the preferable approach for assessing a business performance because of the easiest comparison between inter-firms and inter-industries (Song et al., 2005). According to (Zulkiffli & Perera, 2011) and (Selvam et al., 2016) suggested to use subjective measurement instead of objective measurement for understanding the firm performance, When collecting data through mailed surveys, subjective measures provide better comparisons between industries and are less prone to measurement error than objective measurements. In

light of this, managers are generally encouraged to evaluate business performance based on subjective criteria (Wall et al., 2004).

### 2.7.1 Financial and Non-Financial Performance

The performance of a firm can be measured both in terms of financial and non-financial indicators. Financial performance of a firm includes growth in sales, net profit, gross profit, return on investment and companies market value. Non-financial performance of a firm refers to the owners' perceptions on non-financial parameters such as employee productivity, owner satisfaction, customer satisfaction, customer retention, and sense of self-fulfilment. The measurement and analysis of firm performance often involve using financial indicators in management and social science research. Financial sustainability is assessed purely on the basis of profits and returns. As part of their performance measurement systems, many organizations recently incorporate non-financial measures to measure their overall performance (Ittner & Larcker, 2001). Prior Studies conducted to investigate the correlation between financial and non-financial metrics have shown that non-financial metrics can be used as predictors of a company's financial success in the present or future (Hughes, 2000). According to (Ahmad & Zabri, 2016) attempted to analyse the use of non-financial performance measurement systems, internal processes and customers have the greatest applicability and are increasingly implemented as non-financial measures of business performance.

**Table 2.14**

*Review of Literature Summary – Firm Performance*

| Author and Year | Findings |
|---|---|
| (Smith, 1976) | A firm's overall performance is a combination of its financial and nonfinancial performance, focusing on sales growth, returns on investment, market expansion, customer satisfaction, and retention |
| (Cardinaels and Van veen-Dirks, 2010) | In previous literature, financial and non-financial performance were two of the most important indicators of performance |

| Author and Year | Findings |
|---|---|
| (Gonzalez-Benito and Gonzalez-Benito, 2005) | Basically, performance can be classified in objective and subjective. The subjective measurement relates to each respondent's subjective evaluation, and the objective measurement to their quantitative evaluation |
| (Hult et al., 2008) | The authors argued for the use of subjective metrics due to challenges in collecting objective data and the incompatibility of various objective performance measures. |
| (Song et al., 2005). | The easiest way to compare between firms and industries is through subjective measurements |
| (Zulkiffli and Perera, 2011) and (Selvam et al., 2016) | Subjective measurements are less prone to measurement error when used for understanding firm performance through mailed surveys. In order to compare industries, subjective measures should be used instead of objective measurements |
| (Ittner and Larcker, 2001) | In recent years, many organizations have incorporated non-financial measures into their performance measurement systems |
| (Hughes, 2000) | The correlation between financial and non-financial metrics has previously been shown to be predictive of a company's future financial success |
| (Ahmad and Zabri, 2016) | Non-financial measures of business performance are increasingly based on internal processes and customers. |

## 2.8 Mediation

### Innovation as a Mediator between Human Capital, Social Capital and Financial Capital on Firms Performance

Numerous arguments on how the financial, social, and human capital of company founders affects their businesses' innovative activities have been found in the corpus of extant literature on entrepreneurship. Rogers (2004) makes an argument for the use of social networks in firms' innovation efforts. Similarly, other scholars have revealed that there is a relationship between innovation activities and knowledge level (Mahemba & Bruijn, 2003), investment in training and education leads to innovative

activities(Baumol, 2004), and accessibility and availability of financial resources enable innovation (Fritsch & Meschede, 2001).

Numerous theoretical and empirical research have focused on the significance of human capital as a determinant of innovation. According to Baldwin & Johnson (1996) and Baldwin (2000) human capital plays a significant role in small and medium-sized businesses' innovation initiatives. It has been shown that companies run by people with less experience or education are really less innovative(Hausman, 2005). Romano (1990) asserts that small company owners often lack the kind of education and skills associated with innovative activities. This lack of expertise could make it difficult for small businesses to develop new goods and services based on their superior client understanding (Sethi et al., 2001). Thus, education and knowledge are necessary for inventive behaviour (Baumol, 2004; Thornhill, 2006). Individual training in enterprises leads to internal learning and the production of new ideas (Galende & de la Fuente, 2003). Knowledge is fundamental to innovation and the usage of new technology (Hoffman et al., 1998). (Koellinger (2008) indicates that an entrepreneur's, manager's, and company owner's educational background contributes significantly to the creativity of their businesses. Based on the literatures, researcher conclude that there is a connection between human capital and innovative activities.

Additionally, scholars contend that social capital gives entrepreneurs the moral support they need, the chance to launch their businesses, and the resilience to overcome challenges associated with corporate consolidation (Adler & Kwon, 2002). Previous studies have shown the significance of social capital in the expansion and innovative potential of businesses (Hausman, 2005; Partanen et al., 2008). The inventive ability can be influenced by intra-organizational information exchange since it fosters creativity and generates fresh insights and concepts (Calantone et al., 2002; Kamm & Nurick, 1993) discovered a significant correlation between social capital and creative product introduction tactics in high-tech companies. The usefulness of networking as a potential strategy for boosting innovation capacity in small and medium-sized businesses has been highlighted by Lee et al. (2010). In a study of 440

industrial enterprises in southwest Montreal (Landry et al., 2002) concluded that social capital plays an essential role in business innovation. These results imply that social capital, particularly the networks of entrepreneurs, could be crucial to an organization's capacity for innovation.

Financing availability is always essential for launching and growing enterprises. They often employ both internal and external resources, such loans, grants, or equity investment, to support their growth. These companies struggle with creative funding because of the constraints imposed by their lower scales and less robust banking systems. According to Fritsch & Meschede (2001), the primary driver of innovation in small businesses is the availability of financial resources. Consequently, financial capital boosts a company's propensity to innovate (Castrogiovanni, 1996) by enabling it to undertake creative initiatives and novel tactics that would not have been feasible in settings with less resources (Cooper et al., 1994). Researchers examine the effect of financial capital, as measured by initial start-up capital, on innovation activity in light of the above results.

Many organisations are aware that innovation is the main factor that ensures development and success. According to Thornhill (2006), innovation is essential for growth and commercial success since it boosts a company's profitability and competitive advantages. Innovation fosters success, development, and profit (Hyvärinen, 1990). Very few theoretical and empirical investigations of the connection between innovation and commercial success in organisations of all sizes are included in the body of literature currently available on entrepreneurship. However, research on this topic has shown that innovation and success are positively correlated (e.g.,(Cefis & Marsili, 2006; Heunks, 1998; Thornhill, 2006).

Our mediational hypothesis is conceptually supported by the literature mentioned above. Innovation activity is seen to be facilitated by human, social, and financial capital (Hausman, 2005; Koskinen & Vanharanta, 2002; S. Lee et al., 2010; Thornhill, 2006). In this literature, researcher suggest that investment in human capital, social capital, and financial capital will lead to innovative activities, thus helping to attain organisational financial and non0financial performance.

**Table 2.15**

*Review of Literature Summary – Mediating Effect of Innovation*

| Author and Year | Findings |
|---|---|
| (Rogers, 2004) | The use of social networks in firms can lead to the development of innovative ideas |
| (Mahemba and Bruijn, 2003) | Researchers have shown that innovation activities and the level of knowledge are related |
| (Baumol, 2004) | It has been proven that investing in training and education leads to innovative activities |
| (Fritsch and Meschede, 2001). | Innovation is enabled by the accessibility and availability of financial resources |
| (Baldwin and Johnson, 1995), (Baldwin, 1999) | In order for small and medium-sized businesses to pursue innovative initiatives, human capital plays an essential role |
| (Hausman, 2005) | It has been proven that companies run by people with less experience and education are less likely to innovate than those run by experienced workers |
| (Romano, 1990) | There is a lack of skills and education among small business owners that is often associated with innovation and entrepreneurship |
| (Galende & de la Fuente, 2003) | Individual training in organisations contributes to internal learning and the generation of new ideas |
| (Adler and Kwon, 2002) | Social capital provides entrepreneurs with moral support, business launch opportunities, and resilience to overcome challenges related to corporate consolidation |
| (Calantone et al. 2002) | The innovative capacity may be impacted by intra-organizational information sharing as it stimulates creativity and produces new thoughts and notions |
| (Thornhill, 2006) | innovation is vital for development and commercial success as it enhances a company's profitability and competitive advantages |
| (Hyvärinen, 1990) | Innovation fosters success, development, and profit |
| (Koskinen and Vanharanta, 2002); (Thornhill, 2006); (Lee et al., 2010); (Hausman, 2005) | Innovation activity is seen to be facilitated by human, social, and financial capital |

**Youth Entrepreneurship**

The youth in the nation are developing a trend of coming up with their own startup ideas and launching their entrepreneurial ventures while taking on all the risks and responsibilities that come with it. It is not surprising, however, that youth entrepreneurs perform less well and face more obstacles than mature entrepreneurs. These enterprises face difficulties in transferring their skills from self-employment to employment and expanding their business (Bruce & Schuetze, 2004). Young entrepreneurs are primarily limited by the lack of social capital, which is one of their main limitations. As a result, it will take more time for the company to build a proper network of suppliers, financial sources, and vendors to ensure a smooth and successful journey.

Young people in the country are increasingly developing the tendency to develop startup ideas and begin their own businesses, taking on all associated risks and obligations. It is hardly unexpected, however, that young entrepreneurs' businesses perform worse than those of more experienced ones and face greater challenges. Young peoples are the strength of a nation. Youth motivation is necessary at every stage of the entrepreneurial journey in order to succeed, as well as entrepreneurial skills needed at every stage of the journey (Rengan & Vadivelu, 2024). Young Indians need to develop their leadership and entrepreneurship skills in order to contribute effectively to the country's economic success. Young entrepreneurship can be seen as an essential part of economic growth. Young entrepreneurship, in particular, reduces the rates of young unemployment, fosters innovation, and boosts economic growth generally(Manolova et al., 2019). Similarly, (Carree & Thurik, 2010) suggested that young people who start their own businesses also benefit economic growth and lower rates of young unemployment.

**Table 2.16**

*Review of Literature Summary – Youth Entrepreneurship*

| Author and Year | Findings |
|---|---|
| (Manolova et al., 2019) | Young entrepreneurship is an even more vital component of economic growth. Innovation, entrepreneurship, and economic growth in general are all boosted by young entrepreneurship |
| (Bruce & Schuetze, 2004) | Transferring self-employment skills into employment and expanding businesses are difficult for young enterprises |
| (Rengan & Vadivelu, 2024) | Motivation and entrepreneurial skills are necessary at every stage of the entrepreneurial journey for youth to succeed |
| (Carree & Thurik, 2010) | Entrepreneurship promotes economic growth and lowers the rate of young unemployment. |

## 2.10 Research Gap

Researchers are not unfamiliar with the topic of entrepreneurship, but there are still certain aspects whose significance and effects have not yet been fully explored. The topic still has a lot to learn and needs to be researched further despite the unrelenting efforts of academics throughout the globe. The majority of studies that have been done in this manner have either concentrated on developed economies or on businesses in general perspective. Despite the fact that youth make up the majority of the population in India, not much has been done to explore the topic from a young viewpoint. As such, it becomes imperative to examine the ideas from the perspective of the young.

There are three basic categories of capital, such as human capital, social capital, and financial capital, which are the central concepts of the study. A number of studies revealed the effect of human capital, social capital, and financial capital on firms' performance separately, but there are no more studies conducted to know the combined effect of human capital, social capital, and financial capital on firms financial and non-financial performance, both directly and indirectly. This study focuses on the direct relationship and the indirect relationship in the presence of innovation. The resource-based perspective has made a substantial contribution to

theories of strategic management, but it has overlooked the importance of resources or basic capital categories in providing a business with a competitive edge.

The goal of this research is to investigate how firm performance is affected by human, social, and financial capital among young entrepreneurs. Arguments and important concerns about how human, social, and financial capital affect a company's ability to generate both financial and non-financial performance have long existed. In order to find out how financial, social, and human capital affect a firm's financial and non-financial performance directly and indirectly, the current research aims to address these issues.

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Chapter 3

# HUMAN CAPITAL, SOCIAL CAPITAL & FINANCIAL CAPITAL ON FIRMS PERFORMANCE

## Introduction

Human capital, social capital and financial capital are the three major intangible sources of organisational capital. Business performance studies that explicitly or implicitly utilized theoretical perspectives. When entrepreneurs have a lot of human capital and extensive social capital, they know where to look for opportunities and companies that are likely to succeed (Shane & Venkataraman, 2000).There is evidence that access to more financial capital facilitates the pursuit of success that requires a lot of resources (Cooper et al., 1994). Researchers argue that financial capital drives innovation, which leads to success. The benefits of this are that they can exploit opportunities more effectively (Kim et al., 2006), which leads to have more innovation. This innovation will help to achieve more business performance. Therefore, it can be argued that human capital, social capital and financial capital play an important role in the success of businesses since they greatly contribute to innovation which propels them to have great business performance.

One of the pillars of industrial and organisational psychology research is how to maximise the influence and effectiveness of human capital in organisations. Most people agree that such maximisation is advantageous for both the people involved and the organisations. Investing in human capital could enhance both the skills of human resources and organisational performance (Becker & Huselid, 2006). As a result, a fundamental premise of organizational inquiry holds that the availability of human resources inside an organisation can significantly affect performance (Takeuchi et al., 2007). Success-related factors have attracted the interest of policymakers, scholars, and practitioners as well as receiving a lot of theoretical attention. Human capital

enhances to potential opportunities of the organisational success (Shane & Venkataraman, 2000). This encourages innovation since it enables them to take advantage of possibilities more efficiently (Kim et al., 2006). Such cleverness is what makes small business success possible. This demonstrates the significance of human capital for small business performance since they considerably foster the creativity that enables such performance. A firm's performance is an assessment of all the actions and activities performed to achieve the initial set of business objectives. One of the most researched concepts in management studies is firm performance.

Business networking and social engagement are common practices in many fields. According to Adler & Kwon (2002), the group's ability to secure funding and cultivate stakeholder trust greatly influences the emotional interaction and social capital links between external actors.

The purpose of social capital in an organization is to facilitate the identification, acquisition, and distribution of limited resources as well as the identification of opportunities(Uzzi, 1999). Subramaniam & Youndt (2005) describe social capital as the adaptable path for reciprocity and information exchange as a consequence of cooperation, participation, and knowledge sharing. Knowledge obtained through social capital stimulates the creation of new activities and expands an organization's potential for innovation by fostering employee contact and communication (Carmona-Lavado et al., 2010) . Previous research (Batjargal, 2003; Batjargal & Liu, 2004) indicates that companies with stronger social ties are often better able to achieve the necessary objectives.

Business ventures need financial capital because it can protect them against unexpected and accidental shocks (Uzuegbunam et al., 2019). A major obstacle in acquiring external capital for entrepreneurial firms is their legal status, since there is a high chance of failure, which makes it less attractive for financial venture capitalists (Howell, 2019). Khan et al., (2019) reported the results of a recent study demonstrating that entrepreneurial financial capital has an impact on the performance of new ventures in a significant and positive way. To ensure their survival and growth,

newly established ventures should focus on establishing relationships with external financial ties and increasing their networks to secure adequate financial capital.

One of the key elements to stealing better performance is being innovative or having the ability to bring innovation. Entrepreneurs can come up with novel methods for carrying out routine tasks (Ward, 2004). According to (Darling et al., 2007), innovativeness is aimed at the creation and implementation of original solutions to problems arising in the context of the corporate environment. Entrepreneurial success has been proven to be positively correlated with innovative behaviours. Market control is achieved by being first to market with a new product or service, and all benefits associated with being first are gained. Currie et al., (2008), innovation and entrepreneurship lead to the production of new resources with the intention of generating income. In this study, researcher considered innovation as a mediating variable between human capital, social capital and financial capital on firms' performance.

### 3.1 Entrepreneur

An entrepreneur is a person who is able to discover business prospects and conduct actions to capitalise on opportunities. An entrepreneur begins enterprise development, undertakes risks, and manages resources to build and maintain a commercial firm that is capable of self-sustenance. Entrepreneur is an inventor who introduces new technologies (Schumpeter, 1934). He is a person who in pursuit of profit undertakes the task of founding and managing a business by resourcefully allocating existing resources and producing desired products and services. According to Munoz (2010), an entrepreneur is a creative who creates and rebuilds a company and has the vision to see and take advantage of an opportunity. Entrepreneurs have scalable and viable company ideas, and they use their talents and abilities to get things done. An entrepreneur is a person who starts a company and someone who establishes a new company, incurring most of the risks and receiving most of the advantages.

## 3.2 Entrepreneurship

Entrepreneurship is essential to the expansion and development of the economy and is a major driver of innovation and product enhancement via the use of modern technologies. The key contributions that entrepreneurship contributes to economic growth include encouraging the formation of capital, the creation of jobs, the promotion of balanced regional development, and the efficient mobilisation of capital and skill. Young people now increasingly have entrepreneurship as an option in the employment market, which is often flooded with job seekers. Traditional job pathways that were formerly accessible are quickly becoming obsolete, and an increasing number of individuals are embracing the challenge of establishing their own businesses. One definition of entrepreneurship emphasises the crucial part that skills play in entrepreneurial success. Entrepreneurship, defined simply, is the active beginning, commitment, and management of a change process that has a long-lasting impact on the market's supply side.

Entrepreneurs have a significant role in the economy. They not only produce fortune but also job opportunities. In fact, they are producing possibilities at twice the rate of those produced by the traditional properly set-up businesses and corporations (Carree & Thurik, 2010). The influence of entrepreneurship on any country's growth is multi-dimensional and may be in terms of producing job opportunities, impacting economic development, boosting quality of life or battling inflation The first and the greatest advantage of entrepreneurship has been in terms of increasing self-employment and providing job prospects. Occupational transition signifying a change from paid work to maturity of self-employment boosts the developed and rising countries (Dunn & Holtz-Eakin, 2000).

The growth and sustainability of any financial system or economy in the increasingly competitive global economy depends on innovation and entrepreneurship. The foundation of entrepreneurship has been established in all countries and nations that have converted into industrialised economies. India's need for entrepreneurship is considerably greater since the country's potential for demographic-based economic development depends on the creation of many jobs for its young people. A favourable

environment for the growth of entrepreneurship has been created in India as a result of the country's current transition from a planned and state-controlled economic system to one that is more liberalised and state governments are actively pursuing policies to support entrepreneurship among the society's aspirant sectors (Ahluwalia, 2002).

Contrary to expectations, however, the increase in entrepreneurship has remained relatively modest in all Asian nations as a result of a number of barriers including restricted industrial zones, restrictive domestic markets, a poor export sector, and a lack of availability and accessibility of resources. Entrepreneurs have to focus on several human, social, and financial capital resources in order to ensure their survival. Human capital has a wide range consequence for the knowledge intensive and the technologically oriented business(Chen & Chen, 2009). Through the use of network resources, strong social capital organisations raise the success rate of initiatives pertaining to a specific objective (Subramaniam & Youndt, 2005). Adequate financial capital often encourages businesses to participate in creative activities (Hubbard, 1997)

### 3.3 Entrepreneurship and Business Performance

There has been much academic debate about what determines a business performance. The importance of entrepreneurship in the process of entrepreneurial success has been emphasized by several researchers who examine entrepreneurship and business performance. Human capital, financial capital, and social capital are the three fundamental types of capital that make up a successful enterprise in the entrepreneurial process. All of these factors have a strong relationship with entrepreneurial performance (Fatoki, 2011). Previous studies have identified that human and financial capital (Coleman, 2007; Unger et al., 2011) and social capital (Liao & Welsch, 2005) are necessary for the creation, success, and survival of businesses.

## 3.4 Human Capital

A person's human capital can be built through formal training and education that is intended to update and renew their capabilities in order to succeed in society and to make a positive impact on the world. The definition of human capital is the acquisition and use of useful talents so that a person and society can both benefit from the development of human skills. Human capital is termed as the knowledge, skills, and experiences that employees are able to add to the organization, which include education, experience, skills, and distinctiveness. As an accumulation of funds, human capital makes individuals more productive by investing in things like education, on-the-job training, health, and migration. In contrast to human resources, human capital is a broader concept. The study has been instrumental in understanding differences in individual earnings (Nerdrum & Erikson, 2001) Business investment in education and training will leads to attain more capability and capacity of manpower resources.

There has been extensive research conducted on human capital in the context of organizational performance over the last few decades (Colombo & Grilli, 2005).. Studies that have provided empirical support for this claim suggest that human capital plays a vital role in new venture performance. For instance, (Peña, 2002) discovered that the survival and expansion of new ventures appeared to be favourably correlated with the quantity of human capital founders possessed. Human capital has a vital role, is a key contributor to creating organisational value, and helps to attain organisational achievement over a period of time. Not only for an individual, but for a vast array of information with groups and institutionalisation, knowledge is essential. College education made entrepreneurs far less likely to fail (Bates, 1990). In the same way, (Honig, 1998) discovered that higher education levels increased the firm's performance.

## 3.5 Social Capital

Social capital has a sociological perspective on human activity and sees people as actors who are moulded by societal circumstances, in contrast to the economic view of human action, which considers people as resources that may be developed and that can affect environmental conditions. Social capital can be studied at multiple levels,

among these are the social (Putnam, 1993), institutional (Nahapiet & Ghoshal, 1998) and personal (Burt, 2009). The networks of connections that make up or result in resources that may be utilised for the benefit of a person or a group are referred to as social capital. The resources that are established in one's interactions with others have first been identified as social capital at the individual level. The advantages that one may actually or potentially get from their network of official and informal connections with others are what is highlighted in this situation (Burt, 2009) Second, social capital has been described at the organisational level as the value to an organisation in terms of the connections made by its members with the intention of taking collective action (Nahapiet & Ghoshal, 1998).

Social capital results from changes in interpersonal relationships that make things easier to do. It is essential to the resource-acquisition strategies needed for the establishment and development of new ventures. Specific social relationships that keep people feeling connected to one another are the focus of social capital. Premaratne (2002) came to the conclusion that social interactions are key to the entrepreneurial process since the knowledge required to launch and expand a firm is mostly given to the entrepreneur via the social networks of friends already in place. Social capital is described by Acquaah (2002) as the real and prospective resources that are inherent in networking connections and that actors may access and employ to carry out acts or conduct economic operations. Social capital consists of internal and external social capital. (Acquaah, 2002) Internal social capital is capital that focuses on the structure and social networking connections inside a system or organisation, whereas external social capital is concerned with the structure and connections outside the organisation.

According to the social capital theory (Lin & Dumin, 1986), people have the capacity to gain advantages from their social networks, affiliations with social groups, and interpersonal connections. Human capital needs social capital to succeed, which implies that social capital creates more chances for effective use of human capital in the workplace. The quality of every individual is human capital, while social capital

refers to events in interpersonal connections that influence quality among many individuals (Burt, 2009).

### 3.6 Financial Capital

In a general word, financial capital refers to the capital structure. It is the mix of owner funds and debt to achieve the financial stability of the firm. According to van Praag (2003) emphasised that financial capital encompasses debt and equity. This is also known as capital structure. (Bosma et al., 2004) identified financial capital as the fundamental of business development and regarded as essential components impacting performance. Financial capital may also protect a company from unforeseen occurrences and assist them in volatile markets when they need sufficient funding for expansion (Cooper et al., 1994). Particularly, without enough financing is available for different operational tasks, a business's resources and skills in emerging economies do not configure firm sustainability and competitive advantage (43 (Fonseka et al., 2014). Financial capital may arrive from external sources as a mix of debt and equity. A company's capacity to introduce and develop innovative products and services may be restricted by a shortage in one or both of these crucial areas.

Financial capital as the degree to which finances are available and accessible to the business (Cooper et al., 1994; Wiklund & Shepherd, 2005). Accessibility of financial resources may help to some degree to alleviate resource shortages in other areas. Additionally, small businesses often have trouble securing equity and debt funding, which severely restricts their ability to grow (Winborg & Landström, 2001). Financial capital gives businesses the freedom to test out novel ideas and initiatives that would not be accepted in a more resource-constrained environment (Cooper et al., 1994). Financial capital plays a vital role in the effective performance of a business. A high level of financial availability encourages businesses to grow into new markets and improve their competitive position, whereas a low level of financial availability can make businesses hesitant to carry out their daily operations (Xu & Hitt, 2020).

## 3.7 Innovation

It is generally accepted that entrepreneurship and innovation are intertwined and was one of the first to advocate this concept (Schumpeter, 1934). Miles et al., (1978) state that an entrepreneur is one who innovates through the development of new products and services for the market around the world. According to Drucker (1985), entrepreneurs can be thought of as innovators, and he advises that companies find the sources and indices that demonstrate innovation success, and learn and apply the principles that can enable these innovations to work. Entrepreneurship creates employment opportunities, advances skills, and facilitates innovation by increasing employment possibilities. Through their training, knowledge, and networks, entrepreneurs provide the resources needed to create and develop businesses. In addition to their performance, entrepreneurs have a great impact on the strategic orientation of their businesses (Donckels & Fröhlich, 1991). The characteristics of a small business founder must be examined as part of any attempt to understand the innovation levels of businesses

## 3.8 Firm Performance

In social science and management research, firm performance is often examined as a dependent variable. Defining business performance in terms of organisational performance, functioning, and the results of company operations is a complex issue that involves many accompaniments. Performance evaluation is the process of determining an activity's efficacy and efficiency (Neely, 2005). According to (Richard et al., 2009), several specialised segments, such as the product market and financial performance, have a significant impact on the success of a business. It is often referred to as a multifaceted idea that can be assessed using departmental indicators like those for marketing, finance, or manufacturing (Sohn et al., 2007), as well as more general indicators like profit and growth (Wolff & Pett, 2006). According to (Lebas & Euske, 2002), the success of a business is determined by a mix of both financial and non-financial variables that describe the degree of objective attainment. The use of purely financial metrics is widely discouraged by management accounting scholars, who instead advocate combining financial and non-financial variables (Norreklit, 2000).

Therefore, it is vital to consider several dimensions since entrepreneurial efforts may occasionally result into favourable results on one performance dimension and undesirable effects on other performance dimension.

**Theoretical Perspective – Human Capital, Social Capital and Financial Capital**

The theory of human capital describes how people can improve their skills and abilities through education and training. It is widely acknowledged that Gary Becker was a pioneer in this field. Research on human capital has grown in a number of different academic disciplines. The concept of human capital has received a great deal of attention from the strategy and human resources management areas within the management discipline (Wright & McMahan, 2011). Human capital theory, which derives from microeconomics, postulates that individuals have talents, knowledge, and skills that are valuable to businesses financially (Youndt et al., 1996). The accumulation of general and unit-specific human capital enhances individual and unit effectiveness, according to one of its main claims (Becker, 2009). It is now well accepted that the key factor influencing an organization's success is not its physical capital but rather its human capital (Youndt et al., 1996).

An individual's knowledge, skills, and abilities can be increased through mechanisms like education, training, and experience, which is described by Coff & Kryscynski (2011) at the micro-level; however, strategy scholars have used other conceptualizations to characterize human capital as unit-level resources (Ployhart & Moliterno, 2011)**.** Those who study macro-level organizational phenomena and strategy scholars have studied the ways in which the aggregate experience, education, and skills of employees within an organization can be leveraged to gain competitive advantage (Barney, 1991)**,** as they are generally concerned with firm-level phenomena.

Organisations that spend in growing their human capital are likely to recoup these expenses through higher productivity, according to the human capital theory. Their staff members learn important information about the company and their position (Ployhart et al., 2009). It has long been a goal to comprehend the major factors influencing firm performance at the macro or firm-level (Santhanam & Hartono,

2003), the theories predicting that human investments in human capital enhancement yield better firm-level performance are found in both the micro and macro levels. According to (Becker & Huselid (2006). According to strategic management research, investing in human capital can boost performance at the organisational level (Subramony et al., 2008).

When a firm's human capital is well invested, its business routines can be more effective and efficient, and it can take advantage of market opportunities more effectively (Barney, 1991). As a result of globalization and other environmental changes, strategy researchers have noted that human capital may be able to provide a sustained competitive advantage in the face of weakening other differentiators (Thompson & Heron, 2005). Human resources, or the knowledge and skills that individuals possess, are the foundation of human capital. Employee selection, development, and utilisation make up a company's stock of human capital (Snell & Dean, 1992). Investing in the acquisition and development of employees who possess better skills and capabilities than their competitors is essential to success in today's global business environment (Youndt et al., 1996).

According to social capital theory, people can gain from their social structure, their connections with others, and their participation in social groups (Lin & Dumin, 1986). High human capital endowment entrepreneurs benefit greatly from their social networks since they serve as an essential source of knowledge and guidance about doing a company. Social networks and social capital have a role in an entrepreneur's capacity to spot and seize opportunities that raise the likelihood of increased profitability and growth. Social networks are thought to provide a platform that makes it easier to see external possibilities**.**

In comparison to competitors who are unable to capitalize on the power of social capital, entrepreneurs who create and use social capital via their personal and professional networks undoubtedly achieve significant and successful results (Baker, 1962, 1964). While social capital is found in interpersonal interactions, human capital is found in an individual's knowledge and abilities (Coleman, 1988). Additionally, networks and relationships provide small business owners with a possible market to

expand the range of goods and services they offer. Entrepreneurs who have closer links to these kinds of communities would benefit more from social capital. Therefore, it is anticipated that, when used wisely, social capital would provide significant resources to entrepreneurs in emerging nations. Maintaining formal ties, such as those with lending institutions, may require the use of social capital made up of informal networks.

Numerous scholarly investigations have shown that entrepreneurs with greater amounts of human and social capital are inclined to establish enterprises that exhibit robust expansion and profitability. Most people would agree that social capital, or the resources found within business owners' networks, is essential to the businesses' success. As per Stam et al., (2014), network linkages facilitate the identification of novel business prospects, the acquisition of resources at a lower cost than the market, and the enhancement of legitimacy via external stakeholders. According to (Jack, 2010; Omri & Ayadi-Frikha, 2014) and other scholars, networks have a substantial impact on how organisations are established, managed, and perpetuated in addition to having an impact on people. In addition to being studied within the field of sociology (Granovetter, 1985) networks and networking are also being used more and more to study entrepreneurial behaviour in the start-up, development, and growth phases of new enterprises.

This research focuses on financial capital availability and accessibility from the standpoint of financial capital. Basically, it's a framework for accessing more finance for a business based on the needs and the possibility of financial resources being available for a smooth operation. In general view, there exist many controversial theories regarding capital structure. Capital structure theories can be classified in terms of the relevance of capital structure and the irrelevance of capital structure. According to net income theory and the traditional view, capital structure decision affects the value of the firm. According to MM without tax and NOI without tax, these are irrelevance theories, which means a firm's capital structure decision won't affect the value of the firm. This study is related to financial capital availability and accessibility. As a well-known resource, finance is one of the most important. Based

on RBV, organizations consist of a set of specific resources, and combining those resources enables an organization's management to capture market opportunities, which contribute to the organization's success (Penrose, 1959). Moreover, resources are also regarded as the primary unit of analysis in organizational theory (Grant, 1991). In other words, a firm can be described as a collection of resources and capabilities enabling it to function. A firm's resources can be enhanced if it possesses a set of resources (Barney, 1991).

**Hypotheses Development**

**Human Capital and Firm Performance**

Human capital plays a crucial role in an enterprise's success. Since human abilities increase both an individual's and society's wealth, human capital is defined as acquired and valuable talents. Human capital is one of the most important public policies in knowledge-based economies. Human capital refers to the additional capabilities and experience that workers possess, which include their education, experience, talents, and unique qualities. The accumulation of money through initiatives like health care, education, on-the-job training, and migration that raise an individual's productivity is known as human capital. In contrast to human resources, human capital has a broader scope. Individual earnings differences have been greatly elucidated by this method (Nerdrum & Erikson, 2001)**.** If more money is invested in education and training, then the skill level of an individual will increase, resulting in a higher level of productivity.

Numerous research assessed organisational effectiveness to be largely dependent on human capital (Colombo & Grilli, 2005). (Davidsson & Honig, 2003) explains Education, experience, and knowledge are crucial components of human capital that open up a wider variety of options. Business performance is favourably correlated with higher education levels (Cooper et al., 1994). Firm activity is correlated with work experience, managerial experience, and previous entrepreneurial experience (Dimov & Shepherd, 2005).

One of the most important organisational resources and assets that raises the company's worth and supports the dynamics of value creation over time is human

capital. Knowledge is essential for a broad range of knowledge with groups and institutionalisation, not only for an individual. College graduates were far less likely to fail as entrepreneurs (Bates, 1990). Similarly, (Honig, 1998) discovered that more education increased the firm's profitability. The effects of human capital variables, such as educational attainment and organisational experience, on prospect recognition, financial performance, growth, and innovation have been correlated (S. Coleman, 2007).Though educational credentials are not the sole factors that determine the abilities and competence that lead to entrepreneurial success (Henley, 2007), more education and experience have been connected to stronger entrepreneurial goals (Kim et al., 2006). There is a greater potential in a person than in their education, which helps businesses succeed by increasing human capital.

A higher level of human capital from founders is essential for generating prospects, and in particular, job experiences may help persuade investors. An entrepreneur's human capital, such as their greater level of education, might be seen as evidence of their trustworthiness to outside lenders. There is enough evidence to suggest that human capital and corporate performance are positively correlated (Chandler & Hanks, 1998). There are contingent connections between human capital variables and business performance, and human capital proportions are important elements determining business performance. These contingency connections must be taken into account since, in practice, components have distinct functions and are connected in a certain order. It has been shown that a major factor in businesses failing is a lack of human capital and skills (Eesley & Roberts, 2012).

According to many researchers, human capital is defined as a combination of resources and capabilities. (Cooper et al., 1994) found that the survival and expansion of firms had been significantly affected by education. Individuals with higher levels of education were less likely to leave their jobs during challenging economic times, and instead helped their companies develop throughout both recessions and booms (Kangasharju & Pekkala, 2002). In an identical manner, Peña (2002) investigated whether managers of established companies were more likely to have college degrees

by looking at Spanish businesses. Relevant experience is another crucial component of human capital.

The core of human capital theory is that differences in person and experiential traits account for economic disparities. Human capital is the result of new talents and skills that enable people to act creatively. Social capital has the power to produce human capital. The development of human capital depends on social capital in the home and community. Social and human capital resources are related in a number of ways. Therefore, persons in the social networks of entrepreneurs possessing high amounts of human capital were more likely to have high human capital traits themselves (Lincoln & Miller, 1979).

Training and profitability have a beneficial connect that supports company success in emerging countries (Birley & Westhead, 1990). In his book "Human Capital," (Becker, 2009) compares human capital to tangible instruments of production like factories and machinery. The term "human capital" describes procedures related to education, training, and other professional endeavours aimed at raising an employee's levels of knowledge, skills, abilities, values, and social assets. These procedures will eventually affect an employee's performance and satisfaction, which will in turn affect the performance of a firm. Measuring human capital is a valuable tool for developing and putting into practice human resources policy. Thus, the essential building block for every organisation looking to generate income is human capital. Using Resource Based Theory (RBT), Ganotakis (2012) outlined the significance of human capital to entrepreneurship. According to RBT, entrepreneurial enterprises see human capital as a source of competitive advantage. According to Leitão & Franco (2008), empirical research has produced a variety of conclusions about the connection between performance and human capital, but these findings are not unanimous. Research looking at that connection hasn't always produced reliable findings.

H1. Human capital constructs have a direct positive effect on firm performance

H1a: Human capital constructs have a direct positive effect on firm financial performance

H1b: Human capital constructs have a direct positive effect on firm non-financial performance

**Social Capital and Firms Performance**

The concept of social capital is similar to human capital in that it only exists as part of relationships. It cannot exist on its own (Coleman, 1988). Changes in interpersonal relationships that enable action are the source of social capital. It is essential to the resource-acquisition strategies needed for the establishment and prosperity of new ventures. Particular kinds of social ties that keep people feeling connected are the focus of social capital**.** Premaratne (2002) concluded that relationships with others play a critical role in the entrepreneurial process since the entrepreneur receives the majority of the information required to launch and expand a firm from their current social networks of friends. Relationships, attitudes, and beliefs that control interpersonal interactions and support social and economic advancement are all considered various forms of social capital. A social network can explain performance variations more effectively than a demographic profile (Reagans & Zuckerman, 2001). Social capital relates to relationships with friends, family, coworkers, and other social interactions, such as cohesion, self-assurance, and company administration. Through such relationships, useful resources are accessed, including knowledge, support, and influence that inspire action (Adler & Kwon, 2002). The stock of connections, trust, norms, and environment that facilitate appropriate means of information exchange is referred to as social capital. Activity groups that have strong social capital connections gain more knowledge, which increases competence through reciprocity and offers new opportunities with low opportunity costs.

Successful use of human capital requires social capital, which suggests that social capital creates more chances for appropriate use of human capital in the workplace. Human capital is defined as the quality of each individual. Social capital is defined as events in interpersonal interactions that influence the quality of various persons (Burt, 2009). Social capital is divided into norms, networks, and trust that enable participants to more effectively accomplish combined goals (Putnam, 1993). Social capital refers to the links between groups or people, such as family networks, friends' networks and

former coworkers' networks. Social associations form real understandings, norms, and values that are more authentic than those formed through shared understandings. The social capital in the world solves problems, adds value, achieves objectives, realizes dreams, and benefits society in the long run.

H2. Social capital constructs have a direct positive effect on firm performance

H2a: Social capital constructs have a direct positive effect on firm financial performance

H2b: Social capital constructs have a direct positive effect on firm non-financial performance

**Financial Capital and Firms Performance**

The capital structure is often referred to as financial capital. The enterprise's financial soundness is achieved by the mix of owner money and debts. Financial capital consists of both debt and equity (van Praag, 2003).Its referred to as capital structure. Financial capital is the cornerstone of a business's existence and is seen as a significant component influencing performance (Bosma et al., 2004). One of the most important skills and talents of an entrepreneur is managing the company's finances (Boohene, 2018). It is important to note that many entrepreneurs do not see themselves as primarily financial people. As the firm progresses, it wants to build a diverse network of economic skills (Coleman & Kariv, 2014). These talents and competencies include raising money for their company's expansion, controlling income, covering costs, and attempting to deal with sporadic periods of financial distress (Amini et al., 2018). A major reason for the importance of financial skills is the high failure rate associated with the improper use of financial resources to support entrepreneurship (Coleman & Kariv, 2014). Additionally, it is maintained that an entrepreneur's access to both financial and non-financial resources determine the ownership and legitimacy of the firm (Nerdrum & Erikson, 2001)

Entrepreneurs may handle competitive business operations with the help of financial capabilities, which can play a dynamic role in integrating other resources and talents (Fonseka et al., 2014). The timing, accessibility, and effective and efficient use of

financial resources throughout the development and investment phase are critical factors that determine a firm's strategy and performance. Furthermore, the ability of owners, managers, and entrepreneurs to make strategic decisions is influenced by their financial capacities (Gilbert et al., 2006).

External sources of financial capital could present themselves as mixtures of debt and equity. It is possible for a shortage of one or both of these crucial areas to hamper a company's ability to introduce and develop new goods and services. Numerous studies suggest that a lack of funding can be a significant obstacle for small businesses.

H3. Financial capital constructs have a direct positive effect on firm performance

H3a: Financial capital constructs have a direct positive effect on firm financial performance

H3b: Financial capital constructs have a direct positive effect on firm non-financial performance

**Human Capital and Innovation**

Becker & Huselid (2006) state that the purpose of human capital theory was to determine how employees' incomes were distributed. Many previous studies have been prompted by this theory, which is frequently used by entrepreneurship researchers. A number of significant studies have also included human capital in their prediction models of innovation, entrepreneurial growth, and success. As per the theory, people try to maximise their financial gains based on their own worth as human resources. Human capital is made up of knowledge and experience and is a source of creativity and competitiveness (Coleman, 1988). Human capital is a crucial component of the complex process that is innovation. The dissemination and application of existing innovations as well as the development of new goods are two distinct elements of the relevance of the human capital-innovation link. Similar to human capital, innovation has grown in importance as a subject of study, especially in the management and economics disciplines.

Numerous theoretical and empirical research have focused on the significance of human capital as a determinant of innovation. (Baldwin & Johnson, 1996) elucidate the significance of human capital in small and medium-sized businesses' innovation initiatives. It has been shown that companies run by people with less experience or education are really less inventive (Hausman, 2005). (Romano, 1990) asserts that small company owners often lack the kind of education and skills associated with innovative endeavours. A lack of expertise may prevent small businesses from designing new goods and services that are tailored to their clients (Sethi et al., 2001). Thus, education (Baumol, 2004) and knowledge (Thornhill, 2006) are prerequisites for innovative endeavours. Individual training in firms promotes internal learning and the production of new ideas (Galende & de la Fuente, 2003). Knowledge is fundamental to innovation and the application of new technology (Hoffman et al., 1998). There is mounting evidence that the educational backgrounds of managers, business owners, and entrepreneurs have a significant impact on the innovativeness of small businesses as established by (Koellinger, 2008). Research by (Thornhill, 2006) has shown that training in entrepreneurial innovation activities and the acquisition of information based on personal experience are positively correlated. Similarly, (Koskinen & Vanharanta, 2002) have shown that implicit knowledge might be crucial to a company's efforts to innovate. Based on the aforementioned studies, researchers can draw the conclusion that human capital attributes which include all cognitive abilities, knowledge gained through formal education, and skills and competencies gained informally in the workplace have an impact on businesses innovative activities.

H4: Human capital constructs have a positive effect on innovation activity

**Social Capital and Innovation**

According to (Adler & Kwon, 2002), entrepreneurs with social capital can launch their businesses, overcome challenges related to company consolidation, and develop the resilience necessary to succeed. The significance of social capital in the processes of corporate development and innovative capacity has been highlighted by several scholars. There has also been a lot of theoretical focus on the significance of social

capital as a driver of innovation (Landry et al., 2002).The benefits of social networks for businesses' capacity to innovate have been supported by researchers such as Putnam (1993), (Adler & Kwon, 2002), and (Rogers, 2004). Several scholars have also proposed that intra-organizational information sharing might impact organisations' ability for innovation by stimulating creativity and generating new ideas and knowledge (Calantone et al., 2002; Hult et al., 2004).(Hsieh & Tsai, 2007) discovered a significant correlation between social capital and creative product introduction tactics in high-tech companies. The usefulness of networking as a potential strategy for boosting innovation capacity in small and medium-sized businesses has been highlighted by Lee et al. (2010). Landry et al. (2002) stated that the significance of social capital in the innovative strategy of businesses.

The results suggest that social capital, particularly networks of entrepreneurs, can play an important role in the capacity for innovation of an organization. In this case, the hypothesis is as follows:

H5: Social capital constructs have a positive effect on innovation activity

**Financial Capital and Innovation**

Financial capital is the capacity of a company to generate and maintain real capital as well as obtain financial resources, both of which allow it to function productively in the market. Financing availability is always essential for launching and growing companies. Efforts of entrepreneurs for creating innovative techniques are also hampered by several issues. Specifically, the majority have restricted financial resources (Hausman, 2005). Therefore, these firms have to overcome the challenge of obtaining outside funding in order to pay for their R&D projects or innovation-related investments. They often employ both internal and external resources, such as loans, grants, or equity investment, to support their growth. These companies have challenges when it comes to innovative financing because of the constraints imposed by their smaller sizes and inferior financial capacities.

In particular, Schumpeter was a visionary theorist who was interested in business size. He highlighted how big businesses might start R&D programmes that result in the

release of new items and invest in new procedures to save expenses. It is evident from these factors that tiny and micro-enterprises are limited by their scale. According to Fritsch & Meschede (2001), the primary driver of small businesses' innovation efforts is the availability of financial resources. Consequently, financial capital boosts a company's propensity to innovate (Castrogiovanni, 1996) by enabling it to undertake creative initiatives and novel tactics that would not have been feasible in settings with less resources (Cooper et al., 1994)

Based on these results, researchers examine the impact of financial capital on innovative business activities. Accordingly, the researcher proposes the following hypothesis:

H6: Financial capital constructs have a positive effect on innovation activity

**Innovation and Firms Performance**

Numerous businesses are aware that innovation is the main indicator of success and development. According to Thornhill (2006), Innovation is essential to corporate growth and success because it gives businesses a competitive edge and boosts their operational efficiency (Roberts & Amit, 2003). The entrepreneurial attitude of a company is demonstrated through innovation activity, which may be started by both people and organisations (Lumpkin & Dess, 1996). Growth, profit, and success are all enhanced by innovation (Hyvärinen, 1990). These new businesses have a chance to both attract and keep customers when they innovate and offer new products or services. According to (Heunks, 1998), success is any type of indicator of earnings for a business, such as turnover, production capacity, and return on investment. The performance of a business can be evaluated using a variety of variables

A firm's performance is an assessment of all the actions and activities performed to achieve the organizational objectives. Most academic works have emphasised the significance of company performance. In previous studies, financial performance and non-financial performance are the two primary performance-evaluating measures (Cardinaels & van Veen-Dirks, 2010). The researcher examined both financial and non-financial performance to assess business success in this study.

H7: Innovation positively effects on the firm performance

H7a: Innovation positively effects on the firm financial performance

H7b: Innovation positively effects on the firm non-financial performance

**Mediating effects of innovation on entrepreneurial performance**

Researchers confirmed that innovative involvements are the facilitator of human capital, social capital and financial capital from the previously mentioned literature (for example; (Hausman, 2005; Koskinen & Vanharanta, 2002; Lee et al., 2010; Thornhill, 2006). Innovation is one of the reasons behind the success of businesses. As a result, researcher contend that company owners who have better access to human capital, social capital and financial capital will be more willing to adopt innovative approaches that promote the performance of business sectors. This study offers a mediational model that considers human capital, social capital and financial capital as an input, innovation as a process, and firm performance as an output, in contrast with prior studies on the success of businesses. Education guess of researcher is having well human capital, social capital and financial capital and they adopted innovativeness, which leads to have a greater success. In this study, researcher wants to know the direct and indirect effect on innovation on firms' performance and which effect has more consistent. Researcher used the bootstrap procedure to check the mediating effect (Preacher & Hayes, 2008). In this study, young startup founders' financial and non-financial performance is examined to determine whether there is a direct or indirect effect of human capital, social capital and financial capital.

H8: Innovation plays a mediating effect between human capital and firm performance

H8a: Innovation plays a mediating effect between human capital and firm financial performance

H8b: Innovation plays a mediating effect between human capital and firm non-financial performance

H9: Innovation plays a mediating effect between social capital and firm performance

H9a: Innovation plays a mediating effect between social capital and firm financial performance

H9b: Innovation plays a mediating effect between social capital and firm non-financial performance

H10: Innovation plays a mediating effect between financial capital and firm performance

H10a: Innovation plays a mediating effect between financial capital and firm financial performance

H10b: Innovation plays a mediating effect between financial capital and firm non-financial performance

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# Chapter 4

# DATA ANALYSIS AND INTERPRETATION

## 4.1 Introduction

A descriptive and inferential analysis is carried out in this chapter to draw various inferences from all the primary data. Analyses and interpretations are explained based on the collected data. Data analysis was conducted in two phases. EFA was performed in the first phase because scales were modified contextually, followed by CFA on all scales. The proposed model has been validated using a structural equation modelling technique (SEM). SEM involves combining many dependent and independent variables. This method is a more comprehensive version of multiple regression and factor analysis (Hair et al., 2010).

Covariance-Based Structural Equation Modelling was used to analyse the relationships, and furthermore, the researcher used innovation as a mediator in the relationship between human capital, social capital, financial capital, and the financial and non-financial performance of startup companies. The bootstrapping method was used to analyse the mediation; the researcher used 5000 bootstrap samples for mediation analysis. The data was analysed using AMOS software version 24 and IBM SPSS Statistics 26. This study included 300 innovative young entrepreneurs in Kerala.

The analysis part is divided into five sections, with the first showing an exploratory factor analysis followed by a confirmatory factor analysis. After the confirmatory factor analysis, the researcher establishes the structural equation modelling and the mediation analysis. The conclusion of this chapter is the last part.

**Demographic Profile of respondents**

Demographic profiles of respondents are briefly described in this section. A total of 300 usable responses were retained after removing missing and non-engaged responses. Demographic-related questions were asked to get a clear insight into respondents' profiles. A range of questions covered gender, age, marital status, and educational qualification. Responses were required to choose from multiple options provided for each question. Additionally, a few questions were added for studying the company's profile, such as its name, types of employees, number of employees, etc. Table 4.1 provides a summary of the demographic profile.

**Table 4.1**

*Frequency Distribution of the Demographic Profile*

| Demographics | Level | Frequency | Percentage (%) |
|---|---|---|---|
| Gender | Male | 231 | 77 |
| | Female | 69 | 23 |
| Age Group | 18-25 Years | 55 | 18.3 |
| | 25-32 Years | 105 | 35 |
| | 32-39 Years | 140 | 46.7 |
| Marital Status | Married | 208 | 69.3 |
| | Unmarried | 92 | 30.7 |
| Education Qualification | Primary School | 8 | 2.7 |
| | Secondary School | 36 | 12 |
| | Graduate | 162 | 54 |
| | Post Graduate | 94 | 31.3 |
| Type of Production | Manufacturing | 83 | 27.7 |
| | Service | 156 | 52 |
| | Both | 61 | 20.3 |
| Type of Majority Employees in the business | Unskilled | 9 | 3.0 |
| | Semiskilled | 89 | 29.7 |
| | Skilled | 202 | 67.3 |

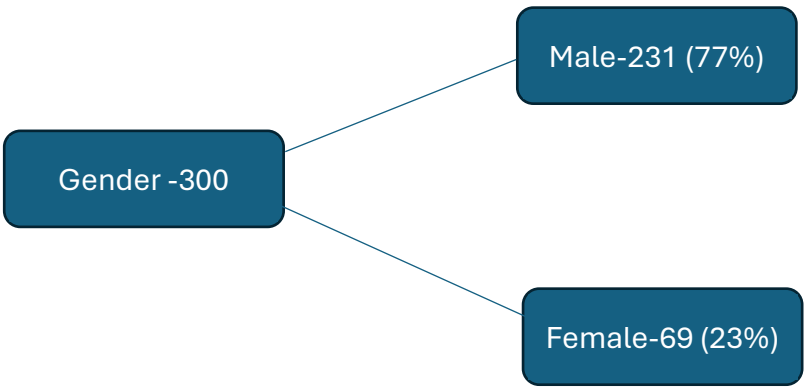
| Demographics | Level | Frequency | Percentage (%) |
|---|---|---|---|
| Total Number of Current Employees in the Business | Employees between 1- 5 | 101 | 33.7 |
| | Employees between 5-10 | 76 | 25.3 |
| | Employees between 11-15 | 46 | 15.3 |
| | Employees More than 15 | 77 | 25.7 |

**Gender Wise Classification**

The following figure shows the distribution of males and females among the sample group. Among the 300 respondents, 231 are males, making up 77% of them. However, the sample includes 69 female founders, representing 23% of the total responses. Our survey indicated that men are the majority of startup founders. According to our survey, men are the majority of startup founders.

**Figure 4.1**

*Gender-wise classification of respondents*

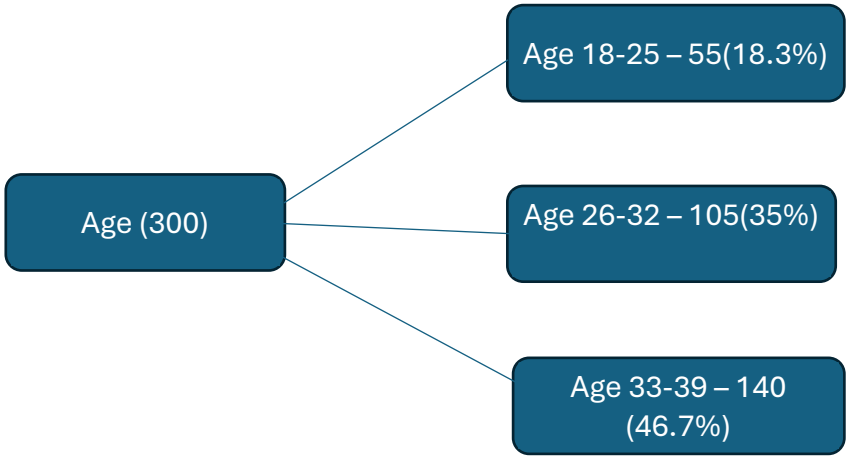



**Age Wise Classification of Respondent**

It can be seen that 18.3% of the sample founders are the age between 18-25 years. 35% of founders fall within the 26–32 age group. 46.7% of them fall into the 33–39 age range. As a result, the age group of 25 to 32 has the highest concentration of startups.

**Figure 4.2**

*Age Wise Classification of Respondent*

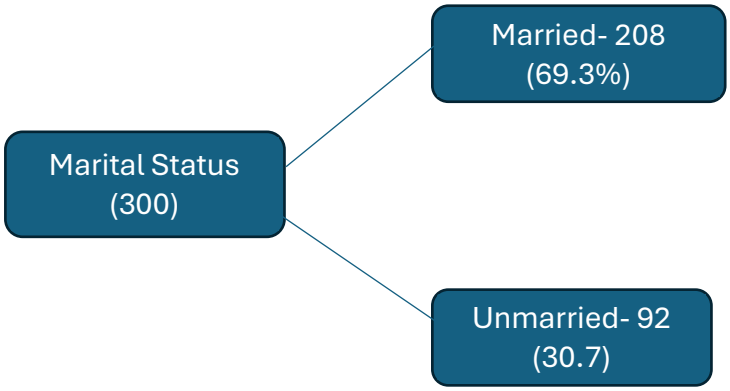



**Marital Status of respondent**

Marital status describes 69.3% respondents are married whereas 30.7% respondents are unmarried

**Figure 4.3**

*Marital Status of respondent*



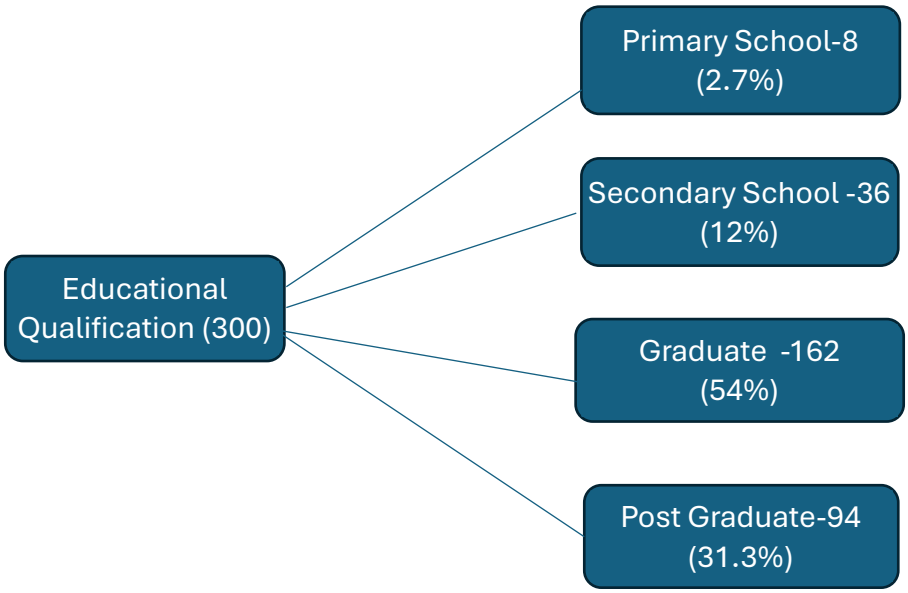

**Educational Qualification**

Figure 4.3 shows the educational backgrounds of startup founders. This figure shows a significant number of founders with higher academic backgrounds. Among respondents with educational backgrounds, 54% are graduates and 31.3% are postgraduates. This figure illustrates the academic excellence of startup founders. In

its notice, there are 2.7% of founders with primary school backgrounds and 12% with secondary school backgrounds.

**Figure 4.4**

*Educational Qualification wise classification of respondent*

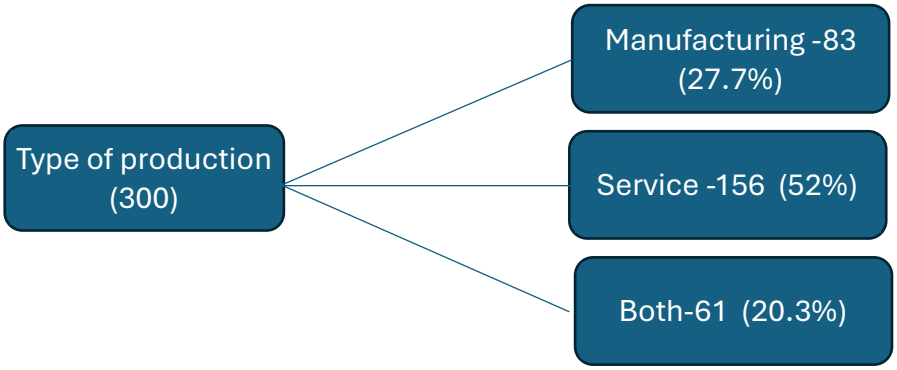



**Type of production**

The majority of startups operate in the service sector, with 52% being service-oriented businesses.27.7% of startups are manufacturing businesses, while 20.3% operate both manufacturing and service businesses.

**Figure 4.5**

*Production-wise classification of respondent*

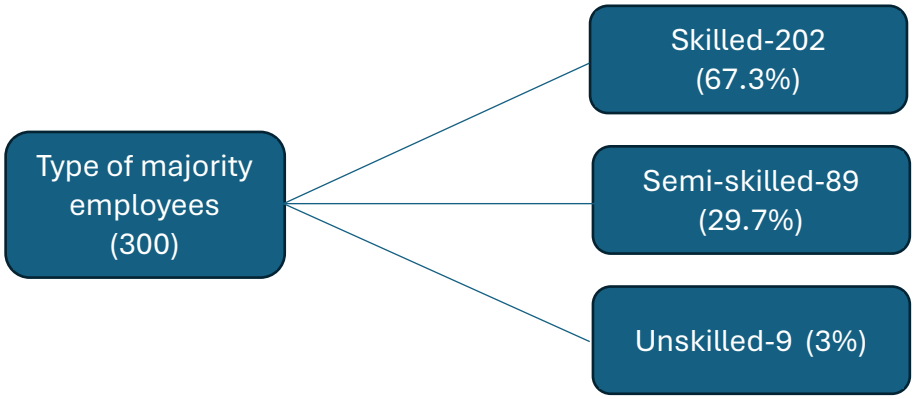


**Employees Wise Analysis**

Figure 4.6 indicates the type of majority employees in startups. Employees can be classified into three categories: skilled, semi-skilled and unskilled. Results show that 67.3% of startups employ skilled workers, 29.7% have semi-skilled workers, and only 3% have unskilled workers.

**Figure 4.6**

*Employees Wise Analysis of respondents*

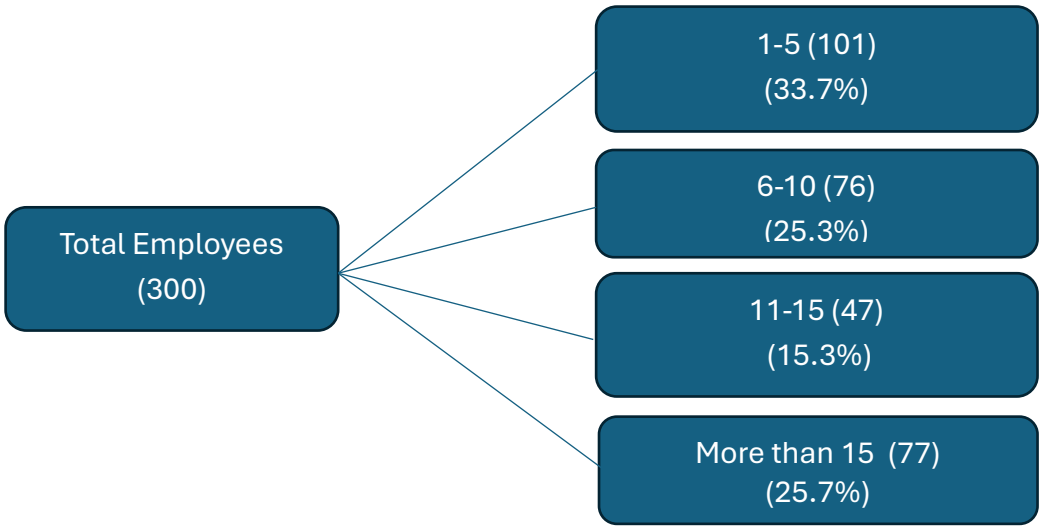



**Total Number of Current Employees in the Business**

The figure 4.7 illustrates that the majority of startup companies have employees in the range of 1–5 (33.7%), followed by the range of 6–10 (25.3%), 11–15 (15.3%) and over 15 employees (25.7%). The majority of respondents have fewer employees, indicating that the early stage of a startup is characterized by small numbers of employees.

**Figure 4.7**

*Total Number of Current Employees wise classification of respondents*




**Descriptive Statistics**

This section focuses on finding the most valuable capital, dimensions, and strategies employed by startup companies. Throughout the literature on entrepreneurship and startups, these firm resources are embraced, including human capital, social capital, innovation, financial capital, and other dimensions of startup performance**.**

**Descriptive statistics of Human capital**

In Table 4.2, the mean, standard deviation, and standard error (SE) of each dimension that explaining the Human capital are shown. Researcher adapted three dimensions to explain human capital including Learning and Education, Experience and Expertise and Innovation and Creation. Table 4.2 presented the descriptive statistics of second order construct and Table 4.3 presented the first order construct.

**Table 4.2**

*Second Order Construct of Human capital*

| Constructs | Dimension | Mean | SD | SE | Ranks |
|---|---|---|---|---|---|
| Human Capital | Learning and Education | 3.93 | .702 | .0405 | 1 |
| | Experience and Expertise | 3.73 | .701 | .0404 | 2 |
| | Innovation and Creation. | 3.67 | .729 | .0420 | 3 |

**Table 4.3**

*Descriptive statistics of first order component Human Capital*

| Constructs | Item Code | Statements | Mean | SD | SE | Ranks |
|---|---|---|---|---|---|---|
| Learning and Education | LE1 | Our decisions and activities are continually evaluated over time | 3.99 | .924 | .053 | 3 |
| | LE2 | We have opportunities for self-assessment with respect to goal attainment | 3.93 | .936 | .054 | 4 |
| | LE3 | Managers in the firm often provide useful feedback that helps in identifying potential problems and opportunities | 4.02 | .922 | .053 | 1 |
| | LE4 | Company's employees continuously learn from others | 3.93 | .941 | .054 | 5 |
| | LE5 | Errors and failures are always discussed and analysed on all level | 4.02 | .976 | .056 | 2 |
| | LE6 | The company invests a great deal of time and effort in updating and developing its employee's knowledge and skills | 3.75 | 1.069 | .062 | 6 |
| Experience and Expertise | EE1 | There is a high level of expertise among the company's employees in their respective fields | 3.84 | .909 | .052 | 3 |
| | EE2 | Company's employees consistently perform at their best | 3.85 | .942 | .054 | 2 |
| | EE3 | The company's employees generally give all they have to the company, making it stand out among its competitors | 3.86 | .955 | .055 | 1 |
| | EE4 | Many employees of the company have been with the company for a long time | 3.37 | 1.017 | .059 | 6 |
| | EE5 | The staff are highly professional | 3.68 | .951 | .055 | 5 |
| | EE6 | The company prides itself on being efficient | 3.83 | .939 | .054 | 4 |

| Constructs | Item Code | Statements | Mean | SD | SE | Ranks |
|---|---|---|---|---|---|---|
| Innovation and Creation | IC1 | There is a high level of creativity and intelligence among the employees of the company as compared to other companies in the industry | 3.73 | .940 | .054 | 2 |
| | IC2 | Company's employees usually come up with new ideas | 3.72 | .984 | .057 | 3 |
| | IC3 | There is a high level of participation in group discussions among employees | 3.79 | .942 | .054 | 1 |
| | IC4 | The company's employees constantly contribute new ideas and knowledge to the company and share this information with one another | 3.58 | .922 | .057 | 5 |
| | IC5 | Company's employees attempt to do things in an innovative way | 3.54 | .995 | .057 | 6 |
| | IC6 | Large number of products or services are launched compared with competitors | 3.71 | 1.003 | .058 | 4 |

**Descriptive statistics of Social Capital**

Social capital consists of three dimensions, such as relational dimension, structural dimension, and cognitive dimension. Table 4.4 presented the descriptive statistics of second order construct of social capital and Table 4.5 presented the first order construct.

**Table 4.4**

*Second Order Construct of Social Capital*

| Constructs | Dimension | Mean | SD | SE | Ranks |
|---|---|---|---|---|---|
| Social Capital | **Relational Dimension** | 3.67 | .762 | .0439 | 2 |
| | **Structural Dimension** | 3.75 | .762 | .0439 | 1 |
| | **Cognitive Dimension**. | 3.63 | .777 | .044 | 3 |

**Table 4.5**

*Descriptive statistics of first order component of Social Capital*

| Constructs | Item Code | Statements | Mean | SD | SE | Ranks |
|---|---|---|---|---|---|---|
| Relational Dimension | RD1 | These exist a strong relationship between employees and employer | 3.76 | 1.030 | .059 | 2 |
| | RD2 | We develop strong relationship with our business partners | 3.78 | .968 | .056 | 1 |
| | RD3 | Our employees always keep their promises to us | 3.64 | .961 | .055 | 3 |
| | RD4 | Our relationship with employees is characterized by mutual trust | 3.50 | 1.094 | .063 | 4 |
| Structural Dimension | SD1 | Our team members are willing to combine and exchange resources with other team members | 3.73 | 1.003 | .058 | 3 |
| | SD2 | Our employees interact with each other in order to disseminate useful information within the team | 3.86 | .917 | .053 | 1 |
| | SD3 | We frequently contact with team managers | 3.73 | .978 | .056 | 2 |
| | SD4 | We communicate functionally with the team managers of the organisation | 3.71 | 1.029 | .059 | 4 |
| Cognitive Dimension | CD1 | Our employees clearly understand the goal and vision of our company | 3.64 | .988 | .057 | 2 |
| | CD2 | Our team is passionate about pursuing the overall organization's goals and missions | 3.60 | .994 | .057 | 4 |
| | CD3 | Our employees share the goal and vision of company, which is always same of directors | 3.66 | .934 | .054 | 1 |
| | CD4 | Our employees understand how we do work effectively for the business | 3.63 | .980 | .057 | 3 |

**Descriptive Statistics of Financial Capital**

Financial Capital Availability and Financial Capital Accessibility are the two major dimensions of the financial capital. Descriptive statistics of financial capital are shown in Table 4.6 and Table 4.7.

**Table 4.6**

*Descriptive Statistics of Second order construct of Financial Capital*

| Constructs | Dimension | Mean | SD | SE | Ranks |
|---|---|---|---|---|---|
| Financial Capital | Financial Capital Availability | 3.10 | .883 | .0509 | 2 |
| | Financial Capital Accessibility | 3.14 | .881 | .0508 | 1 |

**Table 4.7**

*Descriptive Statistics of First order construct of Financial capital*

| Constructs | Item Code | Statements | Mean | SD | SE | Ranks |
|---|---|---|---|---|---|---|
| Financial Capital Availability | FCAV1 | We are satisfied with the financial capital available for business operations | 3.12 | 1.050 | .061 | 3 |
| | FCAV2 | Financial constraints do not impede our business activities | 3.13 | 1.064 | .061 | 2 |
| | FCAV3 | Our business activities are better financed than our key competitors' business | 3.02 | 1.094 | .063 | 4 |
| | FCAV4 | Financial resources are available on time for the smooth running of business activities | 3.16 | 1.072 | .062 | 1 |
| Financial Capital Accessibility | FCAC1 | We can easily access financial capital to achieve our business growth | 3.12 | 1.066 | .061 | 3 |
| | FCAC2 | In order to fund business initiatives, directors have substantial financial resources. | 3.10 | 1.065 | .061 | 4 |

| Constructs | Item Code | Statements | Mean | SD | SE | Ranks |
|---|---|---|---|---|---|---|
| | FCAC3 | Financial assistance would be easy to obtain if we needed it for our business operations. | 3.18 | 1.068 | .062 | 2 |
| | FCAC4 | We have no more complicated procedures to access financial capital | 3.19 | 1.103 | .064 | 1 |

**Table 4.8**

*Descriptive statistics of Innovation*

| Constructs | Item Code | Statements | Mean | SD | SE | Ranks |
|---|---|---|---|---|---|---|
| Innovation | IN1 | We focused research and development of product/services instead of marketing | 3.63 | 1.019 | .059 | 3 |
| | IN2 | We used to introduce new method of production or service rather than conventional method | 3.84 | .909 | .052 | 2 |
| | IN3 | We search for novel technology, procedures, and work method | 3.62 | .941 | .054 | 4 |
| | IN4 | Our team prefer innovative ideas rather than conventional knowledge when it comes to solving problems. | 3.93 | .924 | .053 | 1 |
| | IN5 | We found new ways of managing finance | 3.56 | .987 | .057 | 5 |

**Descriptive Statistics of Firms performance**

Researcher considered the financial performance and non-financial performance for measuring firm performance. Descriptive statistics of firm performance are shown in table 4.9.

**Table 4.9**

*Descriptive Statistics of Firms performance*

| Constructs | Item Code | Statements | Mean | SD | SE | Ranks |
|---|---|---|---|---|---|---|
| Firms Financial Performance | FFP1 | Growth in sales | 3.62 | .892 | .051 | 1 |
| | FFP2 | Gross profit | 3.51 | .882 | .051 | 4 |
| | FFP3 | Net profit | 3.50 | .900 | .052 | 5 |
| | FFP4 | Return on investment | 3.57 | .902 | .052 | 3 |
| | FFP5 | Return on Assets | 3.48 | .911 | .053 | 6 |
| | FFP6 | Company's market value (Total stock value) | 3.62 | .940 | .054 | 2 |
| Firm non-financial performance | NFP1 | Employee Productivity | 3.71 | .841 | .048 | 5 |
| | NFP2 | Customer Satisfaction | 3.88 | .932 | .054 | 4 |
| | NFP3 | Owner satisfaction | 3.90 | .899 | .052 | 3 |
| | NFP4 | Customer retention | 3.91 | .898 | .052 | 2 |
| | NFP5 | sense of self-fulfilment | 3.94 | .895 | .052 | 1 |

**Reliability and Normality**

The following section shows the reliability if each construct used in this study and normality analysis of the respondents**.**

**Reliability**

Table 4.10 shows the reliability analysis of each item used in this study. Researcher The reliability measurement is used to determine the consistency of the instruments. 56 scaled items to measure reliability of the constructs. The reliability measurement is used to determine the consistency of the data collection methods used in the study.

It ensures the internal consistency of research instrument used the study. Cronbach's alpha is used to measure the reliability of the scale. Since Cronbach's alpha coefficients for all constructs are satisfactory. Table 4.10 shows that all alpha values are above 0.7, proving the internal consistency of the measurement scale.

**Table 4.10**

*Reliability Analysis*

| Construct | Number of Statements | Cronbach's Alpha |
|---|---|---|
| Learning and Education | 6 | .816 |
| Experience and Expertise | 6 | .823 |
| Innovation and Creation | 6 | .832 |
| Relational Dimension | 4 | .747 |
| Structural Dimension | 4 | .793 |
| Cognitive dimension | 4 | .835 |
| Financial capital availability | 4 | .859 |
| Financial capital accessibility | 4 | .838 |
| Innovation | 7 | .864 |
| Financial Performance | 6 | .910 |
| Non- Financial Performance | 5 | .890 |

**Normality Analysis**

Data normality testing is crucial before proceeding to further statistical analysis. A normality assessment is required to determine whether the data are parametric or non-parametric. SPSS was used to calculate skewness and kurtosis values for each construct. The skewness and kurtosis of the data were used to assess its normality. A normal distribution is defined as skewness between -2 and +2 and Kurtosis between -7 and +7 (Byrne, 2010; Hair et al., 2010). Table 4.11 shows that the skewness and kurtosis values are within the recommended range, confirming the normality of the data.

**Table 4.11**

*Normality Analysis*

| Item | Skewness | | Kurtosis | |
|---|---|---|---|---|
| | Statistic | Std. Error | Statistic | Std. Error |
| HCLE1 | -.842 | .140 | .582 | .280 |
| HCLE2 | -.653 | .140 | .051 | .280 |
| HCLE3 | -.804 | .140 | .375 | .280 |
| HCLE4 | -.682 | .140 | .182 | .280 |
| HCLE5 | -.798 | .140 | .127 | .280 |
| HCLE6 | -.521 | .140 | -.462 | .280 |
| HCEE1 | -.384 | .140 | -.411 | .280 |
| HCEE2 | -.660 | .140 | .159 | .280 |
| HCEE3 | -.465 | .140 | -.415 | .280 |
| HCEE4 | -.099 | .140 | -.603 | .280 |
| HCEE5 | -.377 | .140 | -.146 | .280 |
| HCEE6 | -.532 | .140 | -.007 | .280 |
| HCIC1 | -.456 | .140 | .001 | .280 |
| HCIC2 | -.663 | .140 | .197 | .280 |
| HCIC3 | -.574 | .140 | .029 | .280 |
| HCIC4 | -.391 | .140 | -.248 | .280 |
| HCIC5 | -.403 | .140 | -.149 | .280 |
| HCIC6 | -.193 | .140 | -.979 | .280 |
| SCRD1 | -.638 | .140 | -.070 | .280 |
| SCRD2 | -.511 | .140 | -.283 | .280 |
| SCRD3 | -.248 | .140 | -.487 | .280 |
| SCRD4 | -.527 | .140 | -.274 | .280 |
| SCSD1 | -.530 | .140 | -.197 | .280 |
| SCSD2 | -.451 | .140 | -.245 | .280 |
| SCSD3 | -.480 | .140 | -.280 | .280 |
| SCSD4 | -.597 | .140 | -.070 | .280 |
| SCCD1 | -.386 | .140 | -.355 | .280 |
| SCCD2 | -.468 | .140 | -.127 | .280 |

| Item | Skewness | | Kurtosis | |
|---|---|---|---|---|
| | Statistic | Std. Error | Statistic | Std. Error |
| SCCD3 | -.429 | .140 | .089 | .280 |
| SCCD4 | -.373 | .140 | -.243 | .280 |
| FCAV1 | -.095 | .140 | -.517 | .280 |
| FCAV2 | -.044 | .140 | -.629 | .280 |
| FCAV3 | -.062 | .140 | -.549 | .280 |
| FCAV4 | -.035 | .140 | -.700 | .280 |
| FCAC1 | -.117 | .140 | -.531 | .280 |
| FCAC2 | -.093 | .140 | -.616 | .280 |
| FCAC3 | -.198 | .140 | -.520 | .280 |
| FCAC4 | -.238 | .140 | -.585 | .280 |
| IN1 | -.416 | .140 | -.346 | .280 |
| IN2 | -.545 | .140 | -.044 | .280 |
| IN3 | -.367 | .140 | -.562 | .280 |
| IN4 | -.517 | .140 | -.469 | .280 |
| IN5 | -.455 | .140 | .030 | .280 |
| IN6 | -.448 | .140 | -.004 | .280 |
| IN7 | -.537 | .140 | -.270 | .280 |
| FP1 | -.086 | .140 | -.484 | .280 |
| FP2 | -.031 | .140 | -.295 | .280 |
| FP3 | -.043 | .140 | -.387 | .280 |
| FP4 | -.191 | .140 | -.352 | .280 |
| FP5 | -.019 | .140 | -.324 | .280 |
| FP6 | -.212 | .140 | -.406 | .280 |
| NFP1 | -.284 | .140 | .041 | .280 |
| NFP2 | -.475 | .140 | -.300 | .280 |
| NFP3 | -.475 | .140 | -.276 | .280 |
| NFP4 | -.553 | .140 | -.014 | .280 |
| NFP5 | -.395 | .140 | -.728 | .280 |

**Exploratory Factor Analysis**

A factor analysis seeks to identify patterns in a set of variables by utilizing mathematical procedures (Child, 2006). The exploratory factor analysis (EFA) is the first step toward finalizing the scale. In EFA, observed variables are grouped into fewer latent variables that share a common variance (Bartholomew et al., 2011). EFA is an interdependence technique that defines the variables' underlying structure. This study used Principal Component Analysis with Varimax Rotation for EFA (Hair et al., 2010). The Varimax rotation has been used to convert the factors into those that are easier to analyze and interpret. An exploratory factor analysis was conducted on 200 youth entrepreneurs.

Prior to applying principal component analysis, it is necessary to ensure that the data matrix has enough correlations to support factor analysis. This can be ensured by using Bartler's sphericity test and Kaiser-Meyer-Olkin (KMO) adequacy tests(Kaiser & Rice, 1974) we

- Kaiser-Meyer-Olkin (KMO-test)

The Kaiser-Meyer-Olkin (KMO-test) has been used to check sample adequacy. The index ranges from 0 to 1. As depicted in Table 5.4 the value was found to be .9267showing meritorious sampling adequacy (Hair et al., 2010)

- Barlett's Test of Sphericity

Barlett has been considered to check the presence of correlations among the variables. As per the results presented in Table 5.4, statistically significant Bartlett's test of sphericity ($p<.05$) indicated that correlation matrix is not an identity matrix and sufficient correlations existed among the variables (Hair et al., 2010)

**Table 4.12**

*KMO and Bartlett's Test*

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .926 |
|---|---|---|
| Bartlett's Test of Sphericity | Approx. Chi-Square | 9661.363 |
| | Df | 1540 |
| | Sig. | .000 |

➢ Total Variance Explained

Nine factors having Eigen values greater than 1 have been extracted explaining 62.72 percent variance, above the accepted level of 0.60 percent (Hair et al., 2010). The decision regarding number of factors to be extracted has been taken following

MINEGIEN criterion given by (Kaiser & Rice, 1974) and all the factors having eigen values greater than 1 have been retained. The results are shown in Table 4.13 below.

**Table 4.13**

*Total Variance Explained*

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 16.629 | 29.694 | 29.694 | 16.629 | 29.694 | 29.694 | 5.827 | 10.406 | 10.406 |
| 2 | 4.038 | 7.210 | 36.904 | 4.038 | 7.210 | 36.904 | 4.991 | 8.912 | 19.319 |
| 3 | 2.846 | 5.082 | 41.986 | 2.846 | 5.082 | 41.986 | 3.871 | 6.912 | 26.230 |
| 4 | 2.351 | 4.198 | 46.184 | 2.351 | 4.198 | 46.184 | 3.762 | 6.717 | 32.948 |
| 5 | 2.197 | 3.923 | 50.107 | 2.197 | 3.923 | 50.107 | 3.503 | 6.255 | 39.203 |
| 6 | 1.472 | 2.629 | 52.736 | 1.472 | 2.629 | 52.736 | 3.434 | 6.132 | 45.335 |
| 7 | 1.365 | 2.438 | 55.174 | 1.365 | 2.438 | 55.174 | 2.998 | 5.353 | 50.688 |
| 8 | 1.268 | 2.265 | 57.438 | 1.268 | 2.265 | 57.438 | 2.958 | 5.283 | 55.971 |
| 9 | 1.094 | 1.953 | 59.391 | 1.094 | 1.953 | 59.391 | 1.553 | 2.773 | 58.744 |
| 10 | 1.065 | 1.901 | 61.293 | 1.065 | 1.901 | 61.293 | 1.292 | 2.307 | 61.051 |
| 11 | .970 | 1.731 | 63.024 | .970 | 1.731 | 63.024 | 1.105 | 1.973 | 63.024 |

Extraction Method: Principal Component Analysis.

- **Communality**

Communality depicts the variance of each variable that can be explained by a factor (Hair et al., 2010). The values of communalities for all the observed variables in Table 4.14 confirms that the communalities for all the variables were more than the recommended value of 0.50 (Hair et al., 2010).

**Table 4.14**

*Communalities*

| | Initial | Extraction |
|---|---|---|
| HCLE1 | 1.000 | .602 |
| HCLE2 | 1.000 | .684 |
| HCLE3 | 1.000 | .578 |
| HCLE4 | 1.000 | .548 |
| HCLE5 | 1.000 | .577 |
| HCLE6 | 1.000 | .624 |
| HCEE1 | 1.000 | .616 |
| HCEE2 | 1.000 | .649 |
| HCEE3 | 1.000 | .614 |
| HCEE4 | 1.000 | .514 |
| HCEE5 | 1.000 | .613 |
| HCEE6 | 1.000 | .572 |
| HCIC1 | 1.000 | .638 |
| HCIC2 | 1.000 | .615 |
| HCIC3 | 1.000 | .560 |
| HCIC4 | 1.000 | .591 |
| HCIC5 | 1.000 | .610 |
| HCIC6 | 1.000 | .600 |
| SCRD1 | 1.000 | .535 |
| SCRD2 | 1.000 | .506 |
| SCRD3 | 1.000 | .648 |
| SCRD4 | 1.000 | .683 |
| SCSD1 | 1.000 | .654 |
| SCSD2 | 1.000 | .684 |
| SCSD3 | 1.000 | .707 |
| SCSD4 | 1.000 | .627 |
| SCCD1 | 1.000 | .654 |
| SCCD2 | 1.000 | .684 |
| SCCD3 | 1.000 | .707 |

| | Initial | Extraction |
|---|---|---|
| SCCD4 | 1.000 | .627 |
| FCAV1 | 1.000 | .663 |
| FCAV2 | 1.000 | .643 |
| FCAV3 | 1.000 | .698 |
| FCAV4 | 1.000 | .722 |
| FCAC1 | 1.000 | .718 |
| FCAC2 | 1.000 | .586 |
| FCAC3 | 1.000 | .623 |
| FCAC4 | 1.000 | .685 |
| IN1 | 1.000 | .567 |
| IN2 | 1.000 | .606 |
| IN3 | 1.000 | .581 |
| IN4 | 1.000 | .600 |
| IN5 | 1.000 | .600 |
| IN6 | 1.000 | .542 |
| IN7 | 1.000 | .548 |
| FP1 | 1.000 | .650 |
| FP2 | 1.000 | .785 |
| FP3 | 1.000 | .785 |
| FP4 | 1.000 | .720 |
| FP5 | 1.000 | .676 |
| FP6 | 1.000 | .603 |
| NFP1 | 1.000 | .588 |
| NFP2 | 1.000 | .730 |
| NFP3 | 1.000 | .728 |
| NFP4 | 1.000 | .711 |
| NFP5 | 1.000 | .711 |

Extraction Method: Principal Component Analysis.

**Rotated Component Matrix**

The rotated component matrix has been done separately for each construct. The researcher used human capital, social capital, and financial capital as higher-order models.

**Table 4.15**

*Rotated Component Matrix of Human capital*

| | Human Capital | | |
|---|---|---|---|
| | Component | | |
| | 1 | 2 | 3 |
| HCLE2 | .747 | | |
| HCLE1 | .736 | | |
| HCLE5 | .673 | | |
| HCLE6 | .633 | | |
| HCLE3 | .631 | | |
| HCLE4 | .583 | | |
| HCIC2 | | .704 | |
| HCIC5 | | .691 | |
| HCIC4 | | .691 | |
| HCIC6 | | .655 | |
| HCIC3 | | .618 | |
| HCIC1 | | .595 | |
| HCEE2 | | | .725 |
| HCEE4 | | | .665 |
| HCEE5 | | | .663 |
| HCEE1 | | | .653 |
| HCEE3 | | | .629 |
| HCEE6 | | | .569 |

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.[a]
a. Rotation converged in 6 iterations.

**Table 4.16**

*Social Capital*

| | Component | | |
|---|---|---|---|
| | 1 | 2 | 3 |
| SCCD2 | .814 | | |
| SCCD3 | .725 | | |
| SCCD1 | .716 | | |
| SCCD4 | .670 | | |
| SCRD1 | | .710 | |
| SCRD3 | | .683 | |
| SCRD2 | | .656 | |
| SCRD4 | | .652 | |
| SCSD2 | | | .796 |
| SCSD1 | | | .654 |
| SCSD3 | | | .629 |
| SCSD4 | | | .620 |

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.[a]
a. Rotation converged in 7 iterations.

**Table 4.17**

*Rotated Component Matrix of Financial capital*

| **Financial Capital** | | |
|---|---|---|
| | Component | |
| | 1 | 2 |
| FCAC4 | .829 | |
| FCAC3 | .817 | |
| FCAC1 | .689 | |
| FCAC2 | .659 | |
| FCAV1 | | .832 |
| FCAV2 | | .814 |
| FCAV3 | | .700 |
| FCAV4 | | .694 |

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.[a]
a. Rotation converged in 3 iterations.

**Table 4.18**

*Rotated Component Matrix of Firm Performance*

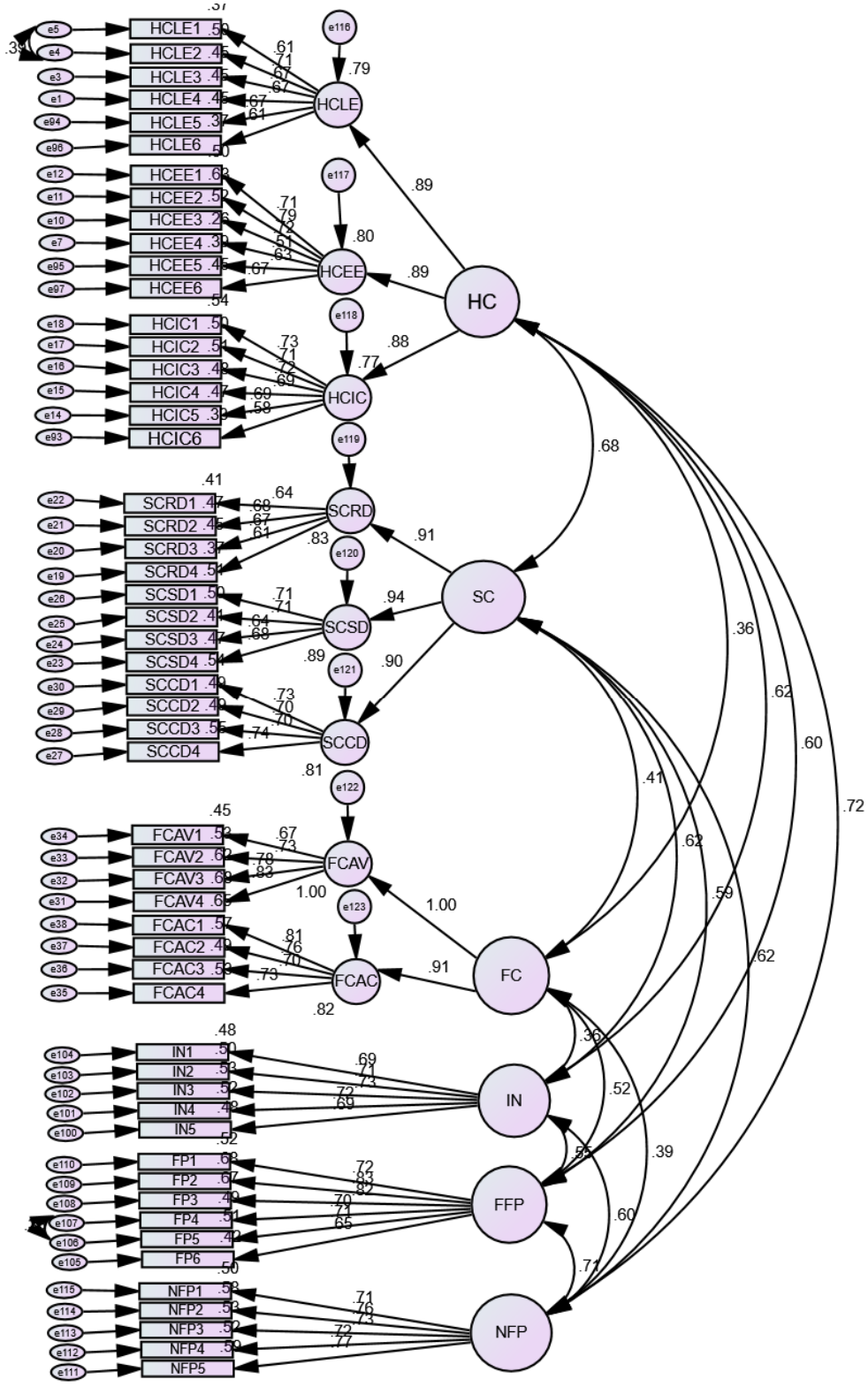
| | Firm Performance | |
|---|---|---|
| | Component | |
| | 1 | 2 |
| FP2 | .847 | |
| FP3 | .847 | |
| FP4 | .802 | |
| FP5 | .770 | |
| FP1 | .723 | |
| FP6 | .696 | |
| NFP2 | | .829 |
| NFP4 | | .818 |
| NFP5 | | .803 |
| NFP3 | | .770 |
| NFP1 | | .693 |

**Confirmatory Factor Analysis for measurement model**

EFA identifies possible relationships between variables or grouping variables, Confirmatory factor analysis verifies that the measured variables represent the constructs accurately. CFA evaluates whether the proposed measurement model is supported by the data. As shown in Figure 4.8, each latent factor has at least four to eight observed variables, whose reliability is affected by random measurement error. Each of these observed variables was regressed on its respective factor they are measuring. At last, all the nine latent factors were co-varied through covariances. During the CFA analysis, two items from innovation construct were removed due to low standardized factor loading.

**Figure 4.8**

*Confirmatory Factor Analysis (CFA)*



**CFA includes mainly the following procedures**

- Reliability of the constructs
- Validity of the constructs
- Model fit of the constructs

**Reliability Check**

The reliability of a measurement model refers to its consistency in measuring latent constructs. The reliability can be assessed using Composite Reliability and Average Variance Explained (AVE) statistics. Composite reliability measures a latent construct's internal consistency, whereas average variance explained measures how much variance is explained by the observed variables of the latent construct being studied. A value of CR>0.7 (Hair et al., 2010) depicts acceptable composite reliability for a construct whereas the acceptable level for AVE is AVE>0.5 (Hair et al., 2010). Alongside Composite Reliability, report the **standardized factor loadings** for each item. Factor loadings represent how much each indicator contributes to the latent construct and should ideally be **greater than 0.5** for adequate contribution (Hair et al., 2010).

**Validity of the construct**

Validity refers to the extent to which the observed variables measure the concept they are designed to measure. It is the degree to which the measures measure what they intend or are expected to measure (Saunders et al., 2003). While running the validity check, the constructs need to be checked for convergent validity and discriminant validity. Conducting validity analysis is a mandatory step for all types of studies. Confirmatory Factor Analysis (CFA) was performed to assess the convergent and discriminant validity and reliability of statements and constructs. CFA is used to test if the measures of a construct truly reflect the theory or not.

The results of the **reliability** and **convergent validity** of the several constructs employed in the model are shown in the following table

**Table 4.19**

*Reliability and convergent validity*

| Construct | Dimension | Item | Factor Loading | CR | AVE |
|---|---|---|---|---|---|
| Human Capital | Learning and Education | HCLE1 | .608 | .916 | .785 |
| | | HCLE2 | .706 | | |
| | | HCLE3 | .668 | | |
| | | HCLE4 | .673 | | |
| | | HCLE5 | .670 | | |
| | | HCLE6 | .607 | | |
| | Experience and Expertise | HCEE1 | .706 | | |
| | | HCEE2 | .793 | | |
| | | HCEE3 | .722 | | |
| | | HCEE4 | .512 | | |
| | | HCEE5 | .628 | | |
| | | HCEE6 | .673 | | |
| | Innovation and Creation | HCIC1 | .732 | | |
| | | HCIC2 | .706 | | |
| | | HCIC3 | .716 | | |
| | | HCIC4 | .692 | | |
| | | HCIC5 | .687 | | |
| | | HCIC6 | .578 | | |
| Social Capital | Relational Dimension | SCRD1 | .642 | .941 | .841 |
| | | SCRD2 | .682 | | |
| | | SCRD3 | .674 | | |
| | | SCRD4 | .606 | | |
| | Structural Dimension | SCSD1 | .713 | | |
| | | SCSD2 | .707 | | |
| | | SCSD3 | .642 | | |
| | | SCSD4 | .684 | | |
| | Cognitive Dimension | SCCD1 | .733 | | |
| | | SCCD2 | .698 | | |
| | | SCCD3 | .697 | | |
| | | SCCD4 | .738 | | |

| Construct | Dimension | Item | Factor Loading | CR | AVE |
|---|---|---|---|---|---|
| Financial Capital | Financial Capital Availability | FCAV1 | .674 | .951 | .908 |
| | | FCAV2 | .734 | | |
| | | FCAV3 | .785 | | |
| | | FCAV4 | .826 | | |
| | Financial Capital Accessibility | FCAC1 | .808 | | |
| | | FCAC2 | .755 | | |
| | | FCAC3 | .697 | | |
| | | FCAC4 | .729 | | |
| Firm Performance | Financial Performance | FP1 | .722 | .879 | .549 |
| | | FP2 | .827 | | |
| | | FP3 | .820 | | |
| | | FP4 | .700 | | |
| | | FP5 | .711 | | |
| | | FP6 | .648 | | |
| | Non - Financial Performance | NFP1 | .706 | .856 | .544 |
| | | NFP2 | .764 | | |
| | | NFP3 | .729 | | |
| | | NFP4 | .720 | | |
| | | NFP5 | .768 | | |
| Innovation | Innovation | IN1 | .690 | .835 | .502 |
| | | IN2 | .708 | | |
| | | IN3 | .730 | | |
| | | IN4 | .721 | | |
| | | IN5 | .694 | | |

**Construct Reliability**

Construct reliability was assessed using Composite Reliability, convergent reliability and factor loading. Initially, 7 items were used to measure the Innovation construct. However, two items (IN6 and IN7) were removed during the validation of the measurement model because of low standardized factor loadings (below 0.50), as well as poor construct reliability and validity contributions. After their removal, the construct showed improved reliability and validity. The remaining 5 items adequately represented the construct.

The Cronbach Alpha value of each construct was higher than the required limit of .5. (Hair et al., 2010). It was found that composite reliability ranged from 0.80 to 0.951, exceeding the benchmark of 0.70 (Hair et al., 2010). The AVE for each construct in the study was found over .5 (Hair et al., 2010), researcher established the construct reliability for each construct in the study.

**Convergent validity**

convergence validity was estimated by using the Average Variance extracted from the scale items (Fornell & Larcker, 1981). As a result, the average variance-extracted values were above the threshold of 0.50 (Fornell & Larcker, 1981). Accordingly, the scales used in this study have convergent validity

**Discriminant Validity**

Discriminant validity is a condition where two factors differ statistically. The AVE can be estimated by comparing its square root to the correlation between constructs (Fornell & Larcker, 1981) ; the upper diagonal values of all constructs must exceed the lower diagonal values of all constructs. Table 4.20 provides a summary of the overall construct correlation of the measurement model. As a result of the discriminant validity condition, the square root of the AVE must exceed the off-diagonal values in the rows and columns.

The researcher also confirms its discriminant validity by comparing the average variance extracted (AVE) and the maximum shared variance (MSV). Every component in this model met the criteria for its discriminant validity, with AVE values exceeding MSV. Result show Human capital, it is .785, and .520. Social capital is .841, and .461 and financial capital is .908 and .273. Additionally, Innovation (.502,.385), Financial performance (.549,.504) and non-financial performance (.544,.520) have met the criteria of discriminant validity.

In general, the convergent and discriminant validity criterion assessment revealed that the measurement model was adequate and met the validity requirement to move forward with the estimation of the parameter that characterizes the structural equation model.

**Table 4.20**

*Discriminant validity*

| | AVE | MSV | HC | SC | FC | IN | FFP | NFP |
|---|---|---|---|---|---|---|---|---|
| **HC** | 0.784 | 0.520 | **0.886** | | | | | |
| **SC** | 0.841 | 0.462 | 0.679 | **0.917** | | | | |
| **FC** | 0.908 | 0.273 | 0.362 | 0.410 | **0.953** | | | |
| **IN** | 0.502 | 0.386 | 0.620 | 0.616 | 0.357 | **0.709** | | |
| **FFP** | 0.549 | 0.504 | 0.598 | 0.587 | 0.523 | 0.546 | **0.741** | |
| **NFP** | 0.544 | 0.520 | 0.721 | 0.616 | 0.388 | 0.604 | 0.710 | **0.738** |

Above table x.5 show that there is no discriminant validity concern in this model. The square root of AVE scores are the numbers in bold, and they must be higher than the values of the latent variable correlation between the constructs to prove that there is no relationship. Consequently, it can be determined that there is no issue with discriminant validity among the constructs.

**Model fit indices**

**Table 4.21**

*Model fit indices*

| Name of category | Index | Recommended Values | Model Fit Values | Source |
|---|---|---|---|---|
| Parsimonious fit | PGFI | >0.5 | .734 | (Jöreskog & Dag Sörbom, 1993) |
| | PNFI | >0.5 | .740 | (Hu & Bentler, 1999) |
| Incremental fit | CFI | 0.9 | .914 | (Bentler, 1990) |
| | TLI | 0.9 | .909 | (Bentler & Bonett, 1980) |
| Absolute fit | GFI | >0.8 | .806 | (Hair et al., 2010) |
| | RMSEA | <0.08 | .041 | (Browne & Cudeck, 1992) |
| | CMIN/DF | <3 | 1.502 | (Marsh & Hocevar, 1985) |

Table 4.21 shows that CMIN/DF is 1.502, which is well within the recommended upper limit. Researchers used Tucker-Lewis Index (TLI) and Comparative Fit Indices (CFI) as incremental fit indices in this study. CFI values near 1 indicate excellent fit. It is commonly known that models with CFI values below 0.90 are not well-fitted (Hair et al., 2010). In this CFA model, the CFI was 0.914, exceeding the cut-off point of 0.90 established by (Hair et al., 2010). Moreover, TLI has reached 0.909, which exceeds the threshold. (Browne & Cudeck, 1992), state that an RMSEA value of 0.05 or less indicates a good fit between the model and degrees of freedom RMSEA values of 0.08 or less provide a tolerable approximation error, and the current research was able to achieve an RMSEA value of 0.041 in this context. Accordingly, parsimonious fit (PGFI and PNFI), incremental fit (CFI and TLI), and absolute fit (GFI and RMSEA, and CMIN/DF) indices were acceptable. CFA results indicate a good fit between this measurement model and data.

**Structural Equation Modelling**

The structural equation model provides a single analysis of a series of interrelated hypotheses (Gefen et al., 2000). A structural equation model can include multiple dependent and independent variables. In SEM, the objective is to determine whether a proposed model can explain observed relationships between variables based on a set of causal and non-causal relationships

SEM analysis results are displayed in Figure 4.9. A single-headed arrow indicates the relationship between dependent and independent variables. The symbol "*" is used to indicate beta coefficients with a significance level less than 5% (P<0.05), whereas the symbol "**" is used to indicate P<0.01. Table 4.22 summarizes the standardised coefficients and p-values.

Human capital, social capital and financial capital are independent variables and second-order constructs in this study**.** Learning and education, experience and expertise and innovation and creation are the dimensions under human capital. Social capital includes relational dimension, structural dimension and cognitive dimension. Financial Capital Availability and Financial Capital Accessibility are the dimensions of financial capital. Startup companies' business performance is the dependent variable. A startup company's business performance includes both financial and non-financial performances. This research aimed to explore the effect of human capital,

social capital, and financial capital on firms financial and non-financial performance, this research also investigated the

The structural equation model developed for the present study is shown in Figure 4.9 The model shows the interconnected relationships between different constructs of human capital, social capital, financial capital, innovation and financial and non-financial performance of startup companies.

**Figure 4.9**

*Structural Equation Model (SEM).*

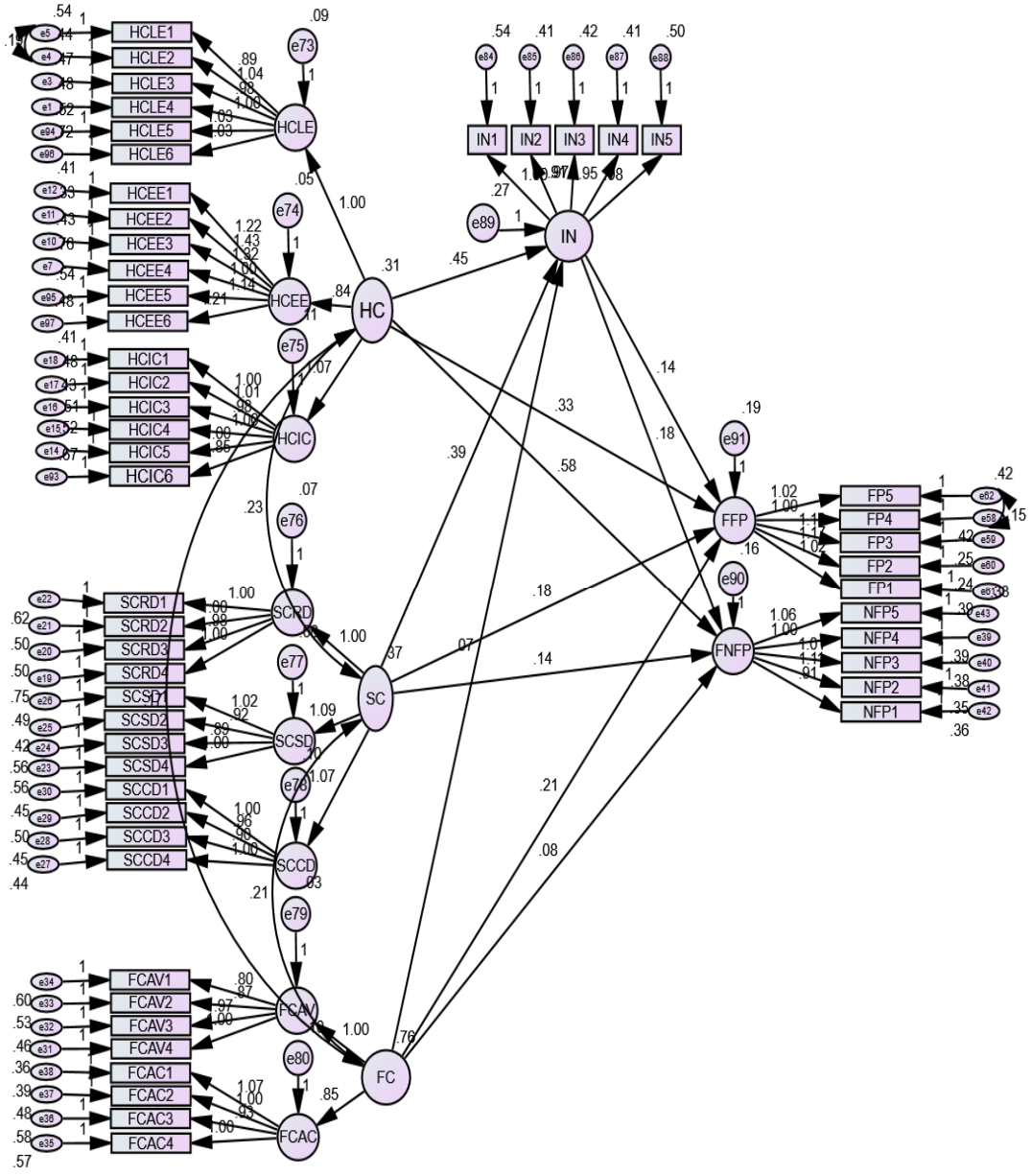


**Table 4.22**

*Result of Hypotheses Testing*

| Hypotheses | Exogenous Variable | Endogenous variable | Estimate | SE | CR | p-value | Hypotheses status |
|---|---|---|---|---|---|---|---|
| SM.H1a | Human capital | Financial performance | 0.216 | 0.099 | 2.192 | 0.028 | Supported |
| SM.H1b | Human capital | Non-financial performance | 0.580 | 0.110 | 5.279 | <0.001** | Supported |
| SM.H2a | Social capital | Financial performance | 0.205 | 0.045 | 4.534 | <0.001** | Supported |
| SM.H2b | Social capital | Non-financial performance | 0.135 | 0.089 | 1.524 | 0.128 | Not Supported |
| SM.H3a | Financial capital | Financial performance | 0.205 | 0.045 | 4.534 | <0.001** | Supported |
| SM.H3b | Financial capital | Non-financial performance | 0.076 | 0.041 | 1.845 | 0.065 | Not Supported |
| H4 | Human Capital | Innovation | 0.452 | 0.117 | 3.868 | <0.001** | Supported |
| H5 | Social capital | Innovation | 0.390 | 0.110 | 3.556 | <0.001** | Supported |
| H6 | Financial capital | Innovation | 0.074 | 0.050 | 1.474 | 0.140 | Not Supported |
| H7a | Innovation | Financial performance | 0.145 | 0.070 | 2.070 | 0.038 | Supported |
| H7b | Innovation | Non-financial performance | 0.175 | 0.070 | 2.508 | 0.012 | Supported |

**Human capital and firm performance**

This section includes the assumptions about human capital on financial and non-financial performance of startup companies**.**

***SM.H1a:*** Human capital constructs have a direct positive effect on firm financial performance

It is evident from the results that human capital positively influences financial performance (β -values 0.216, p-value is 0.028. The calculated positive sign denotes that such an effect is positive, and that financial performance would increase by 0.216 for every unit of standard deviation increase in human capital, and this coefficient value is significant at the 5% level. Therefore, it can be observed that the hypothesis of human capital having a favorable effect on financial performance is valid**.**

***SM.H1b:*** Human capital constructs have a direct positive effect on firm non-financial performance

The standardised beta coefficient, 0.580, represents the significant effect of human capital on non-financial performance. The calculated positive sign reveals that such an effect is positive: non-financial performance increases by 0.580 for every unit of standard deviation increase in human capital, with significance at the 1% level. Therefore, it can be interpreted that the hypothesis that human capital have a positive effect on non-financial performance is accepted

**Social Capital and Firm performance**

H2a: There is a significant relationship between social capital and financial performance

The standardised beta coefficient, 0.205, represents the significant effect of social capital on financial performance. The calculated positive sign reveals that such an effect is positive: financial performance increases by 0.205 for every unit of standard deviation increase in human capital, with significance at the 1% level. As a result, it can be concluded that social capital has a positive influence on financial performance

H2b: There is significant relationship between social capital and non-financial performance

Since the standardised beta coefficient (0.135) has a p-value greater than 0.05, the results show that there is no relationship between social capital and non-financial performance. Therefore, the claim that social capital has no effect on non-financial performance can be established

**Financial Capital and firm performance**

H3a: There is a significant relationship between financial capital and financial performance

The standardised beta coefficient, 0.205, represents the significant effect of financial capital on financial performance. The calculated positive sign reveals that such an effect is positive: financial performance increases by 0.205 for every unit of standard deviation increase in financial capital, with significance at the 1% level. Therefore, it can be interpreted that the hypothesis that financial capital has a positive effect on financial performance is accepted

H3b: There is a significant relationship between financial capital and non-financial performance

As per the analysis, it is clear that there is no significant relationship between financial capital and non-financial performance of startup companies; hence, the p-value is greater than 0.05. Therefore, it can be summed up that the hypothesis that financial capital has a positive effect on non-financial performance is not supported.

**Human capital and Innovation**

H4: Human capital constructs have a positive effect on innovation activity

The standardised beta coefficient, 0.452, represents the significant effect of human capital on innovation. The calculated positive sign reveals that such an effect is positive: innovation increases by 0.452 for every unit of standard deviation increase in human capital, with significance at the 1% level. Therefore, it can be interpreted that the hypothesis that human capital constructs have a positive effect on innovation is accepted

**Social capital and Innovation**

H5: Social capital constructs have a positive effect on innovation activity

The standardised beta coefficient, 0.390, represents the significant effect of social capital on innovation. The calculated positive sign reveals that such an effect is

positive: innovation increases by 0.390 for every unit of standard deviation increase in social capital, with significance at the 1% level. Therefore, it can be interpreted that the hypothesis that social capital constructs have a positive effect on innovation is accepted.

**Financial capital and Innovation**

H6: Financial capital constructs have a positive effect on innovation activity

As per the analysis, it is clear that there is no significant relationship between financial capital and innovation activity; hence, the p-value is greater than 0.05. Thus, financial capital does not have a positive effect on innovation.

**Innovation and Firm Performance**

*SM.H7a: There is a significant relationship between innovation and financial performance*

It is evident from the results that human capital positively influences financial performance (β -values 0.145, p-value is 0.038. The calculated positive sign denotes that such an effect is positive, and that financial performance would increase by 0.145 for every unit of standard deviation increase in human capital, and this coefficient value is significant at the 5% level. Therefore, it can be observed that the hypothesis of innovation having a favorable effect on financial performance is valid

*SM.H7b: There is a significant relationship between innovation and non-financial performance*

It is evident from the results that human capital positively influences financial performance (β -values 0.175, p-value is 0.012. The calculated positive sign denotes that such an effect is positive, and that financial performance would increase by 0.175 for every unit of standard deviation increase in human capital, and this coefficient value is significant at the 5% level. Therefore, it can be observed that the hypothesis of innovation having a favourable effect on non-financial performance is valid.

**Mediation Analysis**

Whenever one variable affects a second variable through a mediating variable, it is termed the mediation effect (Brown, 1997). Mediation analysis is a method for understanding how dependent and independent variables relate to each other under the influence of a third variable. There are three types of mediation results: full mediation, partial mediation, and no mediation.

Bootstrapping and Barron and Kenny are two widely used methods for computing mediation. The (Baron & Kenny, 1986) method requires three assumptions: Independent variables must affect mediators and mediators must affect dependent variables, and both independent and mediator variables must affect dependent variables significantly.

A bootstrapping technique has been developed as an extension, allowing mediation test without asserting any normality (Preacher & Hayes, 2004). The bootstrapping method of 5,000 samples was used in the present study. The study used a bootstrapping method with 5,000 samples. Human capital, social capital, and financial capital are the independent variables, innovation is the mediating variable, and financial performance and non-financial performance are the dependent variables.

**Table 4.23**

*Result of Mediation*

| Hypotheses path | Direct effect without the mediator | standardized Direct effect | standardized indirect effect | Standardized total effect | BC(L) | BC(UL) | Result |
|---|---|---|---|---|---|---|---|
| HC → IN → FFP | .329 (<0.001**) | .291 (0.12*) | .058 (.040) | .349 (.002)** | .002 | .171 | Partial mediation |
| HC → IN → FNFP | .580 (<0.001**) | .498 (0.003)** | .068 (.012) | .566 (0.00)** | .013 | .189 | Partial mediation |
| SC → IN → FFP | .183 (.043) | .176 (.156) | .054 (.045) | .230 (.054) | .001 | .151 | Full mediation |
| SC → IN → FNFP | .135 (.128) | .127 (.249) | .064 (.014) | .191 (0.068) | .012 | .162 | Full Mediation |
| FC → IN → FFP | .205 (<0.001**) | .284 (0.00)* | .015 (.114) | .299 (0.00)** | -.002 | .062 | No mediation |
| FC → IN → FNFP | .076 (.065) | .103 (0.091) | .017 (0.084) | .120 (0.059) | -.003 | .063 | No mediation |

**MED.H1: The innovation mediates the relationship between human capital and financial performance**

Hypothesis MED.H1 Sought to investigate the mediating effect of innovation between human capital and the financial performance of startup companies in Kerala. The research evaluated both the direct and indirect effects of human capital on financial performance. The mediation results are presented in Table 5.7.

In the initial phase, the unmediated model showed a significant direct relationship between human capital (independent variable) and financial performance (dependent variable) ($\beta = 0.329$, $p < 0.001$). Subsequently, a mediation model was constructed with an innovation as a mediator. In this model, human capital retained its significant direct effect on financial performance ($\beta = 0.291$, $p = 0.012$), while the indirect effect through innovation was also notable ($\beta = 0.058$, $p = <0.05$). These results suggest that the significant direct relationship between human capital and financial performance remained evident in both the unmediated and mediated models, indicating partial mediation. The introduction of innovation as a mediator resulted in a decrease in the strength of the direct relationship, from $\beta = 0.329$ to $\beta = 0.291$. Consequently, innovation was identified as a partial mediator, demonstrating its role in influencing the connection between human capital and the financial performance of newly established ventures**.**

**MED.H1b: The innovation mediates the relationship between human capital and non- financial performance**

Hypothesis MED.H1b Sought to examined the mediating effect of innovation between human capital and the non-financial performance of startup companies in Kerala. The research evaluated both the direct and indirect effects of human capital on financial performance. The mediation results are presented in Table 5.7.

In the initial phase, the unmediated model showed a significant direct relationship between human capital (independent variable) and non-financial performance (dependent variable) ($\beta = 0.580$, $p < 0.001$). Subsequently, a mediation model was constructed with an innovation as a mediator. In this model, human capital retained

its significant direct effect on non- financial performance (β = 0.498, p < 0.05), while the indirect effect through innovation was also notable (β = 0.068, p = <0.05). These results suggest that the significant direct relationship between human capital and non-financial performance remained evident in both the unmediated and mediated models, indicating partial mediation. The introduction of innovation as a mediator resulted in a decrease in the strength of the direct relationship, from β = 0.580 to β = 0.498. Consequently, innovation was identified as a partial mediator, demonstrating its role in influencing the connection between human capital and the non-financial performance of newly established ventures**.**

**MED.H2a: The innovation mediates the relationship between social capital and financial performance**

Hypothesis MED.H2 evaluated the effect of innovation as a mediating variable between social capital and the financial performance of startup companies operating in Kerala. To measure this, the direct and indirect effects of social on financial performance were investigated. Table 5.7 presents the mediation results**.**

In the first step, the direct relationship between social capital and financial performance is explained in the unmediated model (without the mediating variable), and the result shows that the direct effect of social capital on financial performance is found to be significant (β =.183, p <0.05). In the next step, innovation was added as a mediator in the model. Here the direct relationship between social capital and financial performance is insignificant (β =.0.176, p=0.156). The indirect effect of social capital on financial performance is significant in this model (β =.054, p<0.05). Results revealed that a direct relationship between social capital and financial performance was significant in the case of the unmediated model, and it was found that a direct relationship between social capital and financial performance was insignificant when the mediator innovation was introduced into the model. The indirect effect of social capital on financial performance is significant in this model and the result shows full mediation. There is a full mediation effect of innovation in the relationship between social capital and firm performance. Therefore, social capital can only boost firm performance by enhancing innovation. After innovation is taken into account, the

direct relationship between social capital and firm performance becomes non-significant, confirming that innovation fully explains the effect of social capital.

**MED.H2b: The innovation mediates the relationship between social capital and non-financial performance**

Hypothesis MED.H2b evaluated the role of innovation as a mediating variable between social capital and the non-financial performance of startup companies operating in Kerala. To measure this, the direct and indirect effects of social on non-financial performance were investigated. Table 5.7 presents the mediation results**.**

In the first step, the direct relationship between social capital and non-financial performance is explained in the unmediated model (without the mediating variable), and the result shows that the direct effect of social capital on non-financial performance is found to be significant ($\beta$ =.135, p >0.05). In the next step, innovation was added as a mediator in the model. Here the direct relationship between social capital and financial performance is insignificant ($\beta$ =.0.127, p=0.249). The indirect effect of social capital on non-financial performance is significant in this model ($\beta$ =.064, p<0.05). Results revealed that a direct and significant relationship between social capital and financial performance was significant in the case of the unmediated model, and it was found that a direct relationship between social capital and non-financial performance was also significant when the mediator innovation was introduced into the model and the result was full mediation. The mediation analysis reveals that innovation fully mediates the relationship between social capital and non-financial firm performance. Social capital initially showed a significant positive effect on performance, but this relationship became insignificant as innovation was introduced. As a result of the significant indirect effect of social capital on performance, it could be assumed that the positive effect of social capital is entirely a result of its effect on innovation. As a result, social capital can enhance firm performance only if it fosters innovation, which emphasizes the crucial role innovation plays in linking relational resources to organizational outcomes.

**MED.H3a: The innovation mediates the relationship between financial capital and financial performance**

Hypothesis MED.H3a analysed the role of innovation as a mediating variable between the financial capital and the financial performance of startup companies operating in Kerala. To measure this, the direct and indirect effects of financial capital on financial performance were investigated. Table 5.7 presents the mediation results.

In the first step, the direct relationship between financial capital (an independent variable) and financial performance (a dependent variable) is explained in the unmediated model. The result shows that the direct effect of financial capital on financial performance is found to be significant ($\beta$ =.205, $p<0.001$). Innovation was added as a mediator in the model in the next step. Here, the financial capital had a significant direct effect on financial performance ($\beta$ =.0.284, $p = 0.00$). And the indirect effect of financial capital on financial performance was found to be insignificant ($\beta$ =.015, $p=0.114$). The bootstrapping analysis showed that social capital did not have a significant indirect effect on financial firm performance through innovation (BC 95% CI [–0.002, 0.062], $p = 0.114$). Based on the model's confidence interval, there is no evidence of mediation since the direct effect remains significant. Based on the results, it was found that a significant direct relationship existed between financial capital and financial performance in the unmediated model, while a significant direct relationship also existed between financial capital and financial performance in the mediation model. When the mediator innovation was introduced into the model, it was found that the indirect relationship between financial performance and social capital was insignificant, resulting in no mediation.

**MED.H3b: The innovation mediates the relationship between financial capital and non-financial performance**

Hypothesis MED.H3b analysed the role of innovation as a mediating variable between the financial capital and the non-financial performance of startup companies operating in Kerala. To measure this, the direct and indirect effects of financial capital on non-financial performance were investigated. Table 5.7 presents the mediation results.

In the first step, the direct relationship between financial capital (an independent variable) and non-financial performance (a dependent variable) is explained in the unmediated model. The result shows that the direct effect of financial capital on non-financial performance is found to be insignificant (β =.076, p>0.05). Innovation was added as a mediator in the model in the next step. Here, the financial capital had insignificant direct effect on financial performance (β =.0.103, p>0.05). And the indirect effect of financial capital on non-financial performance was also insignificant (β =.017, p=0.084. The bootstrapping analysis showed that social capital did not have a significant indirect effect on financial firm non-financial performance through innovation (BC 95% CI [–0.003, 0.063], p = 0.084). Based on the model's confidence interval, there is no evidence of mediation since the direct effect remains significant.

It is important to research and develop more about human capital and social capital for startups in Kerla. In this result shows innovation mediates the human capital and social capital on the firm's financial and non-financial performance, whereas financial capital does not mediate the firm's financial and non-financial performance.

**Table 4.24**

*Structural Hypotheses Summary*

| Hypotheses No | Hypotheses | Result |
|---|---|---|
| **H1a** | There is a significant relationship between human capital and financial performance | Supported |
| **H1b** | There is a significant relationship between human capital and non-financial performance | Supported |
| **H2a** | There is a significant relationship between social capital and financial performance | Supported |
| **H2b** | There is significant relationship between social capital and non-financial performance | Not Supported |
| **H3a** | There is a significant relationship between financial capital and financial performance | Supported |

| Hypotheses No | Hypotheses | Result |
|---|---|---|
| **H3b** | There is a significant relationship between financial capital and non-financial performance | Not Supported |
| **H4** | Human capital constructs have a positive effect on innovation activity | Supported |
| **H5** | Social capital constructs have a positive effect on innovation activity | Supported |
| **H6** | Financial capital constructs have a positive effect on innovation activity | Not Supported |
| **H7a** | There is a significant relationship between innovation and financial performance | Supported |
| **H7b** | There is a significant relationship between innovation and non-financial performance | Supported |
| **MED.H1a** | The innovation mediates the relationship between human capital and financial performance | Partial mediation |
| **MED.H1b** | The innovation mediates the relationship between human capital and non- financial performance | Partial mediation |
| **MED.H2a** | The innovation mediates the relationship between social capital and financial performance | Full mediation |
| **MED.H2b** | The innovation mediates the relationship between social capital and non-financial performance | Full mediation |
| **MED.H3a** | The innovation mediates the relationship between financial capital and financial performance | No Mediation |
| **MED.H3b** | The innovation mediates the relationship between financial capital and non-financial performance | No Mediation |

## Conclusion

This chapter identifies the direct and indirect relationship between human capital, social capital and financial capital on firms financial and non-financial performance. The first section employs AMOS-SEM to analyse these relationships, where "human

capital, social capital and financial capital" serve as independent variables, while financial performance and non-financial performance are dependent variables. Moreover, the chapter conducts a mediation analysis of innovation level. This work focuses how human capital, social capital and financial capital contribute innovative activities for the financial and non-financial performance of startups. The findings underscore the significant role of effectively utilising resources such as human capital, social capital and financial capital on firms financial and-non financial performance. In conclusion, the researcher aligns with the Resource-Based View Theory (RBVT)

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# Chapter 5

# FINDINGS AND CONCLUSION

**Findings based on demographic profile of the young entrepreneurs**

- The population of Kerala is dominated by men; the present study confirms this by finding that 77% (231) of the respondents are male while 23% (69) are female.
- According to age group, 46.7% of entrepreneurs belong to the 33-39 age group. 35% of founders are between the ages of 26 and 32, and 18.3% are between the ages of 18 and 25. It has been found that few founders enter the business during their early years.
- In terms of the marital status of startup founders, 69.3% are married and 30.7% are unmarried.
- Among startup founders, the majority (54%) have graduated, 31.3% have completed postgraduate studies, 12% have secondary education, while 2.7% have only primary school education.
- Startups are mostly in the service sector, with 52% being service-oriented businesses. 27.7% are manufacturing companies, while 20.3% operate manufacturing and service businesses simultaneously.
- There are three categories of employees in startup companies based on their skills: skilled, semi-skilled, and unskilled. There are 67.3% of startups with skilled workers, 29.7% with semi-skilled workers, and only 3% with unskilled workers.
- It is important to consider the number of employees at a new venture when evaluating startup performance. The majority (33.7 %) of sample companies have

staff sizes between 1 and 5, 25.3% have staff sizes between 5 and 10, 15.3% have staff sizes between 10-15, and 25.8% have staff sizes above 15.

## 5.1 Descriptive Statistics of Human capital, Social Capital, Financial Capital, Innovation and Firms Performance

### 5.2.1 Human Capital

- learning and education, experience and expertise, innovation and creation are 3 major utilized constructs for measuring Human capital
- Three dimensions were used for measuring Human capital. Among these, Learning and education rated maximum score (mean: 3.93 and SD: 0.702), followed by experience and expertise (mean: 3.73 and SD: 0.701) and innovation and creation (mean: 3.67 and SD: 0.729).
- Respondent rated Learning and education in the following order: advantage of taking feedback ( mean:4.02 and SD: 0.922), discussion of errors and failures (mean:4.02 and SD: 0.976), Judgement of decision making and activities (mean: 3.99 and SD: 0.924), opportunities for self-assessment with respect to goal attainment (mean: 3.93 and SD: 0.936), Employees learning from others (mean: 3.93 and SD: .0941) and Company devotes a lot of time and effort to update and develop employee's knowledge and skills (mean: 3.75 and SD: 1.069).
- Startup founders perception on experience and expertise are arranged in the following order: Company's employees generally give it their all, which makes this company different from others in the industry (mean: 3.86 and SD: 0.955), Company's employees consistently perform at their best (mean: 3.85 and SD: 0.942), Company's employees are experts in their respective areas (mean: 3.84 an SD: 0.909), The company prides itself on being efficient (mean: 3.83 and SD: 0.939), The staff are highly professional (mean: 3.68 and SD: 0.951) and Company's employees have worked many years in the firm (mean: 3.37 and SD: 1.017)

- Regarding the innovation and creation, Company's employees are keen to voice their opinions in group discussions (mean: 3.79 and SD: 0.942), Company's employees are considered creative and bright compared with other companies in the industry (mean: 3.73 and SD: 0.940), Company's employees usually come up with new ideas (mean: 3.72 and SD: 0.984), Large number of products or services are launched compared with competitors (mean: 3.71 and SD: 1.003), Company's employees are continuously introducing new knowledge and ideas to the business and share their knowledge with their colleagues (mean: 3.58 and SD: 0.922) and Company's employees attempt to do things in an innovative way (mean: 3.54 and SD: 0.995).

### 5.2.2 Social Capital

- Relational Dimension, Structural Dimension and Cognitive Dimension are the major dimensions for measuring social capital. Among these dimensions, Structural Dimension rated maximum score (mean: 3.75 and SD: 0.762), followed by Relational Dimension (mean: 3.67 and SD: 0.762) and Cognitive Dimension (mean: 3.63 and SD: 0.777)

- Respondent rated Relational Dimension in the following order: development strong relationship with business partners (mean: 3.78 and SD: 0.968), relationship between employees and employer (mean: 3.76 and SD: 1.030), Employees promises (mean: 3.64 and SD: 0.961) and relationship with employees is characterized by mutual trust (mean: 3.50 and SD: 1.094)

- Respondent rated Structural Dimension in the following order: employees interact with each other in order to disseminate useful information within the team (mean: 3.86 and SD: 0.917, frequently contact with team managers (mean: 3.73 and SD: 0.978), team members are willing to combine and exchange resources with other team members (mean:3.73 and SD: 1.003) and proper communication with the team managers of the organisation (mean:3.71 and SD: 1.029).

- Respondent rated Cognitive Dimension in the following order: employees share the goal and vision of company, which is always same of directors (mean: 3.66 and SD: 0.934), employees clearly understand the goal and vision of company (mean: 3.64 and SD: 0.988), inner relationship with employees regarding the work efficient (mean: 3.63 and SD: 0.980) Employees are enthusiastic about pursuing the collective goals and missions of the whole organization (mean: 3.60 and SD: 0.994)

### 5.2.3 Financial Capital

- Financial capital availability and financial capital accessibility are the two dimension for measuring financial capital. Among the dimension, Financial Capital Accessibility rated maximum score (mean: 3.14 and SD: 0.881) and followed by Financial Capital Availability (mean: 3.10 and SD: 0.883).

- Respondent rated Financial Capital Availability in the following order: Financial resources are available on time for the smooth running of business activities (mean: 3.16 and SD: 1.072), Financial constraints do not impede the business activities (mean: 3.13 and SD: 1.064), Availability of financial capital for business operation (mean: 3.12 and SD: 0.050) and business activities are better financed than key competitors' business (mean: 3.02 and SD: 1.094).

- Respondent rated Financial Capital Accessibility in the following order: Regarding procedures to access financial capital (mean: 3.19 and SD: 1.103), Availability of financial assistance (mean: 3.18 and SD: 1.068), Easily access of financial capital (mean: 3.12 and SD: 1.066) substantial financial resources for financial initiatives (mean: 3.10 and SD: 1.065).

### 5.2.4 Innovation

- Business team prefer innovative ideas rather than conventional knowledge when it comes to solving problems (mean: 3.93 and SD: 0.924), introduction of new method of production or service rather than conventional method (mean: 3.84 and

SD: 0.909), research and development of product or services instead of marketing (mean: 3.63 and SD: 1.019), search for novel technology, procedures, and work method (mean: 3.62 and SD: 0.941) and new ways of managing finance (mean: 3.56 and SD: 0.987).

### 5.2.5 Firm performance

- Respondent rated financial performance in the following order: Growth in sales (mean:3.62 and SD: 0.892), Company's market value (mean: 3.62 and SD: 0.940), Return on investment (mean: 3.57 and SD: 0.902), Gross profit (mean: 3.51 and SD: 0.882), Net profit (mean: 3.50 and SD: 0.900) and Return on Assets (mean: 3.48 and SD: 0.911).

- Respondent rated non-financial performance in the following order: sense of self-fulfilment (mean: 3.94 and SD: 0.895), Customer retention (mean: 3.91 and SD: 0.898), Owner satisfaction (3.90 and SD: 0.899) and Customer Satisfaction (mean: 3.88 and SD: 0.932) and Employee Productivity (mean: 3.71 and SD: 0.841).

**The direct relationship between Human capital, Social capital and Financial capital on firm performance**

- The study assessed the effect of human capital on firms' financial and non-financial performance. The effect of human capital on firms' financial performance is positive and significant ($b= 0.216$, $t= 0.099$, $p<0.05$). It is noteworthy that financial performance would rise by 0.216 for each unit of standard deviation that the human capital increased. Thus, maximising human capital will lead to higher financial performance.

- It has been discovered that the effect of human capital on firms' non-financial performance is positive and statistically significant ($b= 0.580$, $t= 0.110$, $p<0.001$). The non-financial performance would increase by 0.580 for each unit of standard deviation that the human capital increased, as indicated by the standardised beta

coefficient of 0.580Consequently, better human capital will boost non-financial performance.

- The study evaluated the effect of social capital on firms' financial and non-financial performance. The effect of social capital on firms' financial performance is positive and significant (b= 0.205, t= 0.045, p<0.001). Each unit of social capital increases would result in an increase of 0.205 in financial performance. Therefore, firms' financial performance can be maximised by accumulating social capital.

- It has been discovered that there is no significant relationship between social capital and non-financial performance (b= 0.135, t= 0.089, p=0.128). It's clear that there will be no significant change in non-financial activities with regard to social capital.

- The study examined the effects of financial capital on firms' financial and non-financial performance. The effect of financial capital on firms' financial performance is positive and significant (b= 0.205, t= 0.045, p<0.001). Each unit of financial capital increases would result in an increase of 0.205 in financial performance. Thus, accumulating financial capital helps firms maximize their financial performance

- There is no significant relationship between financial capital and non-financial performance (b= 0.076, t= 0.041, p=0.065). Despite the significant changes in financial capital, there were no significant changes in non-financial performance.

**Mediating role of innovation on the relationship between human capital, social capital, financial capital and firms' performance.**

- The study assessed the mediating role of innovation on the relationship between human capital and firms financial and non-financial performance. The result reveals innovation partially mediated the relationship between human capital and firms financial performance**.** As a results, incorporating more innovative strategies

and activities into the human capital of startups can maximize their financial performance.

- Innovation also mediated the relationship between human capital and non-financial performance. The result reveals innovation partially mediated the relationship between human capital and firms non- financial performance. Based on the findings, implementing more innovative strategies in human capital can promote non-financial performance.

- The study assessed the mediating role of innovation on the relationship between social capital and firms financial and non-financial performance. The result reveals innovation fully mediated the relationship between social capital and firms financial performance. An organization's financial performance relies heavily on innovation. Therefore, social capital can only contribute to firm financial performance when it fosters innovation, which highlights the critical role innovation plays in linking relational resources to organizational performance.

- Innovation also mediated the relationship between social capital and non-financial performance. The result reveals innovation fully mediated the relationship between human capital and firms non- financial performance. Through its significant effects on social capital, innovation plays a crucial role in achieving non-financial performance.

- The study assessed the mediating role of innovation on the relationship between financial capital and firms financial and non-financial performance. The result reveals innovation does not mediate the relationship between financial capital and financial performance. It is evident that financial capital has a direct effect on non-financial firm performance, not through innovation. Based on these results, innovation does not act as a mediator, and the benefits of financial capital do not depend on its influence on innovation.

- Innovation does not mediate the relationship between financial capital and non-financial performance. The results indicate that there is no direct or indirect relationship between financial capital and non-financial performance. There is no significant change in non-financial activities due to the availability and accessibility of financial capital. When innovation is included, there is no change in the relationship between financial capital and non-financial performance

**Conclusion**

Young people are the backbone of a nation and play a vital role in driving economic growth. In recent years, there has been a noticeable trend of youth actively engaging in entrepreneurial ventures. With enthusiasm and innovation, they are increasingly pursuing paths to become successful entrepreneurs, contributing significantly to the development and competitiveness of the national economy. Young entrepreneurs are introducing innovation in every aspect by using their intellectual capacity. Human capital, social capital and financial capital are the three major sources of organisational capital. In this research, analysing the role of human capital, social capital and financial capital on firms' financial and non-financial performance directly and indirectly through the effect of innovation.

It's verified that human capital can be explained by using learning and education, experience and expertise and innovation and creation. A business organization's human capital can be improved by investing in learning and education, experience and expertise, and innovation and creation. One of the interesting findings is that human capital has a direct relationship with both firms' financial and non-financial performance. This study also highlights that innovation mediates the relationship between human capital and firms' financial and non-financial performance. It is concluded that the research and development of human capital in organizations can significantly improve both financial and non-financial outcomes.

Relational dimension, structural dimension and cognitive dimension are the three major dimensions for explaining social capital. More focus in these dimensions of

social capital can help to attain better social capital in business organisations. It's found that social capital has a direct relationship between firms' financial performance but not in firms' non-financial performance. This study highlights that innovation mediates the relationship between social capital and firms' financial and non-financial performance. What's interesting is that innovation has a vital role in the relationship between social capital and firms' non-financial performance; when innovation is included in the relationship, it's found that the indirect relationship between social capital and firms' non-financial performance is significant. The research finding emphasize shows the importance of innovation in the relationship between social capital and non-financial performance. It is concluded that investment in social capital and having more innovation will lead to more firms' financial and non-financial performance.

This study investigated financial capital based on participants' perceptions, focusing on two key dimensions: financial capital availability and financial capital accessibility. It's verified that financial capital availability and financial capital accessibility are the two dimensions for explaining financial capital. This study revealed that there is a direct relationship between financial capital and financial performance, but there is no significant relationship with non-financial performance.

This study revealed that the innovation doesn’t mediate the relationship between financial capital and firms' financial and non-financial performance. It's very important to have financial resources for financial performance. The results suggest that innovation does not significantly enhance the effect of financial capital. There is no influence of financial capital on non-financial performance, but human capital and social capital are more strongly related.

The study focuses on the role of human capital, social capital, financial capital and innovation on the firm's financial and non-financial performance of young entrepreneurs in Kerala. The study revealed that human capital, social capital and financial capital have a direct positive relationship on firms' financial performance.

Additionally, human capital and social capital also have a direct effect on firms' non-financial performance, but financial capital doesn't have such a relationship. The main highlight of this study is that innovation mediates the relationship between human capital and social capital on firms' financial and non-financial performance, but innovation doesn't mediate the relationship between financial capital and firms' financial and non-financial performance.

Chapter 6

# RECOMMENDATIONS AND FURTHER SCOPE

## 8.1 Recommendations

### Recommendation to Youth entrepreneurs

- It is advisable to young entrepreneurs to have a well-established educational background and advised to start business in domains related to their field of study. People should share what they have learnt in education, and it is important to think of learning as a continuous process. Starting a business, a person's education should be considered as base knowledge.

- It is recommended that every business foster a learning ecosystem. Team members and founders should invest more time in acquiring knowledge in various forms, such as training, workshops, conferences and business conclaves. As a result of this commitment to learning, individual capabilities are enhanced as well as the overall growth of the business organization.

- It is recommended to have a centralised platform for self-assessment, especially for team managers. In this platform, it is recommended to conduct the judgement of decision-making, sharing of feedback and discussion of errors and failures.

- It’s better to have a prior experience in the field before starting a business. Here equally important for team leaders to possess a minimum level of experience in their field. In addition, founders and team members should encourage and influence other employees to develop expertise in their respective areas.

- Investment in human resources has a vital role in entrepreneurial development. The founders recommended that business organisations should have highly skilled

human resources. Founders and team managers must ensure the employees professionalism, expertise, consistency, and recognition of achievement. In addition, employee motivation and retention should also be positively influenced by founders' and team managers' active involvement.

- It is important to prioritize individuals with strong skills in the relevant field during recruitment. It is recommended that team directors should consider 'learning and education' dimensions when recruiting candidates.
- Founders are encouraged to maintain training programmes for upskilling employees to keep up with market trends and ongoing innovations.
- Ensure sustained performance through a positive work culture that motivates and retains talent employees.
- It's advisable for entrepreneur to encourage employees to generate new ideas and discuss how these ideas can be implemented within the business. There should be a platform for employees for sharing and discussion of their innovative ideas and creative abilities.
- An organisation's success depends on strong relationships between employers and employees, supervisors and subordinates, and team leaders and their members. This will be possible through the creation of mutual trust, trustworthiness, sharing resources, collaborative support, regular communication, etc. Establishing a well-defined organisational structure further reinforces these connections, ensuring clarity of roles, accountability, and a cohesive working environment.
- Entrepreneurs should initiate the creation of a community. This community will be the targeted customers or consumers of the organisation. Keeping in touch with customers or consumers regularly through various innovative social platforms will facilitate regular and happy customer relationships.

- It's advisable for entrepreneur to register with one or more business networks, attend them regularly, and participate actively; this will create better relationships between founders.
- It is important to arrange finance properly and entrepreneurs should have easy access to fund whenever they need it
- It is advisable for entrepreneurs to make use of all government resources and grants to maximize their financing opportunities
- The results suggest that a platform for Research and Development is necessary, and that this platform should foster various innovative ideas related to human capital and social capital.
- Entrepreneurs are encouraged to use maximum resources to generate innovation and ensure their uniqueness, in order to succeed in a competitive market..
- Use of various AI-related technologies and tools in optimizing human capital, social capital, and financial capital.

**Recommendation to Government**

- The government must foster a culture of entrepreneurship in this country, thereby attracting more investors, sharing ideas, promoting the brand, and increasing awareness among businesses.
- At the beginning of their business, startup founders might require a mentor, expert, or experienced individual from the government to give them valuable advice. Mentors are now available for consultation, but they do not have any business experience and they only have knowledge, whereas most founders need experienced persons in their field.
- Founders need a more systematic approach from the government when it comes to schemes, licensing, and other activities. Due to a lack of awareness of various

types of procedures, learning about them will take more time, thereby affecting the smooth functioning of the business.

- Many entrepreneurs are unaware of the programs and schemes offered by the government. As a result, the government must ensure that these programs and facilities reach the intended beneficiaries by evaluating their effectiveness."
- In the early stages of education, the government should actively promote entrepreneurial intentions and idea generation. To promote student innovation, regular idea-pitching competitions should be organised along with appropriate rewards and recognition."
- Governments should address and resolve issues related to time delays in loan disbursements and support schemes, since such delays hinder growth and discourage new business ventures.".
- It is essential that the government encourages research and development across a range of industries to explore future opportunities and explore new possibilities. Strategic investments in R&D will support innovation, strengthen industry capabilities, and guide effective policy making.
- The government should provide financial assistance for young entrepreneurs, as well as special schemes, grand and expert mentorship.

**Recommendation to college/universities**

- It is advised to college and university to identify the potentiality of students and provide valuable guidance and support to foster their entrepreneurial skills and personal growth.
- It's recommended that college/universities organise regular workshops and seminars on the various topic related with entrepreneurship and startups, as well as innovation hubs, interactive sessions with successful entrepreneurs.

- A college should foster an entrepreneurial culture, and there should be a platform for students to learn how to develop innovative business ideas.
- Colleges or universities should provide field visits in startups, incubators, and other innovative business locations to enhance entrepreneurial mindsets among students' aspirants in entrepreneurship.
- Colleges and universities should create platforms for learning and practicing human capital, social capital and financial capital. A variety of programs, including business expos and table talks with experienced entrepreneurs, as well as field visits and practical learning systems, will assist in gaining knowledge in this area.

**Scope for further Research**

- The current study focused only on human capital, social capital and financial capital; the study can be extended by using more forms of intellectual capital to explore the relationship between firms' performance directly and indirectly through innovation.
- The data collection for this study is based on primary data. Studies that examine secondary data in the future could examine a broader range of analyses over time or across a variety of contexts, enabling them to be more comprehensive.
- There is a need for future research to focus on developing a measure of intangible organizational capital. By using this instrument, entrepreneurs would be able to study how intangible organizational capital affects business performance.
- There is a scope for comparing human capital, social capital, and financial capital between incubated and non-incubated business organisations.
- Despite this study focusing on young entrepreneurs in Kerala, future research could focus on women entrepreneurs or other unique entrepreneurial groups to gain a deeper understanding of their specific contexts and performance dynamics.

- This study does not examine human capital, social capital, or financial capital from the perspective of particular sectors or industries. It may be possible to fill this gap in further research by conducting comparative studies across different sectors or industries to uncover sector-specific dynamics and their impacts on entrepreneurial success.

- An examination of the impact of Artificial Intelligence (AI) tools on innovation and other organizational resources might be worth exploring in the future. Research in this area would yield valuable insights into how AI can improve resource utilization and innovative practices.

- It is possible to compare the performance of firms based on the human capital, social capital, and financial capital in different states or countries.

# APPENDIX

# QUESTIONNAIRE

Respected Founders/managers

I am Muhammed Ramees O, Research scholar from PMSO College, Tirurangadi. As a part of my research work, I kindly request you to fill the questionnaire. This Questionnaire is designed to measure your Human Social and Financial capital, Innovation level and Business performance. I assure all the data will be kept confidential and will only be used for academic purposes

**Section I: General information**

**Please read the following and put a tick mark in the appropriate columns (Tick only one option)**

1) Name .....

2) Mobile Number .....

3) Location of your business .....

4) Gender : ☐ Male ☐ Female

5) Age group : ☐ 18-25 ☐ 25-32 ☐ 32-39 ☐ Above 39

6) Marital status : ☐ Married ☐ Unmarried

7) Educational Qualification :
- ☐ Primary School
- ☐ Secondary School
- ☐ Graduate
- ☐ Post Graduate
- ☐ Others

8) Name of the organization .....

9) Year of Establishment.....

10) Capital employed :
- ☐ Up to 25 lakhs
- ☐ 25 lakhs to 5 crore
- ☐ 5 crore to 10 crore

11) What type of production activities do you operate in

☐ Manufacturing ☐ Service ☐ Both

12) Types of majority employees in the firm

☐ Unskilled ☐ Semi skilled ☐ Skilled

13) Number of employees in the firm (Current)

☐ Less than 5 ☐ 5-10 ☐ 11-15

☐ More than 15

**Section II: Human Capital**

The following 19 items tap into **Human Capital** and its effect on company's business performance. Please indicate (✓) based on actual and current situation of your business and how you feel about the statement

{Strongly Disagree=1, Disagree=2, Neutral=3, Agree=4, Strongly Agree=5}

| SN | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| | **Learning and education** | | | | | |
| 1 | Our decisions and activities are continually evaluated over time | | | | | |
| 2 | It is possible to assess our achievement of goals through self-assessment | | | | | |
| 3 | Managers in the firm often provide useful feedback that helps in identifying potential problems and opportunities | | | | | |
| 4 | Company's employees continuously learn from others | | | | | |
| 5 | We always discuss and analyse errors and failures at all levels | | | | | |
| 6 | The company invests a great deal of time and effort in updating and developing its employee's knowledge and skills | | | | | |
| | **Experience and Expertise** | | | | | |
| 7 | There is a high level of expertise among the company's employees in their respective fields | | | | | |
| 8 | Performance of the company's employees is consistently high | | | | | |
| 9 | The company's employees generally give all they have to the company, making it stand out among its competitors | | | | | |
| 10 | Company's employees have worked many years in the firm | | | | | |
| 11 | Staff members at this company are highly professional | | | | | |

| SN | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 12 | As a company, we are proud of our ability to be efficient | | | | | |
| | **Innovation and Creation** | | | | | |
| 13 | Compared to other companies in the industry, the company's employees are considered creative and bright | | | | | |
| 14 | It's common for company employees to come up with new ideas | | | | | |
| 15 | There is a high level of participation in group discussions among employees | | | | | |
| 16 | Employees are constantly contributing new knowledge and ideas to the business and sharing this knowledge with colleagues | | | | | |
| 17 | Employees at the company strive to do things in an innovative manner | | | | | |
| 18 | Large number of products or services are launched compared with competitors | | | | | |

**Section III: Social Capital**

The following 16 items tap into **Social Capital** and its effect on company's business performance. Please indicate (✓) based on actual and current situation of your business and how you feel about the statement

{Strongly Disagree=1, Disagree=2, Neutral=3, Agree=4, Strongly Agree=5}

| SN | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| | **Relational Dimension** | | | | | |
| 1 | These exist a strong relationship between employees and employer | | | | | |
| 2 | We develop strong relationship with our business partners | | | | | |
| 3 | Our employees always keep their promises to us | | | | | |
| 4 | Our relationship with employees is characterized by mutual trust | | | | | |
| | **Structural Dimension** | | | | | |
| 5 | Resources from different teams can be combined and exchanged by our team members | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 6 | Throughout the team, our employees share useful information together | | | | | |
| 7 | We frequently contact with team managers | | | | | |
| 8 | We communicate functionally with the team managers of the organisation | | | | | |
| | **Cognitive Dimension** | | | | | |
| 9 | Our employees clearly understand the goal and vision of our company | | | | | |
| 10 | Our team is passionate about pursuing the overall organization's goals and missions | | | | | |
| 11 | Our employees share the goal and vision of company, which is always same of directors | | | | | |
| 12 | Our employees understand how we do work effectively for the business | | | | | |

**Section IV: Financial Capital**

The following 8 items tap into availability of **Financial Capital** and its effect on company's business performance. Please indicate (✓) based on actual and current situation of your business and how you feel about the statement

{Strongly Disagree=1, Disagree=2, Neutral=3, Agree=4, Strongly Agree=5}

| **SN** | | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|---|
| | **Financial Capital Availability** | | | | | |
| 1 | We are satisfied with the financial capital available for business operations | | | | | |
| 2 | Financial constraints do not impede our business activities | | | | | |
| 3 | Our business activities are better financed than our key competitors' business | | | | | |
| 4 | Financial resources are available on time for the smooth running of business activities | | | | | |
| | **Financial Capital Accessibility** | | | | | |
| 5 | We can easily access financial capital to achieve our business growth | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 6 | In order to fund business initiatives, managers have substantial financial resources at their disposal | | | | | |
| 7 | Financial assistance would be easy to obtain if we needed it for our business operations. | | | | | |
| 8 | We have no more complicated procedures to access financial capital | | | | | |

**SECTION V: INNOVATION LEVEL**

Please indicate (✓) the strength of your agreement with each statement that build innovation level of your organization.

{Strongly Disagree=1, Disagree=2, Neutral=3, Agree=4, Strongly Agree=5}

| **SN** | **Statements** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|---|
| 1 | I focused research and development of product/services instead of marketing | | | | | |
| 2 | I used to introduce new method of production or service rather than conventional method | | | | | |
| 3 | I search for novel technology, procedures, and work method | | | | | |
| 4 | I prefer innovative ideas rather than conventional knowledge when it comes to solving problems. | | | | | |
| 5 | I found new ways of managing finance | | | | | |
| 6 | I found new supply sources | | | | | |
| 7 | I developed new structures, systems, or procedures | | | | | |

**SECTION VI: BUSINESS PERFORMANCE**

Please rate the performance of your firm on a scale of 1 to 5 relative to your major competitor

{Strongly Disagree=1, Disagree=2, Neutral=3, Agree=4, Strongly Agree=5}

| **SN** | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| | **Financial performance** | | | | | |
| 1 | Growth in sales | | | | | |
| 2 | Gross profit | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 3 | Net profit | | | | | |
| 4 | Return on investment | | | | | |
| 5 | Return on Assets | | | | | |
| 6 | Company's market value (Total stock value) | | | | | |
| | **Non-Financial performance** | 1 | 2 | 3 | 4 | 5 |
| 1 | Employee Productivity | | | | | |
| 2 | Customer Satisfaction | | | | | |
| 3 | Owner satisfaction | | | | | |
| 4 | Customer retention | | | | | |
| 5 | sense of self-fulfilment | | | | | |