

Impact of Bank Finance, Government Support and Psychological Factor on the Start-Up Decision Making in Sri Lanka: Special Reference to Homagama Division

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Abstract - This research aims to test the impact of bank finance and government support on initiating entrepreneurial ventures and start-ups. This study used a quantitative approach. Data were collected through a survey method using a questionnaire. The study's respondents were 203 entrepreneurs and businessmen in Homagama Divisional Secretariat Division in Colombo district, Western Province, Sri Lanka. Exploratory factor analysis and confirmatory factor analysis were performed to identify the impact of bank finance and government support on the initiation of entrepreneurial ventures and start-ups and test the convergent and discriminant validity. Cronbach's α analysis was carried out to test the reliability of the dimensions. In addition, criterion-based validity and the stability of the impact of bank finance and government support on the initiation of entrepreneurial ventures and start-ups were also tested. All the tests were conducted using the SPSS software with the extension PROCESS 4.0 to test the entrepreneur's moderator; t_e age. The study has been proven to have good validity, reliability, and stability for measuring the impact of bank finance and government support on initiating entrepreneurial ventures and start-ups in the Homagama Divisional Secretariat Division in Colombo District, Western Province, Sri Lanka. This research was carried out in a single developing country, Sri Lanka. Hence, the stability of the model needs to be tested in different cultures. Government and the Bank Financing authorities can use this study to monitor, measure, and improve the service quality of their services towards start-up ventures and entrepreneurial firms. Hence it is proved that even though people have enough motivation and locus of control, support from the external authorised parties is the factor that determines successful start-up decision-making.

Keywords - Bank Finance, Government Support, Psychological Factor, Start-up Firm

I. INTRODUCTION

A startup business can be defined as a business at its initial stage. There are so many types of businesses in the world. Those businesses are on small, medium, and large scales.

Entrepreneurial ventures are also belonging to that. Entrepreneurial startups play a significant role in the economy. Psychological factors influence straight to start-ups and entrepreneurship. Stronger people will have a high-level trend to succeed in entrepreneurship (Kibler et al., 2014). Need for accomplishment, self-efficacy, locus of control, the patience of uncertainty, innovativeness, risk take-on tendency, independence and autonomy and optimism are the main elements used to forecast the achievements of a start-up (Chatterjee and Das, 2015). Apart from that, risk-taking ability and self-motivation are some of the best skills of an entrepreneur (Chatterjee et al., 2019). According to (Sinclair, 2021), an entrepreneur always generates new business by taking risks and entertaining many rewards. The sustainable growth of startups and entrepreneurial ventures is very much important for a country's economic development in the global context. Compared to some countries in South Asia, like Vietnam and Thailand, Sri Lanka has less enrollment in entrepreneurship activities (Silva, 2019). Therefore, it needed to pay more attention to encouraging entrepreneurship to have more economic development. For that purpose, focusing on the challenges entrepreneurial ventures face in their initiating processes and further proceedings is essential. The capital shortage is one of the main challenges entrepreneurs face in Sri Lanka (Ranasinghe, 2019). Sri Lanka faces challenges in providing adequate finance for startups and entrepreneurial ventures due to unaffordable features, high-interest rates, mortgage requirements, and security concerns. Documentation requirements and lengthy loan processes discourage startups from seeking finance through banks and other financial institutions. This has led to some finding alternative solutions or abandoning innovative ideas. To address this issue, a national fund and affordable loan schemes are needed through banks and other financial institutions to support startups and entrepreneurial ventures.

Government support is crucial for the success of start-ups and entrepreneurial ventures in Sri Lanka. Assistance in tax relief, marketing facilities, and proper supervisory arrangements can enhance performance. Addressing the

shortcoming in start-ups can help overcome issues and enhance entrepreneurship, ultimately contributing to economic development.

II. JUSTIFICATION OF THE STUDY

There are different financial sources available for start-ups in Sri Lanka. However, more research needs to be done to measure these funding sources' effectiveness. Thereby, an empirical gap exists. This research is done to find how these affect the decision-making process and the start-up firm's decision-making. As pointed out by (Nijhof, Andre HJ Jeurissen, 2017), empirical evidence has to discover the difference in effectiveness through different financing resources and their availability for entrepreneurs of several attributes. There is research on marketing orientation and its impact on start-up decision-making. As stated by (Kuruppu, 2015), (and Shoham et al., 2005), it should be fascinating to discover the relations between other directions like financial orientation and the start-up decision.

In the international context, there is only a limited amount of literature regarding psychological factors and their effect on start-up intention, leading to a considerable knowledge gap. This study remained performed during a pandemic, and data gathering was done mainly by a self-administered online questionnaire and telephone survey; therefore, action is significant in this research compared to previous research.

III. PROBLEM OF THE STUDY

The research explores the access to capital investment for entrepreneurs in Sri Lanka, highlighting the availability of bank loans and government funds as the primary resources. It questions the necessity of bank loans when applicants already possess sufficient property and wealth. The study also emphasizes the challenges in obtaining loan approvals and the delays in receiving the required capital. Additionally, the research underscores the need for further investigation into the relationship between entrepreneurial orientations, age, and the success of IEBVs and the influence of psychological factors on start-up plans.

Banks follow a condition in which they are supposed to grant loans concerning the Debt-Income ratio and the available movable and immovable property. However, it is questionable that the reason for applying for bank loans is that applicants have enough property and wealth.

Mrs A.M. Amarasinghe expresses her dissatisfaction with bank loans for start-ups in Sri Lanka, mentioning the challenges faced in obtaining loan approvals and delays in receiving the required amount of money. The study conducted by Nijhof and Jeurissen (2017), based on US statistics but applicable to other countries, emphasises that access to public financial organisations is a common issue for entrepreneurs and start-ups regardless of the country.

The research highlights the need to investigate further the relationship between entrepreneurial orientations, age, and success in International Entrepreneurial Business Ventures (IEBVs). It emphasises the importance of exploring risk-taking, proactiveness, and innovativeness in entrepreneurial preferences, entrepreneur age, and choosing to enter less productive firms using a representative sample (Kropp et al., 2008).

Psychological factors significantly impact starting a new business venture. Fear of failure has an inverse relationship with entrepreneurial venture entry, while positive factors like strength, faith, and self-efficacy positively influence start-up plans (Abu Bakar et al., 2017; Jin, 2017). Positive psychological capital is strongly associated with start-up intent.

The Main Objective of the study can be elaborated as follows.

1. To discover how psychological and financial stability affect start-up decision-making for start-ups that use external funding at the initiation level.
2. Investigate the level of public awareness of support programmes and services the government provides for start-ups and entrepreneurs.

IV. SIGNIFICANCE OF THE STUDY

Entrepreneurs with potential face challenge in managing finances and need more expertise. This research examines the role of government and bank finance institutes in strategic decision-making in initiating start-ups and how age and psychological factors affect the introduction of start-ups. Sri Lanka, a developing country with a 91.7% literacy rate, has the potential for emerging entrepreneurs to launch their start-ups. The research addresses practical problems start-ups face from banking finance and government aspects.

This research addresses a gap in Sri Lankan entrepreneurship and start-ups, focusing on psychological factors and their impact on enterprises. During the pandemic, the study utilizes modern technological platforms, making it significant in data collection methods among existing research. The findings will benefit start-up owners, entrepreneurs, the government, and future researchers in understanding the impact of psychological factors on enterprises.

This research aims to help future entrepreneurs, start-ups, and government sector officials understand and address new challenges during the pandemic. It covers small and medium-sized enterprises, making it useful for all business stakeholders, regardless of time gaps. The research empirically covers all aspects of small and medium-sized enterprises, making it a valuable resource for entrepreneurs and stakeholders.

V. LITERATURE

A. *Relationship between bank finance and government support initiation of entrepreneurship in Sri Lanka*

Limiting access to funding sources hinders Sri Lanka's entrepreneurship and start-up development, resulting in entrepreneurs relying on personal savings, debt, and bootstrapping (Kuruppu, 2015). Barriers such as lack of collateral, poor financial relationships, high-interest rates, and complex procedures further exacerbate the situation. The formal financial system needs more supportive policies to assist, leading to the emergence of semi-formal and informal sectors as alternative sources of finance. Government initiatives and financial institutions aim to support SMEs, but high-interest rates and low achievability impede access to guidance and credit. Acquiring traditional financing or equity is challenging due to contemporary banking methods and societal norms, leading entrepreneurs to borrow from high-interest sources. The government is introducing additional initiatives to address these issues (Kuruppu, 2015; Perera, 2019; Jayawardane, 2016).

Entrepreneurship development in Sri Lanka is hindered by limited access to funding and finance, as the existing banking and debt models have collateral requirements and high costs (Zaidi et al., 2021). The governing political party and the major opposition political party prioritise economic progress but differ in their approaches to encouraging economic improvement after the civil war (Sarvananthan, 2011a). The post-war economic restoration strategy in the east and north of Sri Lanka relies heavily on government-funded projects with contributions from bilateral and multilateral donors (Sarvananthan, 2011b). The government can promote women's entrepreneurship in the Northeast by providing support such as loans, subsidies, microcredit financing, skills training, and business consultancy (Snyder, 2003a). It is suggested that the government should implement neutral policies, amend legal backgrounds and legislation based on firm size, and focus on promoting exports, increasing employment opportunities, and shifting towards meritocracy (Smallbone and Welter, 2001; Chatterjee et al., 2019). Researchers have developed hypothesis 1 to test this relationship.

H1- Bank finance and Government support positively affect the initiation of the entrepreneurial firm.

B. *Impact of entrepreneur's age on the access to government support in initiating entrepreneurship.*

The impact of an entrepreneur's age on accessing government support in initiating entrepreneurship is a significant consideration. The general equality duty mandates that central and local government must not unlawfully discriminate and work towards removing discrimination and promoting fairness and equality among individuals with protected characteristics, including age.

The United Nations monitors government adherence to such duties (Anon, 2016). In Sri Lanka, elderly financial support includes state pension schemes for public employees and specific groups in the private sector, mandatory provident funds, and social assistance transfers primarily targeted at older people. These programs are funded through general revenue taxation, although the financial capability of some schemes has declined in the past decade, necessitating increased reliance on taxation. Additionally, poverty reduction programs like Samurdhi and Pin Padi provide cash benefits to eligible households, with a portion benefiting older people. The Elderly People Allowance is a prominent cash transfer program established in 2012 to support poor elderly individuals. In 2016, it served 386,000 people aged 60 and above, providing SLR2,000 per month to qualified recipients aged 70 or above, with a monthly income of less than SLRs3,000, living alone or with a partner but not with children (Bank, 2019). Sri Lanka faces challenges in achieving SDG 8 and reducing unemployment, particularly in rural areas with limited computer literacy and ICT infrastructure. The curriculum mismatch with the job market and issues such as lack of oversight in apprenticeships and recognition of professional qualifications by companies pose further obstacles. The government offers apprenticeships, internships, and professional training but needs to address these challenges effectively.

H2- The age of the entrepreneur moderates the relationship between bank finance and government support in initiating a start-up or entrepreneurial firm.

C. *Psychological Factors*

Entrepreneurship decision-making is often rational, with subjective factors excluded (Barlach, 2020). However, psychological factors, like AJZEN's Theory of Planned Behaviour (TPB), play a crucial role in creating new firms. TPB emphasises intention as a strong predictor of subsequent behaviour, highlighting the importance of intention in entrepreneurship (Kibler et al., 2014). Psychological factors significantly influence entrepreneurship and startups, with individuals with stronger willpower tending to succeed (Kibler et al., 2014). Ethical recognition and perceived advantages increase confidence in entrepreneurship, strengthening intentions (Kibler et al., 2014). Cultural, socioeconomic, and regional social legitimacy also influence psychological conditioning, with higher societal and cultural lawfulness resulting in greater perceived entrepreneurial ability and increased entrepreneurial activities. Psychological characteristics are crucial for determining entrepreneurial intentions and contributing to success (Chatterjee and Das, 2015). Eight psychological factors predict startup success: need for accomplishment, self-efficacy, tolerance of

uncertainty, locus of control, risk-taking tendency, innovativeness, independence and autonomy, and optimism (Frese et al., 2002). These factors are closely linked to startup performance and success. Psychological traits also play a significant role in women's entrepreneurship, forming the foundation for becoming business creators (Max and Ballereau, 2013). Higher levels of self-motivation and risk-taking abilities are associated with better entrepreneurial skills, and there is a positive correlation between psychological variables and entrepreneurship success (Chatterjee and Das, 2015). Psychological factors, such as innovativeness, significantly influence entrepreneurship and startups (Journal and Apr 2015). Innovativeness involves a company's ability to engage in new ideas, research, and creative processes, leading to new products, services, or technological procedures. This is a crucial component of entrepreneurial orientation, allowing businesses to seek new opportunities (Lumpkin and Dess, 1996). Entrepreneurs employ competitive strategies, such as introducing new products, developing new markets, or restructuring production processes, to stay ahead of the competition (Mueller and Thomas, 2001). Understanding these psychological factors is essential for entrepreneurs in decision-making and developing successful ventures. To test the effect of above mentioned psychological factors on the initiation of an entrepreneurial firm researcher developed hypothesis 3 as below.

H3 – Psychological factor positively affects the initiation of the entrepreneurial firm.

D. Impact of the age of entrepreneur with psychological factors in initiating entrepreneurship.

Coping is a crucial response to entrepreneurs' challenges and pressures in their business ventures. They often alternate between actively addressing venture issues and temporarily distancing themselves from problems to manage venture-related stress effectively. Given the uncertain and volatile environments in which entrepreneurs operate, coping and psychological well-being (PWB) play vital roles. Adaptability is closely tied to overall performance, and as entrepreneurs typically engage in direct business management, their coping strategies can significantly impact the success of their endeavours. Despite the importance of coping and PWB, there needs to be more empirical research on these topics in the context of entrepreneurs. Existing studies mainly indicate that entrepreneurs experience higher stress levels than non-entrepreneurs due to ambiguous and ever-changing entrepreneurial environments. Previous research by Gumpart (1983) focused on the sources of entrepreneurial stress inherent in self-employment. Shepard (2003) specifically examined the highly stressful event of business failure and proposed a dual-process recovery model. These

studies have shown that coping behaviours partly mediate the impact of career choice (self-employment versus employment) on negative emotions like fear and anxiety. However, it remains to be seen how entrepreneurs' coping behaviours relate to their PWB and the specific conditions and circumstances in which these relationships exist. Enhancing PWB is crucial for entrepreneurs as it improves their ability to utilise emotional and cognitive skills, ultimately influencing their performance and productivity in running their business ventures. Further exploration of the relationship between coping behaviours and PWB will be conducted during the hypothesis evaluation process. This research sheds light on the interplay between coping, PWB, and entrepreneurial outcomes, providing valuable insights for entrepreneurs to manage their businesses effectively. To test the Age of the entrepreneur moderates the relationship between psychological factors on the initiation of a start-up or the entrepreneurial firm researcher developed hypothesis 4 as below.

H4 – The age of the entrepreneur moderates the relationship between psychological factors on the initiation of a start-up or the entrepreneurial firm.

The government will encourage the distribution of investments into business stocks that will lay the foundation for the future growth of the national economy. Georgia's underdeveloped financial market allows for the attraction of international portfolio investments. One of the most crucial metrics for assessing a country's economic viability is its stock exchange indexes. When stock indices decline, it indicates bad economic prospects for the nation. The expansion of this market and the activation of the securities system are two important ways to draw investment capital into the economy. One of the most crucial prerequisites for the growth of the economy in Georgia is the development of the securities market. This market encourages the accumulation of capital and its incorporation into the process of economic growth.

Georgia's current financial market situation. Problems. The mechanism of securities is activated as one method for attracting investment money. These markets allow for the trading of shares, bonds, currencies, derivatives, and bank credits. Analysts claim that the years 2007 through 2015 were challenging for Georgia's corporate securities market on all counts. Three specific occurrences in the years 2007 and 2008 that inhibited the achievement of mature prospects during the market-building process must be anticipated. Global financial crisis, August War, and the "Third Phenomenon"—a collection of radically altered securities market laws—are these phenomena. Along with being supplied in the context of "liberalization" at the time, these changes also came with a sharp loss in transparency.

Therefore, Georgia's securities market's current negative situation is "self-provoking" in a special way. The desire for trading securities that could only be done through stock exchanges was eliminated by the changes made in 2007.

The implementation of the modifications, not their intent, was the issue. The adjustments did not result in the obligation to execute transactions requiring the brokers to be in the best condition, nor was the stock exchange the power to demand that members execute transactions solely at the stock exchange. Specialists claim that as a result, trading dramatically shifted away from stock exchanges and into non-stock markets and securities registrars (Vardiashvili M., 2016).

The moderator function of third variables, divides a central independent variable into subgroups that find its provinces of maximal effectiveness with respect to a specified dependent variable, and the mediator function of a third variable, signifies the propagative mechanism over which the central independent variable is able to impact the dependent variable of interest (Baron & Kenny, 1986).

A moderator is, in general, a qualitative or quantitative variable that modifies the relationship between an independent or predictor variable and a dependent or criterion variable in terms of its strength and/or direction. A moderator is a third variable that influences the zero-order correlation between two other variables in a correlational analytic paradigm (Baron & Kenny, 1986).

When it comes to the hypothesis and variables of the research,

H2 - The age of the entrepreneur moderates the relationship between bank finance, government support, and the initiation of a start-up or entrepreneurial firm.

According to the regression test conducted in this study, the significance value is 0.000 indicating that is significant. The idea that the age of the entrepreneur moderates the link between bank funding, government support, and the commencement of a start-up or entrepreneurial business is proven by these results.

H4 - The age of the entrepreneur moderates the relationship between psychological factors and the initiation of a start-up or entrepreneurial firm.

According to the regression test, the significance value is 0.804 which is greater than the acceptable significant value (0.05). Hence the age of the entrepreneur does not moderate the relationship between the psychological factor and the initiation of a start-up or entrepreneurial firm.

Entrepreneurial ventures and start-ups during Covid-19 in a global perspective.

Global society and economies are going through an unprecedented external shock as a result of the discovery of the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) in late 2019 (Zhu et al., 2020) and the following COVID-19 pandemic that followed (JHCRC, 2020). Any other event has been overshadowed by the virus's rapid and disruptive spread and its horrific repercussions. More and more nations, including established, developing, and emerging ones, are catching on to it. The economic repercussions are also very substantial. Initial predictions predict that this will be even worse than the recent financial crisis of 2008–2012, making it the worst economic disaster since the Second World War. Additionally, the consequences for entrepreneurship and new business activity appear to be getting worse. Despite the fact that the situation is unheard of, we may draw lessons from the past crisis and the available research to pinpoint some of the general effects and more specifically the effects on entrepreneurial activity (Liñán & Jaén, 2022).

There are some major factors that affect starting entrepreneurial ventures during Covid-19 pandemic era. Both the supply-side (harder access to resources) and demand-side (few clients willing to purchase goods or services) of the Covid-19 crisis have had a severe negative impact on entrepreneurship. The primary locations and sources of opportunities have changed as a result of this. Demand-side effects concentrate on a decline in total demand, with three primary causes: long-term adjustments, limitations on routine activities, directives from the government, travel limits, and higher population concentrations. Entrepreneurship depends on quickly acquiring a sizable consumer base, yet direct communication with customers may grow more challenging (Liñán & Jaén, 2022).

Consumer spending is being negatively impacted by the economic crisis, which is also causing a decline in GDP and employment. The International Monetary Fund estimates that the GDP of industrialized economies will decline by 6.1%, while that of emerging markets and developing economies will fall by 1.0%. In most advanced economies, the unemployment rate is projected to increase by 25–50%, with the euro area countries suffering a 39% increase. Forecasts from national governments are making the situation worse, with emerging economies going through a milder recession as a result of Covid-19's less significant effects. As a result, consumer demand will suffer, leading to decreased income and decreased aggregate demand (Liñán & Jaén, 2022).

Apart from that, the government can focus on some new opportunities as well during pandemic. Opportunities in health products, protective gear, biochemistry and biomedicine, and new enterprises are presented by the

Covid-19 crisis. For the virus and prospective new viruses, there is a great demand for new testing, medications, and vaccines. By enabling entrants to enter these marketplaces with enhanced or novel goods or services, the pandemic also indirectly benefits new enterprises in sectors including online services, e-commerce, remote working, distant learning, education, software solutions, and third-age care services (Liñán & Jaén, 2022).

Impact of bank finance and government support on initiating entrepreneurial ventures and start-ups during Covid-19.

The epidemic will undoubtedly have a significant impact on entrepreneurial activities. In order to help potential, emerging, and new entrepreneurs survive, a number of actions could be implemented (Giotopoulos et al., 2017). This could involve measures to make it easier to use unemployment benefits in new business ventures, the preservation of social and welfare benefits in the event that a person starts a new company, etc. However, it is important to be mindful that these actions will encourage the formation of entrepreneurs who are primarily motivated by necessity. Therefore, it is anticipated that the overall impact on the GDP and employment will be extremely little. According to the degree of economic independence (McMullen et al., 2008) and state fragility (Amorós et al., 2019) in the case of emerging nations (Liñán & Jaén, 2022).

The implementation of these policies will be difficult due to legislative delays and a lack of funding for new businesses and enterprises. Budget restrictions affect public funding, and high perceived risk may deter private capital from investing. To ensure a speedy recovery from the Covid-19 crisis, central banks and national governments have taken action to avert liquidity issues and credit constraints. It will be necessary to consider long-term effects, such as public deficits, debt, and an expansion of the money supply, particularly for rising and developing nations with high debt levels (Liñán & Jaén, 2022).

Organizational resilience with the support of government and bank finance for entrepreneurial ventures and start-ups during Covid-19

The resilience viewpoint is a comprehensive method for examining how a system responds to crises, bounces back from them, and adjusts to novel situations. It also looks into preventative measures including situation awareness, risk forecasting, and vulnerability management. Researchers in public sector accounting have used the idea to examine how governments manage budget cuts and austerity measures. The resilience approach encapsulates the mechanisms that underlie governmental responses to crises, showing how internal and external elements

combine to deal with financial shocks and create vulnerabilities. Governmental financial resilience depends on a limited understanding of coping and anticipating skills, and changes in how these skills are combined through accounting may lead to differing reactions to shocks (Upadhaya et al., 2020).

Government debt in Bhutan, Sri Lanka, Pakistan, and the Maldives amounts to more than half of each country's GDP. Following COVID-19, all South Asian countries' general government debt to GDP ratios are expected to rise significantly, according to Fitch Ratings. Situations with high debt levels impede effective COVID-19 responses and constrict possibility for growth. According to the regional growth prediction, the region's GDP will shrink by up to 2.7% in 2020, between 1.8 and 2.8%. Four of the countries in the region are anticipated to have negative growth and significant financial challenges (Upadhaya et al., 2020).

Sri Lanka's efforts among the South Asian nations appear to have been successful in halting the virus's spread and reducing the number of fatalities. The pandemic, however, has exacerbated the financial resilience and further undermined the nation's already precarious and indebted economy. The government's first course of action was to borrow money from outside sources, even going so far as to increase the already high level of external indebtedness. The administration reportedly used every resource it could find to raise money to combat the pandemic, according to international media (Upadhaya et al., 2020).

South Asian governments, like India, Nepal, and Sri Lanka, have been reactive in financial resilience, but there is a gap in understanding the problem and developing financial resilience. To revitalize the region's financial resilience, governments should avoid austerity and cutback management, addressing child poverty, food banks, affordable housing, and public services spending. To build long-term financial resilience, governments should launch resilience-building processes, enhance organizational capacities, and consider mandatory reserves, fiscal autonomy policies, and revenue diversification (Upadhaya et al., 2020).

The COVID-19 dilemma has brought to light the significance of studies on entrepreneurship finance, including entrepreneur motivation, venture capital networks, and angel investor networks. Policymakers are becoming more and more interested in opportunity-driven entrepreneurs, and networks for entrepreneurship may be essential for locating funding for entrepreneurs. For academic academics and policymakers, it is essential to examine performance effects and the implications of different financial sources on long-term entrepreneurial performance, survival, and growth. The government and

policymakers may want to design financial policy interventions that lessen the effects of the pandemic on small businesses, focusing on subgroups, supply chains, and small businesses without stable bank relationships. Financial support policies are essential for supporting small businesses and individual entrepreneurs (Belitski et al., 2022).

V. CONCEPTUAL FRAMEWORK

Based on the theoretical background in the literature review section, a conceptual framework has been developed to conduct the empirical study.

This research examines two independent variables, Bank Finance and government support and psychological factor, considering age as the moderator. Long with those variables, there are 09 sub-variables. The dependent variable is the initiation of the start-up and entrepreneurial firm. This research examines how each sub-variable is associated with the independent, moderator, and dependent variables. The questions were developed as five-point Likert Scale questions.

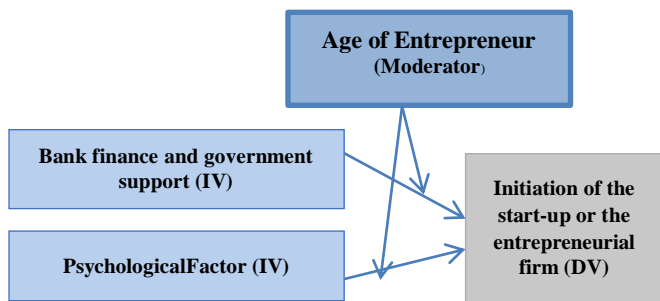


Figure 1. Conceptual framework

Source: Authors (2021)

VI. RESEARCH METHOD

A. Research Design

The research design is exploratory. Data will be collected both from primary sources and secondary sources. Interviews, observation, and questionnaires were used to collect primary data. The quantitative data for the study is expected to be collected by using the structured questionnaire method with the use of Google Forms. Secondary data was collected from articles, journals, books, websites, magazines, etc.

B. Sample Design

According to the Morgan Table, the researchers have taken 278 Start-up owners and entrepreneurs of the Homagama Divisional Secretariat of Colombo District as the Sample for the study.

C. Population

The target population for this study is Start-up owners and Entrepreneurs in Homagama divisional secretariat. The researchers have identified Small and Medium Scale enterprises that started within less than five years as Start-up enterprises.

VII. ANALYSIS

A. Correlation

When the values for the correlation are considered between two independent variables, it is observed that there is a correlation size of only 0.082, which is negligible with a p-value of 0.245. Therefore, further research proceedings can be carried out without a relationship between the independent variables. Thereby, multicollinearity is negligible.

i. Correlation between bank finance and government support initiation of entrepreneurship in Sri Lanka:

The Pearson correlation coefficient between BFG and DV is 0.197. The p-value associated with this correlation is 0.005 since the correlation between bank finance and government support initiation of entrepreneurship is statistically significant at a conventional level of 0.05. We can assume that bank finance and government support significantly affect the initiation of entrepreneurship in Sri Lanka.

ii. Correlation between Psychological factors and initiation of entrepreneurship in Sri Lanka:

The Pearson correlation coefficient between PF and DV is 0.453. The p-value associated with this correlation is <0.001 since the correlation between Psychological factors and initiation of entrepreneurship in Sri Lanka is statistically significant at a conventional level of 0.05).

B. Multiple Regression Analysis

Bank finance, government support, and psychological factors are independent variables. At the same time, the age of the entrepreneur is the moderator, and the dependent variable is the initiation of the entrepreneurial firm. The probability of F-test statistics of the regression ANOVA is highly significant as the P value is 0.000. This means the model is jointly significant, and the independent variable influences the dependent variable. The model is appropriate.

Multiple correlations “R” is 0.983. This says a strong joint association exists between independent and dependent variables. R-square is 0.965 with a statistical significance of $P < 0.5$. This indicates that the model has covered 96.5% of the initiation of entrepreneurial firms (dependent variable). The regression model is nicely fitted as the value exceeds 60%. Adjusted R-square also represents the model covering 96.5% of the dependent variable.

C. Coefficients

According to the results, bank finance and government support have a positive and significant impact on the initiation of entrepreneurial firms because the beta coefficient of this variable is significant at a 5% significance level where the significant value is 0.000. Psychology factors do not have a positive and significant impact on the initiation of entrepreneurial firms because the use beta coefficient of this variable is not significant at a 5% significance level where the significant value is 0.688. The age of the entrepreneur moderates the impact of bank finance and government support on the initiation of entrepreneurial firms because the significance value is 0.000. The age of the entrepreneur does not moderate the impact of psychological factors on the initiation of entrepreneurial firms, as it has a significant value of 0.804.

As the psychological factor and the interaction of moderator age with psychological factor were insignificant, researchers ran another multiple regression analysis using significant variables earlier. The probability of F-test statistics of the regression ANOVA is highly significant as the P value is 0.000. This means the model is jointly significant, and the independent variable influences the dependent variable. The model is appropriate.

Multiple correlations "R" is 0.982. This says a strong joint association exists between independent and dependent variables. R-square is 0.965 with a statistical significance of $P < 0.05$. This indicates that the model has explained 96.5% of the initiation of entrepreneurial firms (dependent variable). The regression model is nicely fitted as the value exceeds 60%. Adjusted R-square also represents the model covering 96.5% of the dependent variable.

VIII. RESEARCH FINDINGS

The independent variables of bank finance and government support, as well as the indicators of Government bank loans, Private bank loans, Tax relief, and Government policies, have all been included in this study. When specific sub-variables are considered, good correlation coefficients can be found. According to prior studies, entrepreneurs in developing countries confront more obstacles than those in other established countries. They must first cope with insecure and bureaucratic corporate settings. Second, the rules regulating private activity, particularly those controlling business registration and taxation, are complex and difficult to comprehend. Third, contract and property laws could be more effectively conceived and better implemented. Inadequate infrastructure, weak macroeconomic policies, restricted access to financial resources, corruption, and a lack of management expertise are major issues entrepreneurs in transition countries face (Chu et al., 2011). Financial

literacy may significantly predict financial access (Fernando, Cole, 2008; Sherman et al., 2007). Clients may be unwilling to acquire a product whose utility they only partially grasp if they have low financial literacy. This may impede the uptake of increasingly sophisticated financial goods such as insurance. (De Mel et al., 2012) Suggests that gaining financial literacy via the development of business skills is a significant driver of SMEs' growth and a factor of productivity. Financial literacy, defined as the "capacity to receive, comprehend, and assess the essential information necessary to make financial decisions and choices while being aware of the potential financial repercussions," is crucial for SMEs in emerging economies to have access to financial services. Individuals with financial literacy abilities, according to (Njoroge and Kisaka, 2014), make better financial judgments and make fewer management mistakes than those who are financially illiterate. Financial literacy skills empower and educate SME owners, allowing them to assess financial products and make educated decisions. Moreover, financial literacy improves SMEs' risk management abilities. Financial literacy, according to (Siekei, 2013; Candiya Bongomin et al., 2018), prepares SMEs owners for difficult financial times by using risk-mitigation techniques such as saving, diversifying assets, and avoiding excessive debt (Okello et al. et al., 2017) (Candiya Bongomin et al., 2018). It maBankncing and government backing can have a direct impact on directly impact a business's start-education is important for senior entrepreneurs due to opportunity, but not for other age groups or motives. This research's uniqueness is a significant contribution. As a result, education is a factor that governments should pay greater attention to (Home OECD, 2016). Sri Lanka provides free education to its citizens. Here the sample is taken; by 2015, 100 per cent of t; ample will be able to read and write because the answers collected in this study indicate this factor. Since a telephone is being used, this statement is true.

The creation of policies that tend to contribute to better gender equality for all age groups in the country is linked to the strengthening of women's entrepreneurship through opportunity (Home OECD, 2016).

Financial service providers, particularly banks and financial institutes, should target low-income SMEs when promoting their financial services. They should develop new creative SME goods, give high-quality service, and supply SMEs with non-standard office hours. Policymakers should establish favourable conditions for low-income SMEs to access bank loan facilities, such as lowering interest rates, relaxing collateral requirements, lowering banking expenses, and boosting competition between current banks and SMEs-focused banking products.

This study implies a significant impact of bank finance and government support on initiating entrepreneurial firms. This relationship was significant at a 0.000 significance value where $P < 0.05$. Moreover, the results revealed that there is a significant as well as positive relationship between the two mentioned variables (Kibler et al., 2014). They used follow-up tests to assess the pairwise differences between the means. Dunnett's test was used to make a post hoc comparison. There were substantial variations in the mean between the age groups of 36-44 and 55 years and older in the entrepreneurial competency cluster. There was also a significant difference in the means between the age groups of 36-44 years old and 55 years and older and between the age groups of 26-35 years old and 55 years and older within the personal and relationship competency cluster. Although age detrimentally influences requirements and opportunities, the chances of diminishing entrepreneurial activity at one age are quite slim. Some authors agree with this. Even after accounting for other company and national characteristics, bank financing is progressively growing, whereas informal finance gradually declines with age, according to global bank data (L. et al. et al., 2011). According to the tests, these trends are not explained by differences in company composition or country-level factorisation (L. Chavis et al., 2012) investigated the link between company age and institutional features at the country level. For example, bank financing is more common in nations with a better rule of law and more credit information. In contrast, informal finance is more common in countries with a weaker rule of law and less credit information (L. Chavis et al., 2012).

According to the regression test conducted in this study, the significance value is 0.000, indicating that it is significant. The idea that the age of the entrepreneur moderates the link between bank funding, government support, and the commencement of a start-up or entrepreneurial business is proven by these results.

This variable was considered with the indicators of locus of control and innovativeness. Psychological factors are considered the primary determinants of entrepreneurial intention among entrepreneurs. Psychological variables can be regarded as one's self-perception – sometimes known as self-perception – and how society views one. 237 EI of senior university students on how someone views the process of establishing a business and personality factors that influence perceptions (Zhao et al., 2021). Assumed that a society with a high overall level of accomplishment motivation will generate more active entrepreneurs, who, in turn, will produce faster economic growth. The claim that achievement motivation is the psychological mediator between Protestantism and economic progress (Weber, 1948; Abu Bakar et al., 2017) is considered to have sparked the quest for “personality traits of the successful

entrepreneur” (Chatterjee et al., 2019). Some entrepreneurial qualities, such as a strong proactive personality, the internal centre of control, and a high-risk proclivity, favourably impact a person's assessment of a prospective new business opportunity (Yan, 2010) (Eid et al., 2019). In contrast to popular belief, a high achiever does not necessarily perceive a possible venture opportunity more favourably than a non-high achiever, according to this study (Yan, 2010). Even though these suggestions have been made since the 1980s, the new focus on effect size, confidence intervals, and meta-analysis (together with or instead of statistical significance tests) is frequently referred to as The New Statistics (Cumming) in psychology. Even though they are simple to inclinations to include confidence intervals and effect sizes have been sluggish to gain hold. Many confidence intervals are “embarrassingly vast,” and many obtained effect sizes are “embarrassingly small,” according (Cohen, 1992). Unfortunately, for many analyses, SPSS does not give effect size indices (there is no reason why this could not be). Users of tools like SPSS should know that obtaining general information frequently necessitates some (usually minor) manual calculations. The Watson paper is a nice place to start. Setting reasonable confidence intervals for effect size estimates is doable (albeit time-consuming). The distinguishing psychological factor among entrepreneurs is the perception of their ability to leave their group and start up a new business alone (Saldaña et al., 2015), called autonomy.

With the results, it shows a 0.668 significance value which is more than 0.05. According to statistics, the null hypothesis is acceptable. According to the regression test, the significance value is 0.804, greater than the acceptable significant value (0.05).

In both pure and applied investigations, behavioural scientists in general, and notably psychologists with substantial interests in individual variations in personality, attitude, and ability, commonly use correlational analysis as an investigative technique. The Pearson product-moment correlation coefficient, r , is the most widely used statistical technique for expressing the relationship between two variables. The truth is that most behavioural science is still in such a state of development that minimal variance in the dependent variable is predicted. This is another way of saying that the behavioural sciences are less sophisticated than the physical sciences (Morphology, n.d.). Finally, age was determined not to impact a person's impression of a new enterprise possibility. This shows that young individuals may only sometimes consider establishing their own business more attractive or possible than older people. According to (Yan, 2010), majmostreneurs begin their businesses between the ages of 30 and 50. According to recent surveys, entrepreneurship is

becoming a viable option for adult Americans of all ages (Lopes et al., 2018).

Trait psychologists were more interested in evidence of stability than gerontologists. Even though the literature findings proved that age moderates the link between psychological factors and the commencement of a start-up or entrepreneurial business, with the findings of this research, that idea was disproved. So, the null hypothesis is acceptable.

IX. DISCUSSION

A. Conclusion

This study aimed to identify the requirements for establishing entrepreneurial ventures and start-ups, contributing to a country's economic development. A literature review provided a strong theoretical foundation, and the methodology was designed to achieve research objectives. Data analysis confirmed three out of four hypotheses, with the null hypothesis regarding the impact of psychological factors on the initiation of entrepreneurial firms. The findings suggest that bank finance and government support positively impact entrepreneurial firm initiation, while psychological factors show a negative relationship. Age was identified as a moderating factor influencing the impact of psychological factors, bank finance, and government support on firm initiation.

Bank finance and government support were the most influential factors, emphasising the importance of external support for entrepreneurs. Although less impactful, psychological factors can still influence healthy functioning through individual experiences.

B. Limitation of the Study

The study faces limitations due to limited data access, time constraints, and sample bias. The COVID-19 pandemic restricted interviews, limiting data availability. The sample size was limited to entrepreneurs and start-up businesses in a specific region, and online data collection faced challenges, especially among individuals over 55 with limited knowledge of technical devices.

C. Suggestions and Recommendations

The study highlights the importance of prioritising factors influencing entrepreneurial ventures and start-ups. Governments should establish favourable policies and create a supportive environment for start-ups, such as reducing interest rates, easing collateral requirements, and lowering banking costs. Emphasising entrepreneurial education can foster innovation and support venture growth. Future research should address other issues and factors affecting entrepreneurial activities and start-ups to improve the quality of ventures and lead to personal and economic growth. Further research is needed to explore the

relationship between bank finance, psychological factors, and the business sector. Overall, the study provides valuable insights into the impact of bank finance, government support, and psychological factors on entrepreneurial ventures and start-ups.

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