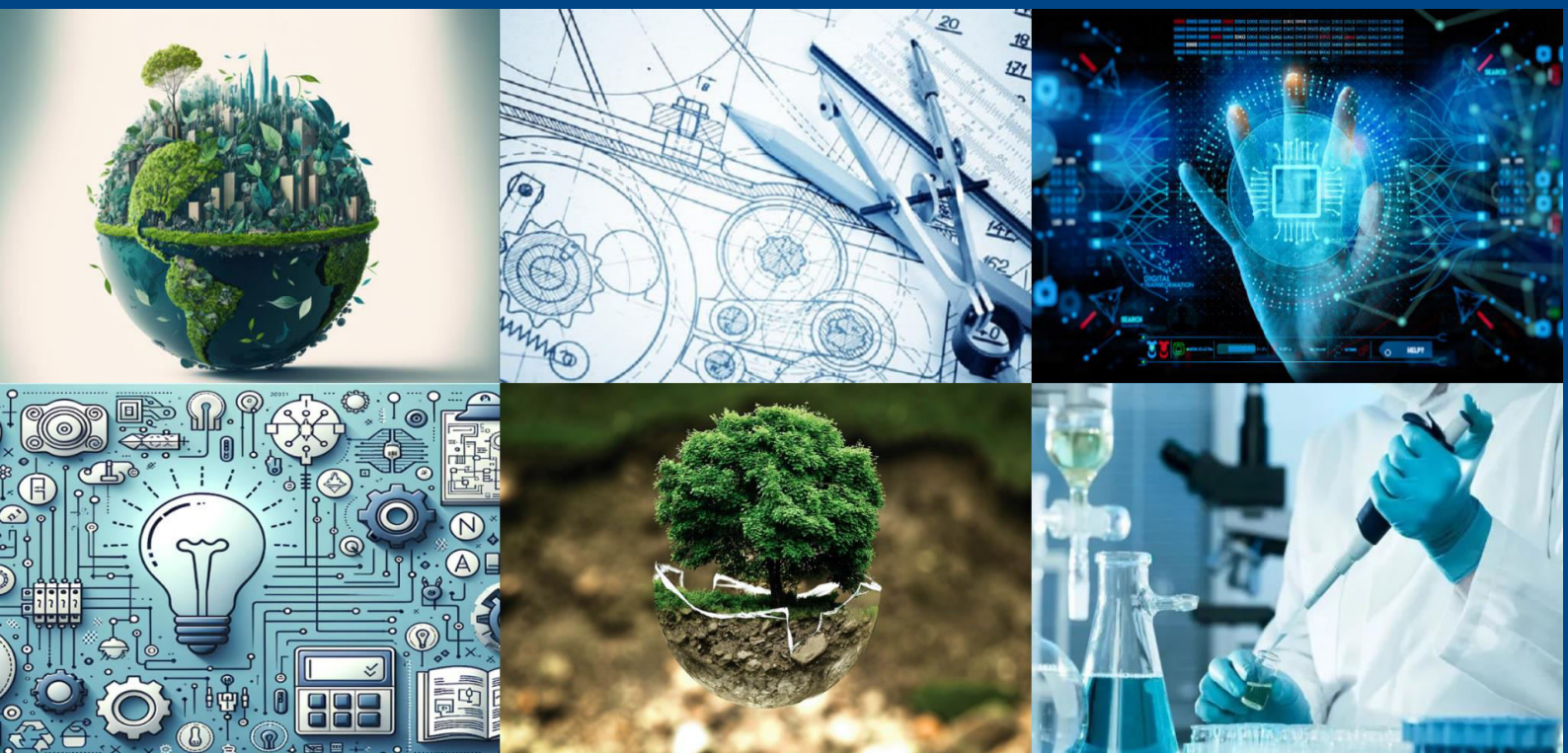




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Integrating Predictive Financial Analytics into Startup Decision Processes

Rishin Jaiswal, Kishori Chopade, Om Jaggi, Prakhar Gupta, Siya Chouhan, Kratika Goswami,
Riya Pashine

School of Management and Research (SMR), Dnyaan Prasad Global University (DPGU), Pune, Maharashtra, India

ABSTRACT: The title of the research study conducted on "Integrating Predictive Financial Analytics into Startup Decision Processes" analyzes the level of awareness, implementation, and effectiveness of predictive financial analysis in enhancing the strategic decision-making process in startups. The study has been conducted among 105 finance students, practitioners, and entrepreneurs through convenience sampling methodology. Questionnaire technique is applied in collecting primary data in addition to secondary data from journal articles, research papers, and fintech publications. As evidenced from the findings obtained from the research study, it has been observed that most of the participants are aware of predictive financial analysis and exhibit their interest in adopting it to address startup risks. Modern technological tools like Microsoft Excel, Power BI, Tableau, and Python are becoming an essential tool in the field of predictive financial analysis.

KEYWORDS: Predictive Financial Analytics, Decision Making in Startups, Data-Driven Financial Decision Making, Financial Forecasting, Risk Management, Fintech, Predictive Investment Tools.

I. INTRODUCTION

In the era of Artificial Intelligence and advanced technology in data, there has been a complete transformation in the domain of financial decision-making in startups. The trend is towards predictive analytics, which serves as the foundation for developing predictive models that have the ability to make precise predictions about financial forecasting. It must be understood that startups operate in an environment that is highly volatile and uncertain, and any erroneous financial decision could lead to the failure of the startup. In this respect, it is important to note that students of management and emerging finance practitioners can greatly gain from developing expertise in the field of predictive financial analytics because it allows them to translate theoretical concepts into practical application using the concept of risk assessment and capital budgeting. Moreover, owing to the rise in the adoption of contemporary business software and cost-effective data analytics tools, even young entrepreneurs have begun utilizing such techniques. Nonetheless, despite their rising popularity, only a few research works have been conducted in order to analyze the impact of these innovative tools on the financial decision-making process of startups.

II. LITERATURE REVIEW

1. Sen, Ozturk, and Vayvay (2016) examine the inclusion of big data within SMEs, highlighting the fact that a model-based approach using big data is crucial for achieving organizational growth and success. Start-ups, in particular, because of their small size, do not have much historical data to draw upon, and therefore require the processing of big data to predict future behaviors within the market and optimize their resource utilization. It is important to highlight that although data is abundant, it is not enough for growth; the organization must be agile enough to make use of it.

2. According to Davenport & Ronanki (2018), effective integration of AI and predictive analytics in practice is more a gradual process than a leap towards full autonomy at once. Considering the practicality of decision making in startups regarding finances, one could conclude from this study that predictions should serve as a complement, not a substitute, for competent analysis by the right people. Data trustworthiness and proper cash flow control come from analyzing these numbers by entrepreneurs, so as to limit the impact of personal bias on outcomes.

3. Arrieta et al. (2020) provide an overview of Explainable Artificial Intelligence (XAI) and state that decision-makers will not rely on any mathematical model if they cannot comprehend it. For startups, financial models should be clear both



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for the entrepreneurs and the investors. According to the authors, XAI can address behavioral issues – such as an entrepreneur unwilling to change direction in case the existing financial model is not effective enough. Taking a pragmatic approach, XAI can help make objective financial decisions based on the mathematical foundation.

4. The study by **Kraiwanit et al. (2022)** on individuals' acceptance of automated financial technology in investment can be easily adapted to the context of a startup. It was found that successful implementation of financial predictions relies heavily on the knowledge of finances, budgeting for automation technology, and experience with automation tools. Despite the evident benefits of long-term savings and increased financial security, the lack of knowledge prevents its successful adoption.

Objectives:

1. Evaluate the level of knowledge of students and specialists about predictive financial analytics.
2. Investigate the role of predictive analytics in lowering startup risks and making more rational investment decisions.
3. Find out what tools and techniques are used by the targeted audience.
4. Assess the effectiveness of financial education of students from the content perspective.
5. Determine barriers to applying predictive financial analytics in startup contexts.

Hypotheses:

- H_0 : Predictive financial analytics do not positively affect startup risks or investment decision-making.
 H_1 : Predictive financial analytics positively affect startup risks or investment decision-making.

III. RESEARCH DESIGN

This study utilizes the descriptive and analytical approach of conducting research, which is used to examine the awareness and implementation of predictive financial analytics and their effect on the decision-making process of startup companies. It turns out to be an appropriate choice because a descriptive design allows for analyzing the current level of knowledge of the respondents, their practice regarding the use of predictive analytics and potential barriers to implementation thereof. At the same time, an analytical design includes Quantitative statistics such as Reliability Analysis and One-Sample T-Tests to determine the influence of independent variables on the dependent variable.

Sources of Data:

Primary Data: Primary data was collected via a digital questionnaire survey from our chosen target population. The primary data provided us with firsthand and measurable insight into the level of familiarity the respondents had with tools related to predictive analytics and the degree to which they considered them helpful within their own startup scenarios.

Secondary Data: Following the stipulated guidelines from the literature review, secondary data was collected strategically in order to create a solid theoretical framework for the project. This included reading various sources such as journal articles that have been peer-reviewed, FinTech papers, and articles on the application of artificial intelligence in financial forecasting and venture capital risk management. ScienceDirect and Emerald Insights database helped us gather pertinent literature regarding the shift of the finance sector from mere intuitions to strategic planning.

Sample, Sampling Technique, and Population:

Sample: The research involved 106 people. The majority of the people were management students, young finance experts, and potential entrepreneurs who have some experience in financial forecasting and analysis.

Sampling Procedure: A convenience sample approach was adopted. Respondents were chosen depending on their availability and relevancy to the topic being addressed.

Population: Management students, finance analysts, and potential entrepreneurs who use contemporary financial instruments for risk management purposes.

Data Collection Method:

Survey Method was used as the main method of data collection. A digital questionnaire was designed and administered to the total sample of 106 respondents. The scale-based questionnaire measured the respondent's attitude towards predictive financial analytics.



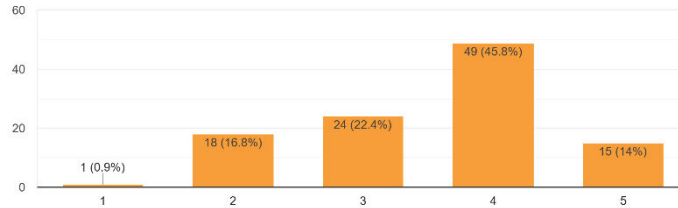
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Data Analysis:

1. Are you aware of the concept of Predictive Financial Analytics?

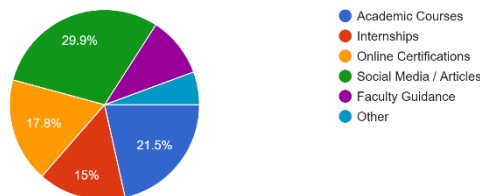
1. Are you aware of the concept of Predictive Financial Analytics? 1 – Not Aware 2 – Slightly Aware 3 – Neutral 4 – Somewhat Aware 5 – Very Aware
107 responses



Interpretation: As seen from the above-mentioned graph, there is a high number of people (50%) who are aware of the topic with varying degrees of understanding of the concept, starting from knowing something to having detailed knowledge about predictive financial analytics. There is also 25% of people whose stance on the topic is neutral, which means that they know something about the subject but lack proper insight into the topic.

2. How did you first learn about Predictive Financial Analytics?

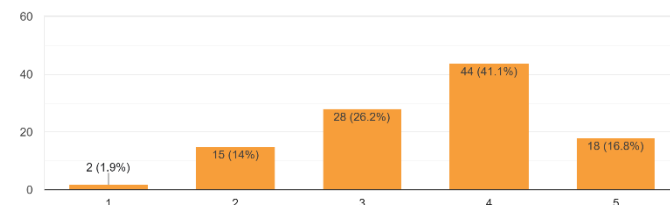
2. How did you learn about Predictive Financial Analytics?
107 responses



Interpretation: The greatest portion of the respondents came to know about predictive financial analytics through non-formal online sources such as social media and online articles, which represent 29.9% of the total number of respondents. Second highest is academic coursework/university curriculum with 21.5% and third highest is online certification programs with 17.8%. This clearly shows that self-study surpasses traditional class-based learning for this contemporary subject.

3. Startups can reduce financial risk through predictive analytics.

5. Startups can reduce financial risk through predictive analytics.
107 responses



Interpretation: It is evident from the result that there is a large proportion of people who are in favor of this statement, 40 percent of which agreed while 20 percent strongly agreed. This clearly suggests the perception of the respondents that



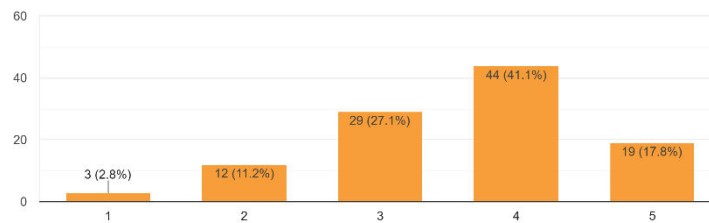
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the creation of data models serves as an efficient means for addressing the risks involved for organizations. The neutral position taken by 25 percent of respondents indicates their hesitation about this process.

4. Predictive analytics improves the quality of investment decisions in startups.

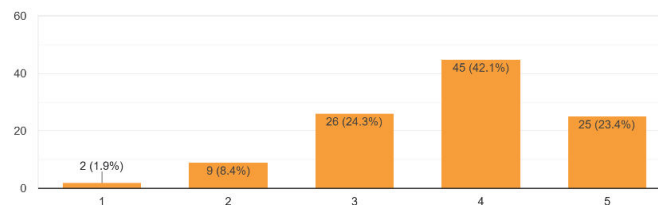
6. Predictive analytics improves the quality of investment decisions in startups.
107 responses



Interpretation: It can be clearly observed from the graph given above that there is a large percentage of respondents who believe that the incorporation of analytics in the process of decision-making improves the quality of investments made (41%).

5. Investors are more likely to fund startups that use financial analytics.

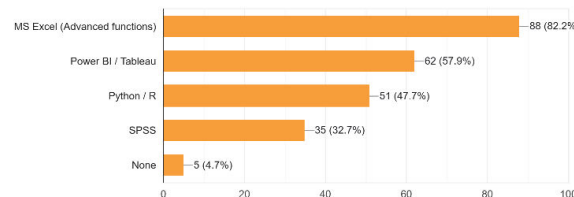
9. Investors are more likely to fund startups that use financial analytics.
107 responses



Interpretation: The majority perceive that external funding and venture capitalists target ventures that have strong financial analyses behind them; some 70% agree with this perception. Only approximately 10% disagree with this assertion.

6. Have you used any of the following tools for financial forecasting?

11. Have you used any of the following tools?
107 responses



Interpretation: From this data, one can say that a large percentage of the users (51%) utilize a combination of advanced tools in which basic tools like MS Excel are used together with other advanced visualization and programming tools like Power BI, Tableau, Python, and R. Some 20% of the users utilize only the advanced capabilities of MS Excel.

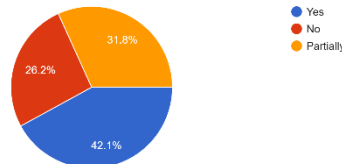


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7. Do you believe the current academic curriculum adequately prepares students for predictive financial analytics?

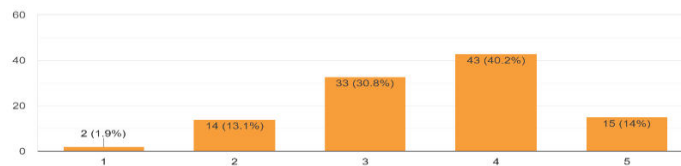
12. Do you believe the current academic curriculum adequately prepares students for predictive financial analytics?
107 responses



Interpretation: Among the respondents, one of the most important percentages (41.9%) feels that the education curriculum is adequate. Yet, as equally important is the percentage of people (58.1%) who feel that the education curriculum is either partly adequate or totally inadequate. This helps establish the fact that although there may be adequate theoretical knowledge, practical limitations may hinder proper education.

8. Lack of skilled professionals is a major challenge in integrating predictive analytics.

15. Lack of skilled professionals is a major challenge in integrating predictive analytics in startups.
107 responses



Interpretation: There is an agreement among many people, approximately 60%, that the primary problem is a shortage of manpower. This is directly linked to the previous discussion regarding the drawbacks of the educational program, in that firms cannot find enough skilled manpower to implement the knowledge of finance and software.

IV. RELIABILITY TEST

Table no. 1:

Case Processing Summary

		N	%
Cases	Valid	105	100.0
	Excluded ^a	0	.0
	Total	105	100.0

a. Listwise deletion based on all variables in the procedure.

Table no. 2:

Reliability Statistics

Cronbach's Alpha	N of Items
.855	8



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The reliability of the questionnaire was tested using the Cronbach Alpha method. The Cronbach Alpha value obtained from this test is 0.855, which implies that the questions are appropriate, consistent, and reliable to measure the satisfaction level of consumers with mobile payment apps in Pune city.

Table no. 3:

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
APA 1	38.687	104	.000	3.581	3.40	3.76
APA 2	37.741	104	.000	3.467	3.28	3.65
FR 1	37.771	104	.000	3.600	3.41	3.79
FR 2	37.821	104	.000	3.629	3.44	3.82
PA 1	34.802	104	.000	3.648	3.44	3.86
PA 2	38.687	104	.000	3.581	3.40	3.76
HT 1	37.741	104	.000	3.467	3.28	3.65
HT 2	38.587	104	.000	3.543	3.36	3.72

The findings from the one-sample t-test are presented in Table 3. From the output above, it is evident that the p-value is less than 0.001. Therefore, the null hypothesis (H_0) is rejected, and it is evident that the alternative hypothesis (H_1) has some empirical evidence.

V. FINDINGS

1. Respondents understand predictive financial analytics, with nearly nobody admitting to knowing nothing about it.
2. Concerning sources of knowledge acquisition, the following ones come on top: independent research, social networks, articles, followed by educational courses.
3. Data-driven decision-making is perceived much more trustful than intuitive.
4. Excel is still considered as a preferred tool to perform financial predictions; however, other more modern solutions such as PowerBI, Python, and Tableau become popular.
5. Venture capitalists and investors show high motivation to invest in startups having a possibility to predict its future performance using quantitative models.
6. Software installation cost and lack of skilled employees are considered as primary obstacles for the implementation of analytical tools.
7. University courses are perceived as insufficient in the area, suggesting the need for an alternative approach focusing on software skills.
8. In general, the value of the strategy from the perspective of financial risks reduction is confirmed statistically.

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