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REVIEWER'S REPORT

Manuscript No.: IJAR-58089

Title: Behavioral Biases and Startup Financing Decisions: The Moderating Effect of Financial Literacy

Recommendation:

Accept as it is

Accept after minor revision.....

Accept after major revision

Do not accept (*Reasons below*)

Rating	Excel.	Good	Fair	Poor
Originality		✓		
Techn. Quality			✓	
Clarity			✓	
Significance		✓		

Reviewer's ID: JPR-002

Detailed Reviewer's Report

This manuscript addresses an important and contemporary topic in entrepreneurial finance by examining how behavioral biases influence startup financing decisions and by incorporating risk tolerance as a mediator and financial literacy as a moderator. The study attempts to integrate behavioral finance and entrepreneurial finance perspectives through a quantitative framework using Structural Equation Modeling (SEM) with SmartPLS. The topic is relevant and potentially valuable because startup financing decisions are increasingly recognized as being shaped not only by rational economic considerations but also by psychological and behavioral factors.

The abstract provides a broad overview of the objectives, methodology, and findings; however, there appears to be inconsistency between the methodological description and the presentation of results. In the methodology section, the manuscript repeatedly states that the research “will utilize” and “will be carried out,” indicating a proposed research design, whereas later sections present completed statistical findings and conclusions. This inconsistency creates ambiguity regarding whether the study is conceptual, proposed, or empirically completed. The manuscript should be revised throughout to maintain a consistent tense and clearly indicate whether data collection and analysis have already been completed.

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The introduction successfully establishes the importance of startup financing and behavioral influences on decision-making. However, the theoretical positioning requires deeper development. The discussion of behavioral finance remains descriptive and should more explicitly connect established theories such as Prospect Theory, Behavioral Agency Theory, and Entrepreneurial Cognition Theory to the proposed relationships. The manuscript would benefit from a stronger conceptual argument explaining why behavioral biases influence financing decisions through risk tolerance and how financial literacy changes this relationship.

The research gap section identifies a lack of integrated studies involving behavioral biases, risk tolerance, and financial literacy. Nevertheless, the justification remains somewhat generalized and should be strengthened with a more systematic synthesis of prior studies. The authors should clearly demonstrate how the present study differs from existing literature and specify whether the novelty lies in context, model structure, moderation–mediation framework, or measurement approach.

The literature review requires substantial improvement. Many cited works appear to be recent review-based publications rather than foundational empirical studies. Several citations lack adequate critical comparison and are presented sequentially without thematic integration. The review should be reorganized into thematic categories such as behavioral biases and financing decisions, financial literacy and entrepreneurial outcomes, and mediating/moderating mechanisms. Greater inclusion of high-impact journal literature from entrepreneurship, finance, and behavioral decision-making domains is recommended. Additionally, some references appear repeated or inconsistently formatted and should be carefully verified.

The methodology section raises concerns regarding research rigor and reproducibility. Although purposive sampling and a sample size of 180 are stated, there is insufficient justification for sample adequacy. The manuscript should explain how sample size was determined, preferably through power analysis or SEM sample guidelines. More detail is needed regarding questionnaire development, scale adaptation, reliability pretesting, pilot testing, and ethical considerations. Information regarding respondent demographics is missing and should be incorporated.

The conceptual framework is logical; however, the hypotheses require refinement. There appears to be partial inconsistency between the stated objective of financial literacy moderating the impact of behavioral biases and the tested moderation paths. The theoretical reasoning for each hypothesis should be expanded and explicitly supported by prior literature.

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The statistical analysis section reports acceptable measurement indicators including factor loadings, composite reliability, AVE, and HTMT values. However, the reporting lacks transparency. Exact item loadings, cross-loadings, bootstrapping settings, confidence intervals, and model fit indicators should be included. The structural model results are presented clearly, but effect sizes, predictive relevance (Q^2), and multicollinearity diagnostics are absent. The manuscript would benefit from additional robustness testing and clearer explanation of mediation and moderation interpretation.

The discussion section generally aligns with the statistical findings but remains largely descriptive. The authors should move beyond repeating results and instead explain why the relationships occurred in light of existing behavioral finance theory. Comparative discussion with prior empirical findings would significantly improve scholarly contribution. The practical implications are useful but remain broad and should include more concrete recommendations for entrepreneurs, startup accelerators, investors, and policymakers.

The conclusion appropriately summarizes the findings but currently overstates the contribution relative to the methodological limitations. Limitations should be explicitly acknowledged, including cross-sectional design, geographic restriction to one region, possible self-report bias, and limited generalizability. Future research directions should propose longitudinal designs, comparative studies across industries, and incorporation of additional behavioral variables.

From a language and presentation perspective, the manuscript requires extensive editing for grammar, sentence clarity, formatting consistency, and citation style. There are multiple typographical issues, duplicated section headings, inconsistent use of future and past tense, and irregular reference formatting. Tables and figures should be standardized according to journal guidelines.

Overall, the manuscript addresses an important research problem and demonstrates potential contribution to behavioral and entrepreneurial finance literature. However, substantial revisions are necessary to improve theoretical grounding, methodological clarity, literature integration, analytical rigor, and overall presentation quality before the manuscript can be considered for publication.

Final Recommendation: Major Revision