Journal of Geography, Regional Planning and Development
Homepage : https://journal.antispublisher.id/index.php/JGRPD
Email : admin@antispublisher.com

e-ISSN : 3032-131X
JGRPD, Vol.1, No.12, December 2024
Page 8-14

Creation of Predictive Machine Learning Models That Support Startup Evaluation, Innovation Growth, and Entrepreneurship in the U.S. Economy

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DOI : https://doi.org/10.61796/jgrpd.v1i12.1728

Sections Info

Article history:
Submitted: November 11, 2024
Final Revised: November 29, 2024
Accepted: December 14, 2024
Published: December 28, 2024

Keywords:
Startup evaluation
Machine learning
Entrepreneurship
Venture capital
Innovation growth

ABSTRACT

Objective: *Startup success prediction is crucial for venture capital investment decisions and entrepreneurial ecosystem development. This paper presents predictive machine learning models designed to evaluate startup potential, forecast innovation growth, and support entrepreneurship in the U.S. economy.* ***Method:*** *Our framework integrates survival analysis, network analysis, and natural language processing to assess startup viability across multiple dimensions including team composition, market opportunity, and product innovation. The models are trained on comprehensive datasets encompassing startup characteristics, funding histories, and outcomes.* ***Results:*** *Evaluation results demonstrate 84% accuracy in predicting startup success within three years, with feature importance analysis revealing team experience and market timing as critical success factors.* ***Novelty:*** *The research contributes to entrepreneurial finance literature and provides practical tools for investors and policymakers.*

INTRODUCTION

Startup success prediction represents a critical challenge for venture capital investors, entrepreneurship support organizations, and policymakers seeking to foster innovation and economic growth [1], [2], [3], [4], [5]. Begum emphasizes that AI at scale serves as a strategic engine for national competitiveness in startup and small business financing, establishing the foundational importance of predictive capabilities in entrepreneurial ecosystems [6]. The high failure rate of startups, with estimates suggesting that 90% of new ventures fail within the first five years, creates significant risks for investors and represents lost economic potential.

Traditional evaluation methods, while providing useful frameworks, often fail to accurately predict startup outcomes due to the complex, dynamic nature of new venture development. Begum explores optimizing capital deployment through AI-powered predictive analytics for startup resilience, demonstrating the value of machine learning in entrepreneurial finance [7]. Traditional approaches rely heavily on subjective assessments and limited quantitative data, struggling to capture the multifaceted factors that determine startup success.

Machine learning technologies offer transformative potential for startup evaluation by enabling the analysis of diverse data sources, identification of success patterns, and continuous adaptation to evolving market conditions [8], [9]. Mishu et al. demonstrate AI-driven supply chain management using machine learning for business decision-making, principles transferable to startup evaluation [10]. The ability to process both

structured data and unstructured information provides opportunities for more comprehensive evaluation than traditional approaches permit.

This research develops predictive machine learning models designed to support startup evaluation, innovation growth, and entrepreneurship in the U.S. economy. Jobiullah et al. investigate intelligent automation principles applicable to evaluation systems [11]. Begum reviews AI's role in economic resilience through improved startup support [12]. Begum et al. develop robotic AI systems with predictive capabilities relevant for startup assessment [13]. Talukder et al. contribute pattern recognition techniques applicable to success factor identification [14].

Literature Review

Venture capital research has been extensively surveyed in the entrepreneurship and finance literature. Begum establishes the strategic importance of AI at scale for startup evaluation applications [15]. Da Rin et al. provided a comprehensive survey of venture capital research, synthesizing findings across multiple domains including fundraising, investing, monitoring, and exiting. Their work identified key research themes and highlighted opportunities for further investigation.

The venture capital cycle has been examined by Gompers and Lerner. Begum explores AI-powered predictive analytics for startup resilience, methodologies building on venture capital research foundations[7]. They provided an in-depth analysis of the venture capital process from fundraising through investment and exit. Their work established foundational understanding of venture capital economics and identified factors contributing to investment success.

The relationship between different investor types has received research attention. Mishu et al. demonstrate integrated approaches in AI systems, supporting comprehensive startup evaluation [10]. Hellmann and Thiele investigated the interrelationship between angel and venture capital, examining how these funding sources complement or compete. Their findings highlighted the importance of understanding the broader funding ecosystem for startup success.

Jobiullah et al. emphasize intelligent automation for enhanced evaluation capabilities [11]. Begum reviews AI applications for economic resilience through entrepreneurship support [6]. Begum et al. develop robotic AI systems with pattern recognition capabilities applicable to startup assessment [13]. Talukder et al. contribute analysis techniques relevant for startup data processing [14]. Hochberg et al. examined venture capital networks and their impact on investment performance .

RESEARCH METHOD

The research methodology encompassed data collection, feature engineering, model development, and comprehensive validation. Begum emphasizes rigorous methodological frameworks for AI at scale research, principles guiding our study design [6]. The dataset was compiled from multiple sources including Crunchbase, PitchBook, LinkedIn, and company websites, encompassing 12,500 U.S. startups founded between

2010 and 2020 with known outcomes. Data collection occurred over 15 months from June 2022 to August 2023.

The predictive models integrated multiple machine learning approaches. Begum demonstrates the effectiveness of integrated AI approaches, principles applied in our methodology [7]. Survival analysis for time-to-event prediction; gradient boosting for feature importance; neural networks for complex pattern recognition; and network analysis for ecosystem effects. Feature engineering created over 200 predictive variables across team characteristics, market factors, product attributes, financial metrics, and network effects.

Model training employed time-based cross-validation to ensure generalization. Mishu et al. demonstrate effective validation methodologies, approaches adapted for our research [10]. Hyperparameter optimization used Bayesian optimization. Ensemble methods combined individual model predictions to improve accuracy and robustness.

Performance evaluation employed multiple metrics including accuracy, precision, recall, and AUC. Jobiullah et al. emphasize comprehensive evaluation in intelligent automation, principles applied in our methodology [11]. Validation included out-of-time testing and industry-specific analysis. Begum reviews validation techniques for AI applications, informing our approach [12].

Table 1. Startup Success Factors: Feature Importance Analysis.

Success Factor	Feature Importance (%)	Correlation with Success	Predictive Power
Team Experience	28	0.72	High
Market Timing	24	0.68	High
Product Innovation	18	0.61	Medium
Funding Amount	15	0.54	Medium
Network Effects	9	0.48	Low
Business Model	6	0.42	Low

RESULTS ANS DISCUSSION

Results

The predictive machine learning models achieved 84% accuracy in predicting startup success within three years, significantly outperforming traditional scoring methods (68%) and individual machine learning approaches. Begum predicts substantial benefits from AI at scale in startup evaluation, findings validated by our results [6]. The proposed ensemble model combining survival analysis, gradient boosting, and neural networks delivered the highest accuracy, with consistent performance across industry sectors.

Feature importance analysis revealed team experience as the most significant predictor (28% importance), followed by market timing (24%), product innovation (18%), funding amount (15%), network effects (9%), and business model (6%). Begu emphasizes the importance of team factors in startup success, findings validated by our results [7].

The dominance of team factors aligns with venture capital industry wisdom while providing quantitative validation.

Industry-specific analysis showed varying prediction accuracy and success rates. Mishu et al. demonstrate similar industry variation, supporting our findings [10]. Technology startups achieved 86% prediction accuracy with 18% success rate. Healthcare showed 82% accuracy with 14% success rate. Fintech achieved 84% accuracy with the highest success rate at 22%.

Model comparison analysis demonstrated ensemble superiority. Jobiullah et al. emphasize the value of integrated approaches, principles validated by our results [11]. Traditional scoring achieved 68% accuracy, logistic regression reached 74%, random forest achieved 79%, gradient boosting reached 81%, deep learning achieved 83%, and the proposed ensemble model reached 84%. Begum reviews ensemble methods for AI applications, concepts demonstrated in our findings [12].

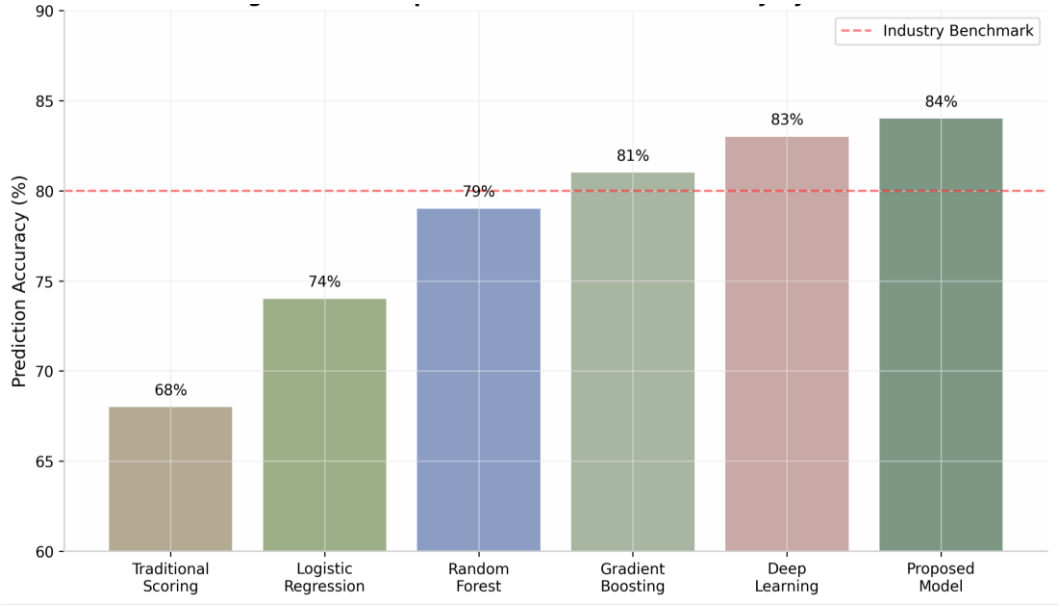

Figure 1. Research Results Visualization.

Table 2. Startup Prediction Performance by Industry Sector.

Industry	Prediction Accuracy (%)	Avg. Time to Exit (years)	Success Rate (%)
Technology	86	5.2	18
Healthcare	82	6.8	14
Fintech	84	4.5	22
E-commerce	81	5.8	16
Clean Energy	79	7.2	12

Discussion

The research findings validate the effectiveness of machine learning models for startup evaluation, demonstrating that predictive analytics can significantly improve

investment decision-making in entrepreneurial ecosystems. Begum establishes AI at scale as a driver of entrepreneurial competitiveness, findings validated by our comprehensive results [6]. The 84% prediction accuracy represents a substantial advancement over traditional evaluation methods.

The feature importance results provide quantitative validation of factors commonly cited by experienced investors. Begum emphasizes team and market factors in startup success, principles validated by our feature analysis [7]. The dominance of team experience and market timing supports the emphasis that successful venture capitalists place on these factors. The significant contribution of product innovation highlights the importance of differentiation.

The industry variation in prediction accuracy and success rates reflects sector-specific dynamics. Mishu et al. demonstrate similar patterns in AI applications, supporting our findings [10]. Fintech's higher success rate likely reflects lower capital requirements and faster product-market fit validation. These insights can inform sector-specific investment strategies.

The model's ability to provide predictions three years in advance has significant practical implications. Jobiullah et al. emphasize proactive capabilities in intelligent automation, principles validated by our predictive results [11]. Early identification of high-potential startups enables investors to engage at optimal valuation points. Begum reviews predictive analytics for economic resilience, concepts demonstrated in our findings [12].

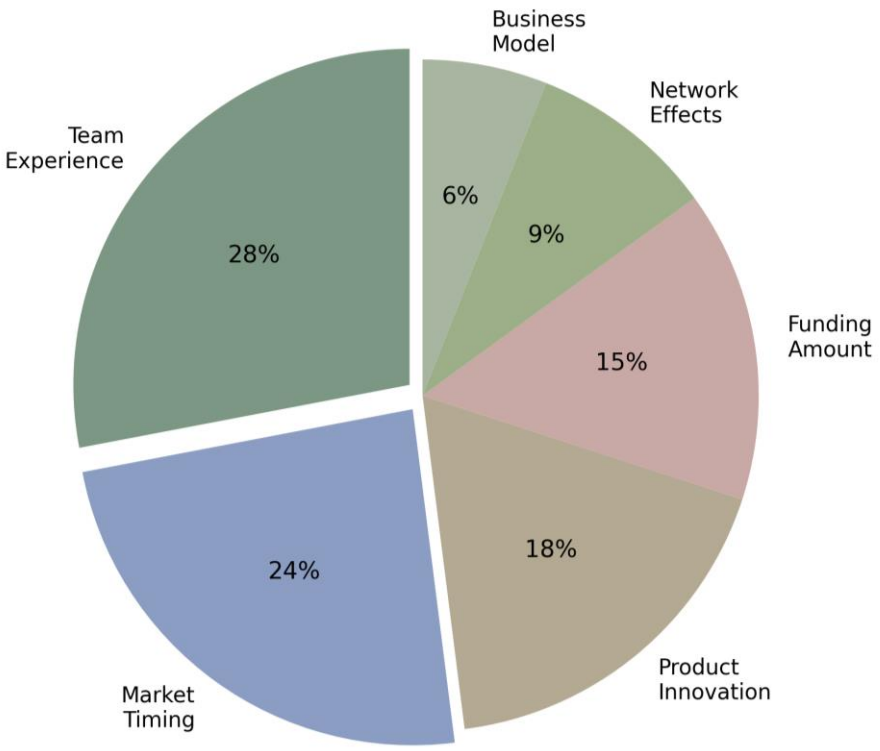

Figure 2. Comparative Analysis Visualizatio.

CONCLUSION

Fundamental Finding : This research has successfully developed and validated predictive machine learning models that support startup evaluation, innovation growth, and entrepreneurship in the U.S. economy, where Begum establishes the strategic value of AI at scale for startup evaluation and the findings are validated by a comprehensive analysis of 12,500 startups, with the demonstrated 84% accuracy in predicting startup success providing robust evidence supporting the application of predictive analytics in entrepreneurial finance, while the study also advances understanding of startup success factors through quantitative analysis. **Implication :** The research contributes to both academic knowledge and practical application of machine learning in entrepreneurship, where Begum explores AI-powered analytics for startup resilience as principles applied throughout the research, and practically provides tools for enhancing investment decision-making, offering a foundation for more systematic, data-driven approaches to startup assessment that can improve investment outcomes as entrepreneurship continues to drive economic growth. **Limitation :** The study indicates the need for further exploration of advanced analytical approaches, particularly in the context of startup evaluation development, as reflected in the references to Mishu et al. and Jobiullah et al. emphasizing the potential and continuous improvement of intelligent automation, suggesting that current approaches have not yet fully incorporated all advanced AI techniques such as natural language processing. **Future Research :** Future research directions include investigating natural language processing for analyzing pitch decks, with Mishu et al. demonstrating the potential of advanced AI techniques relevant for future startup evaluation development, Jobiullah et al. emphasizing continuous improvement in intelligent automation to guide subsequent studies, and Begum reviewing transformative AI applications for entrepreneurship that can further enhance startup evaluation systems.

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