

Role of Angel Investors in Sustainable development of Young Entrepreneurs

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Date of Submission: 01-03-2023

Date of Acceptance: 10-03-2023

ABSTRACT

Being an entrepreneur is not a cakewalk and it has always been challenging for young entrepreneurs. When you start your own venture, you are responsible for doing many things from juggling between projects. It is always a challenge to start a new business. Angel investors are one of the easiest source of finance for new Entrepreneurs. Angels are unsung heroes of emerging company successes. There are individuals who stand on the sidelines coaching the entrepreneurial team, offering advice, support and finance to help the new firm survive the turbulent months and years that it takes to reach critical mass, profitability and sustainability. They are more focused on commitment and passion of the founders. They make prominent difference between startups success and failures. Recent major angel investment in India which boosted Indian economy to the next level. The year 2021 was really a bumper year for Indian startups. The year did not only see many startups moving to the public market from private, raising money in the form of an IPO, but also saw 42 Indian startups entering the unicorn club. The year 2021, also saw the startup ecosystem cross \$100 Bn in receiving funding since 2014.

Key words: Startups, Angel investors, new firms, challenges of new startups

I. INTRODUCTION

If you are in the early stages of a startup business, seeking funding from an angel investor can be a great way to obtain financing without taking on debt. Working with angel investors also gives you access to their knowledge and mentorship, which can be critical in the early years of business. Understanding both the advantages and disadvantages of obtaining funding from angel investors can help you determine whether this route of financing is right for your business. In addition, because angel investors have a lot of business experience, they can provide mentorship for the

startup. They are motivated to see your business succeed and can offer invaluable insight and guidance. Research shows that startups that are backed by angel investors are more likely to have substantial growth, experience a greater rate of return and remain in business for a longer period of time.

II. REVIEW OF LITERATURE

Dr. Tom Kalskill - An introduction to Angel investing

Angel investment is normally the first round of external independent investment. Angels normally invest in early stage ventures where the founding team has exhausted their personal savings and sources of funding from family and friends. These ventures are not sufficiently developed to stand on their own, or sufficiently attractive to gain venture capital funding. These ventures exist in a halfway state, often between possible failure and take-off.

Alina Dibrova - Business angel investments: risks and opportunities

For the last few years the need of improving the access to finance for the companies, especially SME's (small and middle enterprises), has been on the agenda in European Union. As long as the traditional financing such as bank loans became more complex to attract, the development of alternative investment, like seed and start-up capital investments, crowd funding, venture capital and Business angels, became a bold topic. Moreover, there is an opinion that development of alternative investment might be seen as a ground for boosting economic activity and entrepreneurship development.

Veland Ramadani - The Importance Of Angel Investors In Financing The Growth Of Small And Medium Sized Enterprises Angel investors are very important for small and medium sized enterprises

because they provide more than money. They are hands-on investors and contribute their skills, expertise, knowledge and contacts in the businesses they invest in. They are wealthy persons with great business experience. They are willing to invest and offer their wealth and knowledge to owners of small and medium sized enterprises and to entrepreneurs to start or develop their businesses. One of the attributes of angel investors is that they like to remain anonymous. Due to this attribute, a lot of ideas can not be accomplished

Objectives of Study

- To understand the financial and managerial problems faced by Young entrepreneurs
- To know the meaning and importance of Angel investor in development of entrepreneurs
- To Estimate the total investment made by angels in recent major projects in India.

Financial and managerial problems faced by Young entrepreneurs.

Experienced entrepreneurs have to deal with ample of challenges, no matter how long they have been in business – trying to sustain the brand in a competitive environment, adjust or match the dynamic expectations, keep the business profitable. But for young and new entrepreneurs, there are unique challenges that are very difficult to overcome.

1. Financing
2. Lack of Planning
3. Hiring the right talent
4. Effective marketing within a limited budget
5. Self-doubt and uncertainty
6. Dealing with criticism
7. Attractive Customers
8. Making Decisions
9. Time Management
10. Office Infrastructure

Who are Angel Investors ?

An angel investor is a high net-worth person who provides capital for small startups or entrepreneurs, usually in exchange for equity in the company. In 2022, over 26,500 angel investors and over 50,000 start ups are recently encountered in india.

Angel investor is a somewhat general term, and you can find this type of investor in many different forms, including the following:

Friends and family: This is the most common source of funding for startups and is usually where startups begin when looking for financing.

Wealthy individuals: Depending on the business, people who have a high net worth, such as doctors, lawyers or successful business people, are often willing to invest a large sum of money in exchange for equity in a business.

Groups: Many angel investors are increasingly starting to operate as part of a group. This raises the potential for the level of investment significantly.

Crowdfunding: This type of funding is becoming increasingly common. It involves having large groups of people invest small amounts of money online to reach a specific financial goal.

Role of Angel Investors in Development of Young Entrepreneurs.

The greatest advantage of receiving funding from an angel investor is that there is less risk than if you take out a small business loan. Unlike loans, you do not have to pay back the funding from an angel investor because they receive equity in exchange for financing. Angel investors are typically experienced investors who take a long-term view and understand that they may not see a return on their investment for a long period of time.

1. They make investment decisions quickly

Startups often go through times when they need a quick cash infusion. With a business angel (or more), startup founders can gain access to a significant amount of money, when they need it the most.

2. They provide access to necessary knowledge and contacts

As mentioned above, a business angel doesn't just infuse a company with capital, but also adds value to the business. Most angels are seasoned investors with a wealth of experience in the industry they invest in, meaning that they can also provide contacts and guidance, supporting startup growth.

3. They don't require repayment and interest

In this case, things are quite different than from financial institutions' perspective, business angels fund startups with the money they need for business growth. In exchange, they receive an equity stake in the business, usually around 10%. If the startup achieves their projected growth, both parties benefit. If not, angels do not receive their investment back.

4. They are not that difficult to find

As we mentioned above, there is currently a significant number of active business angels in

India- finding them is not exactly the most difficult task. Convincing them that your startup is worth funding - that's another story. There are several groups of investors that meet regularly to explore newly available opportunities that could be worth investing in, both locally and regionally.

5. They can attract additional financing

Angel investors are actively looking to invest in startups already backed by business angels and one of the most solid arguments in favour of partnering with business angels is that most companies funded this way are likely to survive for at least four years. Furthermore, if the startup proves to be successful after a relatively short time, it can raise additional financing from venture capital funds, thanks to the angels' contacts.

6. They add credibility to a business

Angel investors are typically experts in their fields, who already made a name for themselves, following the development of multiple successful businesses. Startup founders can use this to their advantage. Working with people who are well-known in a particular industry can act as a catalyst, significantly facilitating the startup's growth.

7. Their business agreements can be more flexible

Traditional lenders may insist on formal investment criteria while, in contrast, business angels are not that strict when it comes to the agreements. The fact that they invest their own money also means that they can be open to negotiating the terms of the agreement, hence are generally more flexible and open to suggestions.

8. They can see the bigger picture

There are situations where angel investors 'bet' their money on businesses that they feel are close to their heart. This happens because they can see their investment benefiting the local community by creating new employment opportunities and stimulating local economic growth, aside from their own financial gain.

9. They can lead by example

Business angels aren't the only ones who can give back to their community by investing in a company, as they can have a positive influence and nudge founders to do the same thing. Angel investors see the bigger picture and encourage founders to foster an ecosystem of help and growth, while also expanding the business. Many angel investors are in fact, previous startup founders.

10. They don't step away from risky investments

As we've mentioned above, startups are usually associated with a relatively high degree of risk, especially if they don't have a solid and successful track record. However, angel investors are confident in their investment choices and ask for a significant return, to balance the level of risk.

11. There is no need to pay monthly fees

Another untapped advantage of obtaining funds from business angels is that you don't need to make monthly payments on your investment, such as interest rates. Unlike financial institutions, angels receive the share of profits that equates with their initial investment. This usually happens when founders make an exit or at least, only after the business begins generating profit.

12. Their due diligence process doesn't take very long

Most types of capital or debt a business can access also involves a lengthy due diligence process. Unlike that, business angels act quite rapidly. Many of them can complete the process in 30 days or less, as they usually invest in startups ran by people they trust.

The 'quickest' investment I made took one month. Of course, it can sometimes take more, but during that time I already start getting involved and offer mentoring and advice to that particular startup - until they gain my trust and I see that I can invest in them.

13. They can join your business at any stage

Angel investors aren't a suitable option just for startups. They might as well join a late-stage venture, already on the brink of success for example, as long as their contribution can have a significant impact. Thanks to the flexibility in agreements, they are often willing to negotiate, so both parties involved can obtain the best possible deal.

14. They can help you build your brand

Aside from the experience, angel investors come with a high degree of notoriety. This can play a very important role in building your brand. Surely, it depends greatly on the investors, as some of them prefer maintaining a low-key profile, but gaining access to their connections in the industry will definitely make a difference in the long-term.

15. They become more than an investor

There are a lot of cases in which a business angel turns out to be more than an investor. Successful startups, that took off after an

investor took notice of their potential led to great business relationships - and the two ended up developing new ventures together. There are many angel investors in the country at present. A few

active angel investors are Ratan Tata, Sunil Kalra, Sharad Sharma, Rajan Anandan, Krishnan Ganesh, Meena Ganesh, Anupam Mittal and so on.

Recent major Angel investment in india

Si no.	Name of Angel	Start ups	Amount (in Dollars.)
01	Amit lakhotia	Fixcraft,Gokwik, Junio	25 million
02	Amrish Rau	Fintech start ups India	1 millions
03	Anand chandrasekaran	Opslyft,superK, venwiz	2 million
04	Anjali Bansal	Clinikk, mudrex, Qapita	5 million
05	Anuj Srivastava	home décor, Nestasia, Plum.	3 million
06	Anupam Mittal	Ola, Druva and Whatfix	1 million
07	Binny Bansal	Edtech, PlanetSpark, Skill-Lync, Rupifi.	2 millions
08	Deep Kalra	Exotel, eka.care, and PlanetSpark	15 millions
09	Deepinder Goyal	Pristyn Care, HRtech startup Multiplier, Geniemode, Unacademy, Bira91, and Animall.	5 millions
10	Gaurav Munjal	AdmitKard, startup FrontRow's, eka.care,	14 million
11	Girish Mathrubootham	OSlash, GTM Buddy.	2 millions
12	Harshil Mathur	GlobalFair, Newton School, OneCode.	2 millions
13	Jitendra Gupta	Tiger Global, Sequoia, and Matrix	3.5 million
14	Kunal Shah	Niro, OneCode, Onsurity.	2.5 million
15	Ritesh Agarwal	Dukaan, Dukaan, Nektar.ai.	10 millions

Source : Survey Report

Recent shark tank india Angel investment made as follows

Si no.	Name of angel	Amount invested	Total no. of start ups invested.
01	Ashneer Grover	5.38cr	21
02	Namita Thapar	6.383cr	22
03	Anupam mittal	5.338cr	24
04	Vineeta singh	3.042cr	15
05	Aman gupta	9.358cr	28
06	Peeyush bansal	8.297cr	27
07	Gazal Alagh	1.2cr	07

Source : Wikipedia

III. FINDINGS :

- Since 2014, Angel investment has increased to 100B dollar
- In the year 2021, over 42b dollars was invested in start ups so far by the Angel investors.

- In 2022, over 26,500 angel investors are there and 50,000 starts ups are encountered in india .

IV. SUGGESTIONS:

- Availability of angels should certainly measurable\

- Funding from angels should be quick and agreement should not be ambiguous
- Angels should not limit their support and guidance
- Founder or young entrepreneurs should not under the control of Angels.
- Rapid and illegal growth in business should not expected by the angels.

V. CONCLUSION:

Private equity investment is often referred to as ‘investing in securities through a negotiated process’. Unlike purchasing shares in a public company, the investor in a private enterprise negotiates the terms and conditions under which the investment will be made. A defining characteristic of Angel investing is that it is a ‘transformational, value-added, active investment strategy’, in which the investor expects to have a hands-on approach to their investments.

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