

ROLE OF ANGLE INVESTORS IN ENTREPRENEURIAL DEVELOPMENT

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ABSTRACT

India has huge human capital but there is lack of financial capital. For every field, finance is required without which a business can be started. It is further said that Indian youth has to be motivated by experienced and successful business people. There is a tradition in the world under which most successful businessmen are going to motivate both financially and morally. This is called as angel investing. The present paper is studying the various concepts of angel investments such as Angel investor's strategies, Factors reasons for Angel Investment, Differences between Angle Investment & Venture Capital, examples for angel investors, sources of angel investments, pros and cons of angel investments, ASK model on Angel investment. The methodology used is analytical. So, the data has been collected from secondary sources such as text books, magazines and journals, newspapers and internet sources. The main findings include angel investors are successful businessmen, film stars and sports people. Passionate people are showing a way Indian youth by helping both financially and morally. IIT alumnis and Americans tops in angel investments. The study concludes that Angel investment is helpful to the Indian economic development. So, all stakeholders such government, Indian youth and Angel investors much have passion and vision for the success of Angel investment.

KEYWORDS: *Venture Capital, ASK Model, IIT, Infosys Narayana Murthy.*

Introduction

What is an Angel Investor?

Angel investors are those wealthy well contended people who reached their saturation stage in their life cycle and wishes to create platform for next generation. Ambitious youngsters who educated well but struggling to settle in life through business will prepare a project. They expose their plan for entrepreneurial development. The financial help from these angels can be Rs. 30,00,000 to 5,00,00,000. It is best source of finance to needy people who are not helped by the banking finance.

The concept of Angle investors is very familiar in India. Many business establishers, Celebrities are performing as angle investors in India. Some of the main angle investors are

- **Sunil Kalra:** He started his business first in exports from local market. The success of this lead to global markets. He is now a member of angel network and made a significant investments in micro finance. He alone invested in 12 start ups in 2014th year.
- **Sharad:** He was the CEO of Yahoo India R&D, he helped Brand Sigma which creates emerging engineering markets and provides several key global products. His contribution is huge in nurturing the ecosystem.
- **Rajan Anandan:** He has invested in a large number of start ups in 2013. His contributions are significant in the development of Microsoft products in India between 2013 to 2015.

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- **Ratan J Tata:** He was a great philanthropist played a pivotal role in Indian economic development. He was the promoter of Tata group of companies. In his tenure as chief executive office, the revenue of his group was more than \$83 Billion in 2010-11.
- **Nandan Nilekani** is an Indian entrepreneur. He co-founded Infosys and is the non-executive chairman of Infosys. He studied his graduation in IIT, Bombay.
- **Inspiring sportsman,** cancer survivor and now venture capitalist, Yuvraj Singh has funded India's next internet success story. Yuvraj Singh, one of India's most in-the-news sportspersons has done something that no Indian celebrity has ever done. He has turned angel investor, floating a \$10 million fund with the ambition of fostering the next generation of internet entrepreneurs.
- **Infosys Murthy** is another nearest example for angle investor. He has formed a Rs 600- crore venture capital fund-Catamaran Investment Pvt. Ltd., to help incubate start-ups in the country.

The Strategy of Angle Investors makes them Success

One in every ten entrepreneurs who manage to access angle investor money is becoming very successful. Yet statistics show that only 1.2% of entrepreneurs are able to access angel investor finance. Investors are well aware of the risks involved in investing in entrepreneurs. To reduce their risk, smart angel investors join with other angel investors to fill an entrepreneur's needs. With this aim, therefore, angel investors come together to create groups known as business angel networks and invest together.

Angel investors, whether investing alone or through a group, typically take a portfolio approach to investment in that they invest in several companies over their investment horizon. This allows them to diversify risk, knowing that a large portion of the companies will not succeed while some will. Of course they hope that one or two will be huge winners as those are the deals that can generate high returns and cover losses of the firms that don't make it.

Factors reasons for Angel Investment

- **Experienced Former Entrepreneurs:** Some of successful entrepreneurs who have depth knowledge and got success after struggling want to share their experience with young entrepreneurs. It is a good mode of angle investment since rich experience is available to youth.
- **Due Diligence Prior to Investment:** There is always fear in the mind of new age entrepreneurs due to lack of confidence. This is solved by the success stories of experienced entrepreneurs. So, it is regarded as successful entrepreneurs are god fathers of new age entrepreneurs.
- **Investing in Sectors in which Angel investors has Experience:** The most successful investors who have achieved the success after lot of struggle guide the new comers to take start ups. Example, Infosys Narayana Murthy motivate new comers to work on software field since he has experience over 60 years.
- **Training, Coaching and Mentoring New Age Investors:** It is said that new comers have lack of confidence as well as experience. The successful entrepreneurs like Narayana Murthy, Rathan Tata, Ambani brothers will provide required training and coaching and work as their juniors. This is a great help to juniors and led to economic development.

Differences between Angle Investment & Venture Capital

- Angel investors are those who make the investment in new ventures. On the other hand, the Venture Capital Funds, who are another category of investors for startups are institutions registered in the form of trusts.
- Angel investors invest small volume of investment. On the other hand, the Venture Capital Funds invest relatively large amount.
- Angle investors are many times family members provide investment to their kith & kins. On the other hand, Venture Capital Funds have no such relationship.
- Angle investors are ready to forego their investments but Venture Capital Funds never think to forego their investment and returns on their investments.

Sources of Angel Investments

The most common sources of angel investments are wealthy individuals, crowd funding and angel syndicates. The investments may go up to \$500, 000 or even more. You can find such investors through referrals, local attorneys, and associations like the Chamber of Commerce. Angel investors may also group themselves into a syndicate and raise potential investments for the group fund. The investors may then appoint a professional syndicate management team to identify business start-ups for possible investment. The team will also be charged with the responsibility of following up the investments and taking an active management role in the business to ensure that the funds are secure. The latest source of angel investment is crowd funding. Crowd funding is an online form of investing where a large group of individuals contribute funds to a pool. They may invest as little as \$1,000. The money is then used to fund multiple for-profit entrepreneurial ventures. In 2015, there were over 2000 crowd funding platforms worldwide that raised over \$34 billion.

An angel investor will look for not only an investment opportunity but also a personal opportunity. They have valuable business experience and may want to have an active role in the management of the business. Before accepting an angel investment, you should understand what the investor brings to the company besides money.

Features of Angel Funding

- Angel investors are often retired entrepreneurs or executives who show interest in angel investing beyond the reason of monetary return.
- They are mentor for another generation of entrepreneurs.
- In addition to funding of ventures, they often provide valuable management advice and important contacts.
- The angel funded business meet angel investors in several ways viz., referrals from investors' trusted sources and other business contacts at investors conference and symposia.
- They also meet angels at their meetings by group of angels where they have face to face meeting with the angels.
- Angel investors invest their own funds and they make their own decisions on the investment.
- There is no a fixed 'set amount' of investment for angle investors and the range can vary to reach even millions of dollar.

Pros & Cons of Angel Investments

Pros

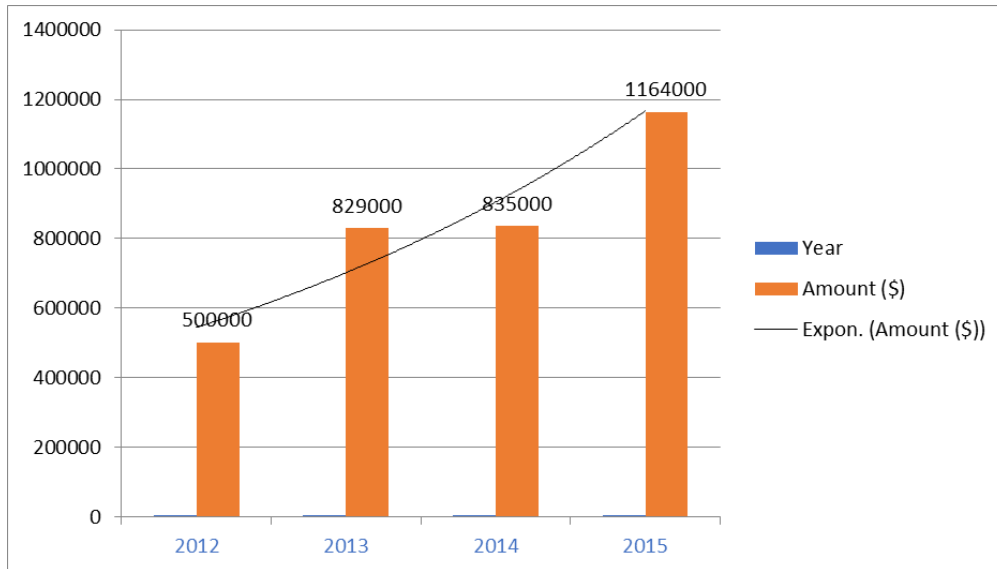
- Existing businesses can get funds at times to push their operations to the coming level such as new product launch, marketing campaign for expanding outreach and the like.
- They are valuable investors since they are personally interested in the venture they invest and travel with the venture for its success.
- Angel networks offer mentoring and other help to investors.
- There is no need to use the funds to ship out our product to a bunch of backers and some amount can be spent on advertisement and public relations.

Cons

- Angel investment may not be right route on a start up in which the investor wants to keep control for a long time.
- The angel investor can't have a full freedom to run the funded company based on their own policies.

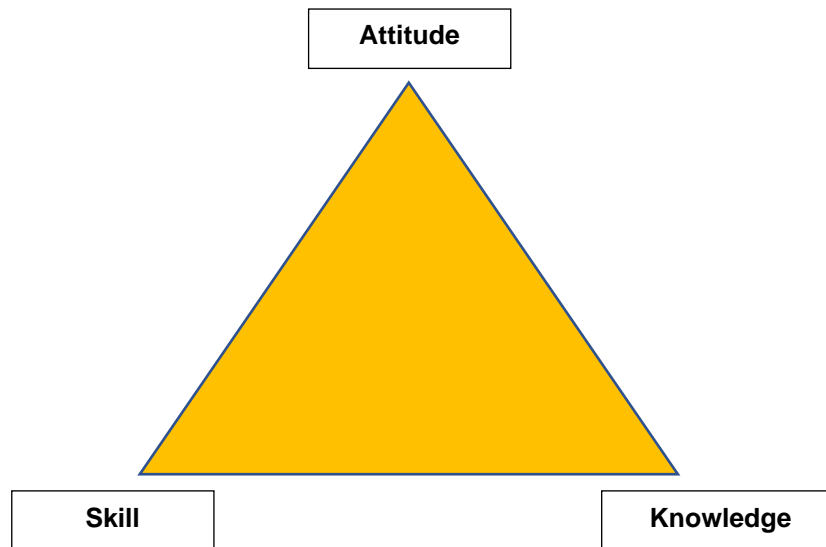
Snapshots of the American Angel Community May 27, 2016

- 13,000 investors
- 240+ organizations



ASK Model

Usually, the startups will approach angle investors for capital requirements and life experience based ideas. Whatever may be the subject knowledge of the promoter, he should have knowledge of ASK Model. The term ASK stands for Attitude, Skill & Knowledge.



The above model depicts that an entrepreneur must have Attitude, Skill set and Knowledge. Knowledge constitutes basics of subject, Skill is the applied Knowledge and Attitude is the mind set or approach. All three components are equally important for the success of any kind of work. But previous surveys says that Knowledge scores 15%, Skill scores 35% weightage and remaining 50% weightage goes to Attitude. So, youth must work on this model develop positive attitude towards angel investments.

Statement of Problem

Entrepreneurs around the world often face funding gaps between what friends and families can offer and what banks, VCs and private equity firms are willing to contribute. A World Bank study showed that in developing countries, friends and family usually contribute up to \$50,000; enough for an entrepreneur to get started but not enough to generate sufficient revenues to scale the business.

To grow rapidly, entrepreneurs may need an injection of capital, but banks have little appetite to lend to high-risk businesses with insufficient cash flows. In countries that lack that lack VCs and PE firms, angel groups fill the void by supplying additional rounds of funding to growing companies.

Objectives of the Study

- To study the basic concepts of angle investment.
- To study the role of angle investors in the startup.
- To give valid suggestions to start up promoters.

Methodology

The study is conceptual one. The required data has been collected from existing sources such as magazines, journals, text books, training material and internet sources.

Findings & Suggestions

- Research reports shows that angel investors are wealthy individuals.
- Worldwide, recent research estimates the amount of capital provided by angels to be 11 times the amount provided by venture capitalists.
- Angels are more concerned with the commitment and passion of the founders.
- Many business establishers, cinema actors and sports stars as working as angel investors in India.
- Majority of the angle investors are educated from IITs in engineering and MBA.
- Statistics show that only 1.2% of entrepreneurs are able to access angel investor's finance.
- Angel investors are more concern towards family member entrepreneurs.
- It is found that angle investors are retired businessmen, so, they provide valuable personal experience based ideas and suggestions.
- Angel networks offer mentoring and other help to investors.
- Some startups does not like to access finance from angle investors who want independent-ness.
- American angle investment community shows the increasing trend.
- ASK model is the best concept which helps the startups for overall development.

Conclusion

The study reveals that angle investment model is getting popularity in India and worldwide. The success of the angel investment is highly depends on the passion of startups and social concern of angle investors. There is a great need of the hour to the youth who are educated from IITs, IIMs, and well-established institutions. These people have lots of skills, ideas and dreams. For an economic development of the country, the well-established businessmen, film actors and sports persons should take it as economic cum social activity to promote the young ones. Further there should lots of ethical application by both startups and angle investors. Then only expected results can be achieved.

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