

AWARENESS LEVEL OF ANGEL INVESTORS AMONG STUDENTS

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ABSTRACT

Knowledge about contemporary issues is a must in any field and learning about new concepts in the field of commerce and management is absolutely necessary for students pursuing courses in three fields students who pursue science and humanities courses will also benefit from knowledge about these concepts because some of these students may become entrepreneurs in future and any extra knowledge in this fiercely competitive world may mean the difference between winning and losing. The concept of angel investment is a new topic especially in India as not much information is available on this topic which specific to the Indian scenario as most data has been collected from USA & UK and most studies have concentrated on these regions. This novel concept would be a great value addition to students and the objective of this paper is to know the awareness level of the concept of angel investors among students pursuing graduation and post-graduation courses and whether it is necessary to popularise this concept specially by including it in the academic curriculum. The research proposes 3 main hypotheses, the data for the analysis has been extracted from 515 students through structured questionnaire and the sampling technique used is stratified & convenience sampling and Descriptive statistics, Binomial test has been used to test a series of hypothesis. The result show that there is only 2% awareness level of angel investor and the angel investment concept needs to be popularising in India with Bangalore city as a model for the said study. The paper shows that there is very little awareness of this concept which could give a big boost to our economy especially when entrepreneurship start-ups are being given such importance. The paper would contribute to help in forming policy which could promote the development of angel investor in India. This paper differs from previous studies as it is the first paper concentrating on awareness level of angel investor among students.

Keywords: Awareness level, Angel Investors, Popularise.

INTRODUCTION:

The value of Business angels has been evident for many years. In 1874, Alexander Graham Bell used angel money to found Bell Telephone; in 1903, five business angels launched Henry Ford’s auto empire with a \$ 40,000 investment; in 1977, an angel invested \$91,000 in Apple Computer; and in 1978, a business angel initiated the launch of the Body Shop retail chain. More recently, Pete’s Brewing Company (brewer of Pete’s Wicked Ale) and a number of Internet-related success, such as Amazon.com, the Mining Company, Go2Net (one of many firms funded by Paul Allen), and Firefly (recently acquired by Microsoft) among countless others, owe their existence to business angel funds. Even the \$6 million construction cost of the golden Gate Bridge was financed by a business angel, A.P Giannini, discovered by the architect, Joseph Strauss, after a nineteen-year search for funding (Benjamin and Margulis, 1996). In recent years, the status of being a business angel has increased dramatically, especially in the media and business circles. Recent U.S. research confirms that angels are widespread: at least 2.8 percent of U.S. households have at least one angel in the family (Useem, 1997).

It is clear that business angels are seeding start-up firms, of which some subsequently receive funding from more formal source of finance such as venture capitalist, while the majority never need to raise further funds (Freear and Wetzel, 1990; Freear, Sohl, and Wetzel, 1995a). A potentially complementary relationship exists between business angels and venture capitalists, where the angels act as the farm system for the venture capitalists, since angels invest in and nurse small firms with growth potential into large firms that then interest venture capitalists for further rounds of investment (Timmons and Sapienza, 1992; Wetzel and Wilson, 1985; Freear and Wetzel, 1988, 1989, 1991; Freear, Sohl and Wezel, 1991, 1996; Roberts, 1991). In the UK, 23 percent of venture capital-funded firms had previously received funding from business angels (BVCA, 1993). It is clear that a healthy informal venture capital market is required for the institutional venture capital market to thrive (Mason and Harrison, 1995). Some business angels (especially those with experience) are even investing alongside venture capital firms, and matching services as Garage.com have both business angels and venture capitalists as members.

Main Differences between Angels and Venture Capitalists:

Main differences	Business Angels	Venture Capitalists
Personal	Entrepreneurs	Investors
Firms funded	Small, early-stage	Large, mature
Due diligence done	Minimal	Extensive
Location of investment	Of concern	Not important
Contract used	Simple	Comprehensive
Monitoring after investment	Active, hands-on	Strategic
Existing the firm	Of lesser concern	Highly important
Rate of return	Of lesser concern	Highly important

Sources: G.Sabarinathan (2014)

Who is an Angel Investor:

Business Angels:

As the only investors who invest primarily in the entrepreneurial high-growth areas that are cited as gaps in the market for finding, business angels support the firms that other investors are reluctant to fund (Wetzel, 1983; Mason and Harrison, 1995).

Standard text books on entrepreneurship such as (Sahlman et al (1991) and Timmons and Spinelli (2008) recognize angels as the first source of external financing once funding from founders, family and friends often known as three Fs has been exhausted.

A high net worth individual, acting alone or in a formal or informal syndicate, who invests his or her own money directly in a unquoted business in which there is no family connection and who, after making the investment generally takes an active involvement in the business, for ex: as an advisor or member of BOD.

Ten Ways to Find Business Angels:

Entrepreneurs and anyone else interested in reaching private investors, may wish to follow any of a number of techniques to increase the odds of finding a suitable angel. We propose ten ways to do so

Personal Networks:

Entrepreneurs should tell their former colleagues and friends about their Business opportunity, since many people know at least one person who may have the means and inclination to make an investment. Using your own network of personal contacts is essential since it is perhaps the easiest way to generate some interest and it is hardly a one-sided effort. Business angels, like venture capitalists, are also actively looking for ventures; finding an angel who believe that your particular venture meets all of his or her investment criteria may offer a challenge, but it is a challenge that may be just a temporary situation to be overcome. We actually met one entrepreneur recently who had received all of his \$250,000 business angel money from former colleagues and a number of his college professors. These investors required little selling since they were already familiar with his work ethic and potential to make the venture a success.

Professional Networks:

Entrepreneurs should contact their attorneys, accountants, stockbrokers and other professionals they employ to see if they know or have worked for any wealthy individuals who sometimes make entrepreneurial investments and who may be interested in the entrepreneur's investment opportunity. Most business angel deals are conceived through professional and personal network contacts; probably more are solicited and developed on the golf course or at social gathering than one could count. Two years ago, one of this book's authors was involved with a Internet start-up that (through a lucky turn of events) received an initial \$100,000 investment from the father of one of the firm's lawyer-a business angel living temporarily in the Far East. The lawyer was so enthusiastic about the firm's idea that he actually convinced his father to invest. Since that investment, another business angel (residing much more locally) has invested \$300,000, and the firm is now in the process of raising at least \$5 million in venture capital. Other, more formal, professional organizations such as local chambers of commerce, boards of trade and similar business associations may also be able to suggest leads in locating potential angel investors.

Snowballing:

It is important to remember that since business have their own personal networks identifying one business angel who buys the opportunity can snowball into locating several others (Neiswander, 1985; Short and Ridding, 1989; Postma and Sullivan 1990). One caveat: quality, not quantity, is the overriding criterion. Finding just one good business angel is all you need to get the ball rolling; for every venture, no matter how unusual, there is a business angel out there willing to fund it.

Formal Matching Services:

Business angels registered with formal matching services can be reached by joining one of these introduction services and attending their venture forums (Stevenson and Coveney, 1994; Mason, Harrison and Allen, 1995; Mason 1993). Although this may involve a fixed rate for membership, these costs may well recoup themselves many times over once angel financing is found. These organizations are often not-for-profit or university affiliated and offer entrepreneurs access to angel investors, while maintaining the anonymity of the potential investors. They also organise venture forums where entrepreneurs and investors can meet face-to-face. About 10-15 percent of entrepreneurs using these services and around 40 percent of those presenting at venture forums, receive equity financing (sohl, 1999). These networks may each have upwards of two hundred investor and entrepreneur members (sohl, 1999).

Angel Alliances:

Less formal angel alliances have also been created within the last few years by angel themselves, to cater to their own investment needs. Many such angels are very successful high-tech entrepreneur with sizable funds available to invest, usually far exceeding those of the averages U.S business angel. Compared to individual angels, these alliances may be able to offer larger sums of money and expertise by pooling resources and know-how, but their participants tend to be more professional and so may have higher standards and be more formal when it comes to the investment negotiations and contract.

When these angel syndicates meet, it is usually to discuss the merits of an investment opportunity already screened and championed by one of the angels in the group, rather than as a means of identifying new opportunities. Some of these syndicates are very small, while others may have in excess of one hundred angel investors. To protect the anonymity of their members, some even have storefronts to attract attention and deals (sohl, 1999).

Venture Capital Clubs:

Offering a variety of services to their members, venture capital clubs or forums usually meet regularly as a means for investors and entrepreneurs to come together and share educational opportunities (sohl, 1999). Some clubs have a small number of angels entrepreneurs to sharpen their business plans and presentation skills.

The Internet:

The internet has a number of electronic matching networks specializing in finding start-up funds for suitable entrepreneurs and investment opportunities for private investors (and often small venture capital firms too). Around thirty are currently operating on the World Wide Web. If you have access to internet, you may want to start with some of the networks listed here (Nittka, 1999).

Matchmakers:

Checking the Wall Street Journal almost certainly leads to ads for matchmakers who specialize in introducing entrepreneurs and business angels to one another (Gruner, 1998). But be sure to check the track record of such an intermediary for raising money, ask for references from individuals for whom he or she has raised money in the past, and make sure that you do not pay the matchmaker's fee until the money has actually come in. A success fee of 5-10 percent raised is reasonable (Spragis,1991).

For more academic and research-oriented readers, we also offer two additional methods:

Mailing lists and publications:

Large-scale sample surveys of high-net-income individuals can be undertaken from purchased mailing lists in the hope that some of them may have engaged in business angel investments (Haar, Starr and MacMillan, 1988; Postma and Sullivan, 1990).

Investee Firms:

Business angels can be contacted through their investee firms, who can act as intermediaries for the introduction (Aram, 1989; Gaston, 1989). However, this involves finding firms that have received business angel funding and are willing to contact their investors on your behalf. Also, many angels are currently successful business owners, so meeting as many local business owners as possible can lead to an angel contact (Ridding 1998).

For researchers in the business angel field, practical reasons restrict the feasibility of random samples, and therefore most academics rely on convenience samples. Because of the invisibility of business angels, Harrison and Mason (1992a) conclude that a group of randomly selected business angels would not necessarily be more representative than one collected with a convenience sample (mason and Rogers, 1996).

Statement of the Problem:

The new generation entrepreneurs find it hard to raise funds from the traditional sources such as Banks and financial institutions. The reasons could be high cost of raising funds and procedural formalities. Angel investment is cost effective and does not involve much procedural formalities, however not much information is available on this subject. Thus the justification of "Awareness level of angel investor among students"

OBJECTIVES OF THE STUDY:

1. To know the awareness level of angel investors among students.
2. To analyse whether angel investor should be popularised in India.
3. To suggest to the university to include the angel investment concept in the academic curriculum.

HYPOTHESIS:

- a) H0: 50% of the students are aware about angel investors (P=0.5).
 H1: 50% of the students are not aware about angel investors (P≠0.5).
- b) H0: 50% of the students are in favour of popularising angel investment in India (P=0.5).
 H1: 50% of the students are not in favour of popularising angel investment in India (P≠0.5).
- c) H0: 50% of the students are in favour to include the concept angel investment into the academic curriculum (P=0.5).
 H1: 50% of the students are not in favour to include the concept angel investment into the academic curriculum (P≠0.5).

METHODOLOGY OF RESEARCH:

From the literature review it is very clear that very little research has been done in India

➤ **Type of research**

The study is Analytical and descriptive in nature.

➤ **Sources of Data Collection**

Both primary and secondary sources of data have been used. Primary data were collected through structured questionnaires and secondary data were relied upon books, journals, magazines, newspaper and Websites.

➤ **Sampling technique**

Stratified and Convenience sampling technique has been used to collect the data.

➤ **Sample size**

Questionnaire were given to 600 students out of which 515 respondents answers were collected from arts, science and commerce stream.

➤ **Scope of the study**

The scope of the study is restricted to Bangalore city and it is also restricted to Awareness level of angel investor among students.

LIMITATIONS:

Is purely is based on the responses given by the respondents

Due to time and resource constrain, only a small sample size of 600 respondents has been considered

TOOLS OF ANALYSIS:

Binomial distribution, frequency, chi-square, Percentage analysis has been used to analyze the data

ANALYSIS AND RESULTS:

- a)H0: 50% of the students are aware of angel investors (P=0.5).
 H1: 50% of the students are not aware of angel investors (P≠0.5).

Binomial Test						
		Category	N	Observed Prop.	Test Prop.	Exact Sig. (2-tailed)
Awareness of Angel Investor	Group 1	No	505	.98	.50	.000
	Group 2	Yes	10	.02		
	Total		515	1.00		

Since significance value is 0.000 which is less than level of significance 0.05(5%). We reject null hypothesis (Ho) and conclude that 50% of the student are not aware of angel investor and also the observed proportion of student are awareness of angel investor is only 2%. We conclude that most of the students are not aware of angel investor.

- b) H0: 50% of the students are in favour of popularising angel investment in India (P=0.5).
 H1: 50% of the students are not in favour of popularising angel investment in India (P≠0.5).

Binomial Test						
		Category	N	Observed Prop.	Test Prop.	Exact Sig. (2-tailed)
AI concept to be popularised in India	Group 1	Yes	515	1.00	.50	.000
	Total		515	1.00		

Since significance value is 0.000 which is less than level of significance 0.05(5%). We reject null hypothesis (Ho) and conclude that 50% of the student are not in favour of popularising angel investment in India and but the observed proportion of student are in favour of popularising angel investment in India is 100%. Hence we conclude that most of the students are in favour favour of popularising angel investment concept in India.

- c) H0: 50% of the students are in favour to include the concept angel investment into the academic curriculum (P=0.5).
 H1: 50% of the students are not in favour to include the concept angel investment into academic curriculum (P≠0.5).

Binomial Test						
		Category	N	Observed Prop.	Test Prop.	Exact Sig. (2-tailed)
Do you think AI be introduced at Graduate level as a part of curriculum	Group 1	Yes	510	.99	.50	.000
	Group 2	No	5	.01		
	Total		515	1.00		

Since significance value is 0.000 which is less than level of significance 0.05(5%). We reject null hypothesis (Ho) and conclude that 50% of the students are not in favour to include angel investment concept into the academic curriculum and but the observed proportion of student are in favour to include angel investment concept into the academic curriculum is 100%. Hence we conclude that most of the students are in favour to include angel investment concept into curriculum.

Profession to be choose after Graduation/Post Graduation

*** Heard about Angel Investor Crosstabulation**

Count				
		Heard about Angel Investor		Total
		No	Yes	
Profession to be choose after Graduation/Post Graduation	Entrepreneur	220	5	225
	Employment	50	5	55
	Professional	75	0	75
	Higher Degree	155	0	155
	Others	5	0	5
Total		505	10	515

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.510 ^a	4	.001
Likelihood Ratio	17.172	4	.002
Linear-by-Linear Association	4.083	1	.043
N of Valid Cases	515		

- a. 6 cells (60.0%) have expected count less than 5. The minimum expected count is .10.

DEMOGRAPHIC PROFILE OF THE RESPONDENTS:

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	330	64.1	64.1	64.1
	Female	185	35.9	35.9	100.0
	Total	515	100.0	100.0	

Degree Pursuing					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UG	305	59.2	59.2	59.2
	PG	210	40.8	40.8	100.0
	Total	515	100.0	100.0	

Profession to be chosen after Graduation/Post Graduation					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Entrepreneur	225	43.7	43.7	43.7
	Employment	55	10.7	10.7	54.4
	Professional	75	14.6	14.6	68.9
	Higher Degree	155	30.1	30.1	99.0
	Others	5	1.0	1.0	100.0
	Total	515	100.0	100.0	

Heard about Angel Investor					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	505	98.1	98.1	98.1
	Yes	10	1.9	1.9	100.0
	Total	515	100.0	100.0	

AI concept to be popularised in India					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	515	100.0	100.0	100.0

Do you think AI be introduced at Graduate level as a part of curriculum

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	5	1.0	1.0	1.0
	yes	510	99.0	99.0	100.0
	Total	515	100.0	100.0	

FINDINGS:

Findings relating to demographic profile:

There are 35.9% of Female respondents and 64.1% of Male respondents
 Majority 59.2% of the respondents' are under graduates and 40.8% are post graduates

Findings relating to Awareness level:

Only 2% of the respondents are aware of the Concept
 Majority (98%) of the respondents have never heard about angel investment.
 An overwhelming (100%) of the respondents opinion that angel investment concept should be promoted in India
 99% of the respondents say that angel investment should be introduced as a part of their curriculum
 Greater part (94%) of the respondents has voted that Innovative idea is the Motivational factor to fund in angel investment.

Other facts and findings:

100% of the respondents feel that the angel investment concept could be well developed by adopting it as a discussion topic in Seminars and Conferences.

100% of the respondents are of the opinion that social media would be apt forum to develop the concept and also improvise such initiatives.

SUGGESTION:

After analysis of the data and based on the findings of the research, the following suggestions would be helpful to create a due Awareness about angel investment Concept.

- Number of angel investment initiatives to be introduced in the immediate society.
- Angel investment concept should be introduced as a part of academic curriculum for students.
- Angel investment concept and such initiatives should go viral in the Social media
- Angel investment concept should be introduced as a part of discussion in Seminars and Conferences.
- Angel investment concept also could be introduced as a main theme or a particular competition based on the theme in Commerce and Management Fests.

CONCLUSION:

Although the topic of angel investment is a novel topic which has gained popularity in western countries USA & UK, it has unfortunately not received the kind of attention it deserves in our country India. Not only are most students not aware of the concept, most entrepreneurs have also not been effectively educated about the advantages of using this concept as an investment option.

It would be collective and judicious responsibility of various stake holders of the business sector and economy as a whole to provide a spotlight on improvising upon angel investment initiatives and reduce the hurdles of receiving financial assistance from traditional Institutions, and therefore encouraging number of start-ups and budding entrepreneurs.

Such initiatives would also be in tune with the vision of our Prime Minister Narendra Modi to increase the number of start-ups and entrepreneur in the country which would only lead to our country achieving greater heights.

DIRECTION FOR THE FUTURE STUDY:

This study as only been carried out in the Information Technology and Start-up capital of India, Bangalore. Since Awareness are low as per this study. The same question could be asked in other city of the country. To find out the Awareness Level all over India. The studies could also can be conducted to find out why the Awareness level is low and what remedial action can be taken to improve them.

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