



Role of angel investors to promote the E-startups culture

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Abstract

Angel investors also known as private investors, business angels, and informal venture investors. This kind of investor is extremely valuable since they contribute their expertise and experience to the growth of e-startups in exchange for funding. Following the collection of funds from a variety of sources, including personal loans, credit cards, friends, and family, businesses turn to angel investors as their next option. They provide insight and direction that could be essential in making a concept a reality. They may help firms avoid common mistakes and accelerate by offering innovative insights and useful guidance, which would make their counsel more valuable than cash. Decisions may be influenced by the fact that angel investors usually acquire a stake in the business in return for their funding.

Keywords: Angel investors, E-startups, funding deals, angel funding

Introduction

Angel investors are essential in helping firms close the "funding gap" in their early stages. In addition to funding, they offer first-time founders invaluable connections, mentorship, and advice. The phrase "angel investor" originated on Broadway in the late 1800s, when wealthy investors provided directors with the funds to produce new plays and musicals. These investors were driven by something greater than money and obtained high-risk financing. Actors, producers, musicians, and script writers still frequently rely on the kindness of others to further their work and professions. Angel investors are the next option for businesses once they have secured funding from a variety of sources, including personal loans, credit cards, friends, and family. Therefore, it can be claimed that angel investors are among the distinctive sources of funding, particularly when they rely on outside funding sources. Angel investors' primary goal is to support entrepreneurs at every step of their e-startup's development. Investors that are primarily concerned with the returns on their capital and do not wish to become directly involved in the business are known as passive angel investors. In 2013, SEBI created the SEBI (Alternative Investment Funds) Regulations, which govern angel investment through AIFs. As a result, angel funds now have greater structure and control. All angel funds that have more than INR 10 crore in assets must register with SEBI as "Category I AIFs". This entails a number of reporting and compliance responsibilities. Regulations from SEBI are meant to promote transparency and prevent misuse of startup capital. Before investing in funds, angel investors need to learn the guidelines.

Review of Literature

There is a significant funding void for early-stage companies as a result of venture financiers' focus shifting toward larger, more established deals (Nath, C.K. 2010)^[10]. The author highlights the importance of angel investors in filling the gap by lending money to these start-up companies. The author's focus on the difficulties venture capitalists have when supporting small enterprises is one of the factors contributing to the shift in focus. Three

viewpoints on angled investment are presented by Sabarinathan, G. (2014)^[15]. Mapping the investors' investment activities is the first step; gathering investment data and identifying the areas of interest of angel investors is the second; and profiling the investors based on their level of network participation is the third. The majority of successful companies that have received angel financing have also secured venture capital backing, the report found. According to the

survey, angel investors are mostly interested in high-growth industries including e-commerce, services, healthcare, and education.

Sabarinathan, G. (2014)^[16] provides an explanation of the Indian Angel Network's operations. The study also clarifies the ways in which the Indian Angel Network functions differently from other angel networks. Despite the lack of material, the author was able to provide a broad summary of the network's organizational structure and investment operations. According to the study, companies with angel network investments had to wait roughly 600 days to obtain venture capital backing before 2008. Rao, S. R., & Kumar, L. (2016)^[13] stress the importance of angel investors in the Indian startup ecosystem. The author provides insights into the noteworthy increase in angel investor investment in India after examining data from several public sources. The author has also looked at government programs and regulations to support the startup ecosystem. Korreck, S. (2019)^[7] explains the goals of the existing startup ecosystems in India. Finding the challenges faced by startups is the first stage. The second is identifying the growth factors and motivations of startup founders in order to identify the pillars that support these businesses. Information on the investing patterns of Indian angel investors is provided by Sabarinathan, G. (2019)^[17]. The author also provides information about the investments made by angel investors. Speaking with several angel investors who are actively involved with enterprises, the author has learned about the differences between individual angels and angel groups. The overall amount of funding that venture capitalists and angel investors give to startups was clarified by Rault, Y.

M., & Mathew, S. (2019) ^[14]. The industries and geographical areas where the angel and venture capitalists made their investments have been analyzed and data has been provided by the author. Henry, A. V. (2020) ^[4] provides information on angel investing in general based on gender. The author, who has carefully studied the angel investment deals that were closed between 2010 and 2019, has highlighted the proportion of men-led to women-led businesses. The author has provided important information about gender gaps and how angel investors could help bridge them. Kamaluddin, F. A., & Sridhar, K. S. (2021) ^[5] provide an analysis of the impact of government policies implemented to support the startup ecosystem. The author addresses the challenges of embracing government-sponsored initiatives while also emphasizing the advantages angel investors would offer to startups. Before investing in a company, angel investors in India consider a variety of factors, according to Majumdar, R., & Mittal, A. (2021) ^[9]. The author highlights that angel investors are at risk of losing their investment because they lack sufficient knowledge of the sector and regulations. Tiwari, A., Hogan, T., & O'Gorman, C. (2021) ^[23] provide insightful viewpoints on the overall performance of the startup ecosystem. The importance of governance and the necessity of reevaluating government-announced initiatives that haven't significantly improved the ecosystem are emphasized in the study. According to the report, angel investors have an opportunity to close the gap and distinguish businesses. The factors that contributed to the success of startups between 2016 and 2021 are clarified by Das, K. C. (2022) ^[2]. Ten key components that were crucial

in the success of India's startup environment are analyzed by the author. Additionally, the author discusses the areas that need attention to further increase business success.

Research Objectives

- Angel Investors role in startups growth
- Role of top Angel funding Association in startup Economy
- Stages and advantages of Angel Funding for e-Startups

Angel Investors Part in Startup Growth

Angel investors are often the first people who spring to mind when considering the early stages of a firm. They are, in my opinion, early backers who provide money to start-up businesses in exchange for a stake in the company. They provide more than just funding, which makes them essential in the startup sector. According to the report of Sagar Gosalia 2022, in recent years, angel investing has expanded dramatically in India, with total investments rising from \$4.6 billion in 2012 to \$12.7 billion in 2021. Also, over that period, the number of trades rose from 220 to 1,113. They impart knowledge and guidance, which might be crucial in turning an idea into reality. Angel - backed firms tend to last longer, according to statistics, which bodes well for their future. These investors are growing and demonstrating a greater need for this type of assistance. Entrepreneurs need to be aware of these backers' identities and how they differ from other funding sources. They typically take over when a business is just getting started, when money is most needed, and when there may not be many other options.



Source: <https://inc42.com/resources/7-reasons-why-its-the-right-time-to-become-an-angel-investor-in-startups/>

Chart 1: Right time to become an Angel Investors in startups

Role of top Angel funding Association in startup Economy

Angel investors is essential for anyone starting an e-commerce business. These are rich people who contribute

money to start-up companies in exchange for ownership. They frequently actively contribute to the expansion of the business. Angel investors' advice can be just as important as their capital. They enter the market earlier than venture

capitalists and frequently make investments based on an idea and its founders. This implies that they may take on different risks and results, which can be advantageous and difficult for companies who need assistance. It is evident that angel investors play a special role in the startup funding scene. They are the first to support a business by providing capital, assistance, and access to a larger network. A few of the major angel investing associations that support startup growth are Accredited angel investors can invest in Indian enterprises through the deal syndication website AngelList India. Ah! The only vetted, industry-neutral, and most important platform for early-stage entrepreneurs looking to raise up to \$10 million USD is Ventures. Out of early-stage venture capital top investors are Mumbai Angels. Originally called the Chennai Entrepreneurship Trust Fund, the Chennai Angels (TCA) was founded in November 2007 with the primary goal of promoting entrepreneurship by assisting and guiding the next generation of business

owners. An integrated incubator, Venture Catalysts provides networks, investment, and mentorship. It offers \$550K to \$2MN in startup funding also give support to incubation support for approximate 18–24 months. With it investors have similar interests, Chandigarh Angels Network (CAN) helps them invest in startups and early-stage businesses. One of India's top networks for angel investors is Indian Angel Network. Across ten countries, the network currently has over 450 investors. Startups seeking to raise capital can connect with authorized investors and develop investment-ready profiles online with Let'sVenture. The LetsVenture Debt Fund is the most recent of two funds that LetsVenture has raised a total of \$100 million for. Lead Angels is an angel network that focuses on alumni and helps early-stage businesses raise up to 300 lakhs. A network of angel investors based in Hyderabad, India, known as Hyderabad Angels, makes investments in early-stage businesses almost 37 times, mostly in the technology sector.

Table 1: Number of deals by Angel funding association

Angel Networks & Platforms For Startups In India

Investor Name	No. of Deals In 2021	Key Investments In 2021
	40	Little Leap, Nutrizoe, Opined
	167	iMuMz, LoanKuber, Monrow
	31	Wow! Momo, Pidge, Dhruva Space
	20	Hosteller, ixamBee, Magenta Chargegrid
	225	Skit, Toppernote, The Money Club
	25	Instoried, ixamBee, Jade Forest
	20	Blaer Motors, MangoPoint, Bumberry
	207	TrulyMadly, ReshaMandi, TagZ Foods
	30	Knocksense, Vidyakul, Zypp Electric

Note: Only the top platforms of 2021 have been included based on the deals they participated in. Placed in alphabetical order.



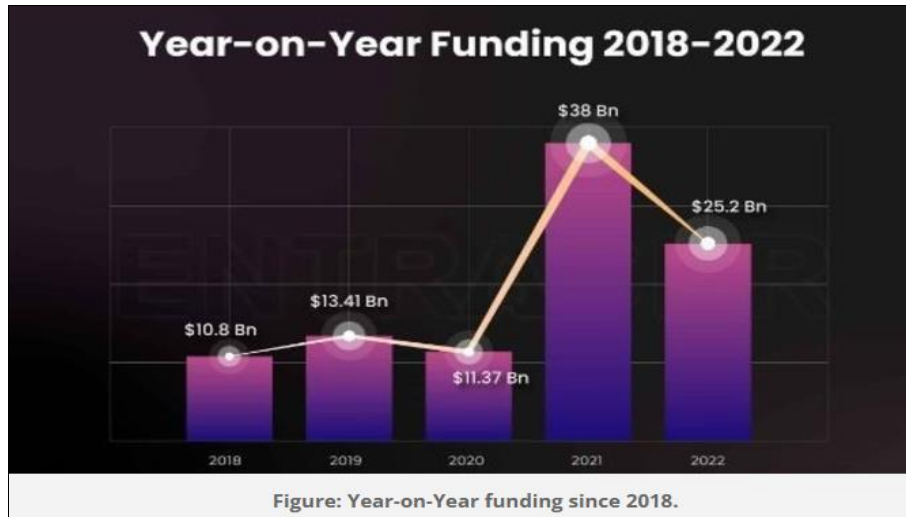
Stages and advantages of Angel Funding for e-Startups

Angel finance has the ability to significantly change how e-commerce businesses operate. It's not just about the money. Their vast networks and expertise are what count. Let's look at the several ways angel investors help these growing companies. One significant advantage is the possibility of rapid expansion. e-startups are usually ready for quick expansion. Angel investors give these businesses the money they need and have a vested stake in their success. Angel investors are usually seasoned entrepreneurs with extensive knowledge of the industry. Their opinion is more valuable than money since they can help firms avoid common mistakes and accelerate by offering innovative insights and useful guidance. In order to cover costs such as website development, inventory purchase, marketing, and operating expenses, e-startups companies create a persuasive pitch by putting up a thorough business plan and pitch deck that

emphasizes your competitive advantage, market potential, business strategy, and financial forecasts also develop Connections at industry conferences, angel investor organizations, and startup events. Funds from angel investors enable entrepreneurs to market their goods, recruit staff, purchase shares, and advance their technology without the repayment obligations associated with traditional loans. For obtain the angel funding few steps should be followed by newly venture firstly Developing a Robust Business Plan Create a plan that appeals to angel investors by demonstrating your market knowledge and vision than create the Effective Networking to meet possible funders and make contacts, visit local startup events with-it making the Correct Pitch for Prepare a concise, captivating presentation that highlights your company, the market opportunity, and your unique selling points lastly being aware of terms and legal matters.

Table 2: The role of angel investors in the development of famous companies

Company	Angel investor	Business	Investment	Value at exit
Ola	Anupam Mittal	App-based personal transportation booking platform	₹1,00,00,000	\$2 billion,
Amazon.com	Thomas Alberg	On-line bookshop	\$ 100,000	\$ 26 million
Flipkart	Ashish Gupta	Online shopping	₹10,00,000	\$37.6 billion
Nykaa	Falguni Nayar	Online shopping	\$2 million	\$13 billion
Ajo	Reliance Retail Limited (RRL)	Online shopping	\$ 100,000	\$2.3 billion



Source: <https://cwmindia.com/angel-investing-and-venture-capital/>

Chart 2: Year wise comparison in Angel funding

Stages for Angel funding in Indian scenario

Van Osnabrugge and Robinson (2000) identified that the angel investment process is passed through six stages, these are funding deals - Investment Motivations - Investment Criteria - Initial Screening - Due Diligence - Negotiations and Actual Investment-Post investment Monitoring, with these stages they also explained that angel investors believed in their gut feeling for taking investment decision independently. According to the Indian Angel Network (IAN) network angel investment process is passes through Deal Criteria Statement- Review and Selection Process- Selected Companies Process- Follow-up and Investment.

Conclusion

Angel investors' contribution to the development of India's startup ecosystem, from liberation to innovation. They are responsible for making India the third-largest startup ecosystem in the world. They also play a significant role in fostering innovation in both established and emerging industries, such as deep tech, consumer products, health tech, artificial intelligence, and cleantech. Angel investors generate employment opportunities and foster innovation in the startup ecosystem by giving fledgling businesses access to scale and extend their endeavours. More than 60,000 direct employment and 1.3–1.8 million indirect jobs were generated by Indian startups in 2021, according to NASSCOM. In these ways, the new era of the startup ecosystem is being shaped by India's angel investors and investment-friendly regulations. This is propelling India's economy and aiding in the growth of early-stage startups in India.

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