

A STUDY ON ENTREPRENURIAL INCLANATION TOWARD CROWDFUNDING AND ANGEL INVESTOR – A STUDY OF NEW STARTUPS IN BANGALORE

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ABSTRACT

The term finance means organization which explains the activities that are connected with banking leverage, debit, credit, capital market and investment. It can be defined as the basis of function in which deals with profitability, expenses, cash and credit. So mainly the organization may have the means to carry out the objectives as satisfactorily possible, it defines as maximizing the value of the firm for the stock holders, the terms cooperate finance and cooperate financier are also connected with investment banking; the typical role of an investment bank is to check a company financial needs and to raise the perfect capital that fits in all those needs. It is very important to have a check and evaluate the operational and organization budget, having a proper flow of income and making a complete use of it is very essential element of the stability of the organization work we need to have a proper thought about finance along with the allocation of specific financial resources to check and evaluate the learning activities.

INTRODUCTION

Importance of financial management is one of the most essential authorities of business owners and managers. You need to think about all the possible result of your management decision on profits, cash flow and the financial health of the company In order to operate strong financial management, you must secure and allocate resources across the operations and initiate concerned policies for these activities. A company with well-grounded financial management processes accomplishes more informed decisions. It involves the development and execution of financial principles that drive a company to reach its major objective, which is to uplift the value of the business. Besides, financial management includes debt financing, cash flow management, also data collection and analysis to make sound resolutions it helps companies to join all the financial management procedures and policies which lead to a number of long-lasting well-being. This also permits businesses to take advantage of financing, administration and speculation to attain operational and financial target.

REVIEW OF LITERATURE

(JOHANNES WALLMERO, 2018) Venture capital, crowd funding and angel financing have developed and bloomed in the enterprising fund retail. These retail evolutions have also been accompanied by a developing body of investigation. In this article we provide a survey of a huge body of literature in the specialization of an enterprising equity fund, giving the exact shape of experimentation and summary recognizing its smaller group we also give awareness into major research vogue and research breach and access the developing research in the field of awareness in enterprising equity fund. Our analysis is organized using an abstract structure that aims to connect venture capital angels and crowd funding although considering remarkable differences exposed between each speculation period.

(KITANO, 2017 MAY) Crowd funding is advice as a new origin of financing and it is becoming more and more employed gadget by owners who try to obtain funding for their progress and by investors who explore for broad minded substitute of speculation the crowd funding occurrence, in hypotheses and realistic has expanded and increased considerably in late years equity crowd funding guaranty to alter the privatized funding visibility for start-ups and initial stage of forecast permitting untrained investors to engage in financing a project. But this kind of investors have restricted instrument to recognize cases of fraud and misconduct, access the value hypotheses of project or vend there and when the involvement in a running of secondary market this study was organized and planned through 3 individual articles each articles plan to serve one characteristic equity crowd financing circumstances involving its own scheme, survey and observation.

(JOERN H., 2020 7TH APRIL) Entrepreneurial finance retails are in a vital state new retail place and participants have expanded and resumed to appear. The regulation of the game and the procedures for accepting financial support have modified in many ways, this articles and the special matter of Small Business Economics concentrate on crowd funding and initial coin offerings which are two different but important entrepreneurial fund retail part of the future. Though the two retails segments at first seem to be alike, we recognize difference connecting them

STATEMENT OF THE PROBLEM

The initial stage of new start-ups it's very difficult to find an investor and angel funding and crowd funding helps in lending capital for the start-ups. Angel investors guide the investors to by building resolution constructed with a valid proof. Crowd funding should not pressure rise on the administration group and need time and assets of the people instead should handle things in a

smooth manner. Crowd funding is advice as a new origin of financing and it is becoming more and more employed gadget.

SCOPE OF THE STUDY

- To combine, assemble and judge the wide and different writing on venture funding
- To recognize basic consideration applicable for the realm of venture funding moving ahead
- The significance of creating passion for crowd funding achievement and its ability to affect the crowd funder's speculation resolution
- The crowd funding effect the investors financing resolution, despite power and sort of effect varies
- It distinct on the crowd funding occurrence of social under taking from the view of social owners

OBJECTIVES OF THE STUDY

- 1) To analyze investment behaviours of people towards crowd-funding and angel investors
- 2) To study the reasons determining the choice of crowd-funding and angel investing
- 3) To explore focal areas of crowd-funding and angel investing platforms in Bangalore

Research Methodology / Research Design

Analytical and Descriptive Research, in which the researcher uses factors or information already available and analysis's it to make a critical evaluation of the material. On the other hand, Descriptive research determines and reports the way things are. It is not merely collection of data, but it is more than that, it involves measurement, classification, analysis, comparison and interpretation. Descriptive research answers to the studies conducts on shopping frequency, brand popularity of products and services, buying behaviour and consumer preferences, etc.

Hypotheses of the Study

H₀ – There is no investment behaviours of people towards crowdfunding and angel investors

H₁ – There is an investment behaviour of people towards crowdfunding and angel investors

H₀ – There is no reason determining the choice of crowd funding and angel investing

H₁ – There is a reason determining the choice of crowd funding and angel investing

H0 – There is no focal area of crowd funding and angel investing platforms in Bangalore

H1 – There are focal area of crowd funding and angel investing platforms in Bangalore

Data Collection Methods

Primary Data / Sources Primary Data collected by the researcher. It is often undertaken after the researcher has gained some insight into the issue by reviewing secondary research or by analyzing previously collected primary data. It can be accomplished through various methods, including questionnaires and telephone interviews in market research, or experiments and direct observations in the physical sciences, amongst others.

Here, we are basically collecting the Primary data from the respondents regarding the service quality and deliverables. We are also relying information on the website and other publications to analyze further. Therefore, both Primary and Secondary Data is collected for the research.

Secondary Data / Sources or Both

Secondary data is data collected by someone other than the user. Common sources of secondary data for social science include censuses, organizational records and data collected through qualitative methodologies or qualitative research. Primary data, by contrast, are collected by the investigator conducting the research. Secondary data analysis saves time that would otherwise be spent collecting data and, particularly in the case of quantitative data, provides larger and higher-quality databases that would be unfeasible for any individual researcher to collect on their own. In addition, analysts of social and economic change consider secondary data essential, since it is impossible to conduct a new survey that can adequately capture past change and/or developments.

Instruments

Well-structured and designed questioner would be prepared to collect from samples.

Sampling (Population, Sample Size)

No probability sampling is any sampling method where some elements of the population have no chance of selection (these are sometimes referred to as 'out of coverage'/'under covered'), or where the probability of selection can't be accurately determined. It involves the selection of elements based on assumptions regarding the population of interest, which forms the criteria for selection. Hence, because the selection of elements is non-random, nonprobability sampling does not allow the estimation of sampling errors. These conditions give rise to exclusion bias, placing

limits on how much information a sample can provide about the population. Information about the relationship between sample and population is limited, making it difficult to extrapolate from the sample to the population.

Nonprobability sampling methods include accidental sampling, incidental sampling, quota sampling and purposive sampling. In addition, nonresponse effects may turn any probability design into a nonprobability design if the characteristics of nonresponse are not well understood, since nonresponse effectively modifies each element's probability of being sampled.

In this case representativeness is not particularly the primary issue. In representing a questionnaire, we are supposed to ascertain its suitability for the issues under consideration to ascertain its suitability for problem under consideration.

Convenient Sampling: -The primary data is collected from the portion of the population conveniently available to the researchers. Here the group of individual or the unit is chosen as sample solely because it is readily available.

Here, we use the **Non-Probability Sampling Technique**, under which **Convenient Sampling, a sample size of 104.**

Sampling units

The sample of the respondent were common people who are investing to companies

Area of study Area of the study was only limited within Bangalore

ANALYSIS AND DISCUSSION

| Correlation Matrix - Relationship between Y & Xs | | | | | | |
|--|--------------|-------------|-------------|-------------|-------------|---|
| | X1 | X2 | X3 | X4 | X5 | Y |
| X1 | 1 | | | | | |
| X2 | -0.104083092 | 1 | | | | |
| X3 | 0.018799082 | 0.373368085 | 1 | | | |
| X4 | -0.220847116 | 0.548564931 | 0.349095085 | 1 | | |
| X5 | -0.026832955 | 0.159296269 | 0.082351203 | 0.054200574 | 1 | |
| Y | -0.156844945 | 0.344824071 | 0.228815144 | 0.365345595 | 0.263583532 | 1 |

REGRESSION ANALYSIS

| SUMMARY OUTPUT | | | | | |
|------------------------------|-------------|-------------|-------------|-------------|-----------------------|
| <i>Regression Statistics</i> | | | | | |
| Multiple R | 0.472000158 | | | | |
| R Square | 0.22278415 | | | | |
| Adjusted R Square | 0.182721477 | | | | |
| Standard Error | 30.60968992 | | | | |
| Observations | 103 | | | | |
| <i>ANOVA</i> | | | | | |
| | <i>df</i> | <i>SS</i> | <i>MS</i> | <i>F</i> | <i>Significance F</i> |
| Regression | 5 | 26051.47 | 5210.294001 | 5.560890836 | 0.00015124 |
| Residual | 97 | 90884.45233 | 936.9531168 | | |
| Total | 102 | 116935.9223 | | | |

| | <i>Coefficients</i> | <i>Standard Error</i> | <i>t Stat</i> | <i>P-value</i> | <i>Lower 95%</i> | <i>Upper 95%</i> | <i>Lower 95.0%</i> | <i>Upper 95.0%</i> |
|-----------|---------------------|-----------------------|---------------|----------------|------------------|------------------|--------------------|--------------------|
| Intercept | 15.89951636 | 11.11386724 | 1.430601609 | 0.155758013 | -6.158433096 | 37.95746581 | -6.158433096 | 37.95746581 |
| X1 | -5.883219857 | 6.228091419 | -0.944626445 | 0.347196656 | -18.24425699 | 6.477817278 | -18.24425699 | 6.477817278 |
| X2 | 0.471143047 | 0.354774241 | 1.328008048 | 0.187291915 | -0.232985597 | 1.17527169 | -0.232985597 | 1.17527169 |
| X3 | 3.92917E-06 | 4.94836E-06 | 0.794034619 | 0.429113555 | -5.89196E-06 | 1.37503E-05 | -5.89196E-06 | 1.37503E-05 |
| X4 | 16.3053235 | 8.061849412 | 2.02252891 | 0.045874634 | 0.304784451 | 32.30586255 | 0.304784451 | 32.30586255 |
| X5 | 14.7766162 | 6.127175714 | 2.411652104 | 0.017761978 | 2.6158688 | 26.9373636 | 2.6158688 | 26.9373636 |

Conclusions:

* Gender - (X1) has negative impact on Crowd-Funding Donation(Y)

* Annual Income - (X3) has a significant impact on Crowd-Funding Donation (Y)

* R² was found to be low 22% and hence model is not explaining the independent variables selected for the study

* Variables Age - (X2), Marital Status - (X4) and Non-Investor - (X5) not impacting much for Crowded-Funding Donations (Y)

INTERPRETATION

- Gender-(X1) has negative impact on Crowd-Funding Donation(Y)
- Annual Income-(X3) has a significant impact on Crowd-Funding Donation(Y)
- R^2 was found to be low 22% and hence model is not explaining the independent variables selected for study
- Variables Age -(X2), Marital Status-(X4) and Non-Investor-(X5) not impacting much for Crowded--Funding Donation(Y)

Findings of the Study

The sample size being 100 forms the part of the universe also. Since the sample size is 100 the measure can be expressed both in numbers as well as percentage (vice-versa).

- ❑ 49% of the universes are females and 51% are males.
- ❑ It can be derived that there is an almost equal balance of the gender breakup
- ❑ Hence, it can be comfortably derived that majority of the respondents of the universe youth
- ❑ Hence, it can be comfortably derived that most of the respondents are bachelors (spinsters).
- ❑ Hence, it can be comfortably derived that most of the respondents are working in private sector.
- ❑ Hence, it can be comfortably derived that most of the respondents are earning less than 5 lakhs per annum.
- ❑ Hence, it can be comfortably derived that most of the respondents are bachelors (spinsters).
- ❑ Hence, it can be comfortably derived that most of the respondents are urban dwellers.
- ❑ Hence, it can be comfortably derived that most of the respondents were investors.
- ❑ Hence, it can be comfortably derived that most of the respondents were invested in start-up businesses / enterprises.
- ❑ Hence, it can be comfortably derived that most of the crowd-funders invested up to 10 US\$ at a time.
- ❑ Hence, it can be comfortably derived that most of the respondents agreed and confirmed that crowd-funding platforms fulfilled the user expectations.
- ❑ Hence, it can be comfortably derived that most of the crowd-funders strongly agreed that Crowd funding policy count with well trained and reliable employees help investors and entrepreneurs with their goals

- ❑ Hence, it can be comfortably derived that most of the crowd-funders strongly agreed that Crowd funding policies offer growth potential in the long, medium and short term for the investors.
- ❑ Hence, it can be comfortably derived that most of the crowd-funders undecided that Crowd funding platforms offer favourable financial results.
- ❑ Hence, it can be comfortably derived that most of the crowd-funders Crowd funding platforms had more potential than other initial stage investment firms

Suggestions & Recommendations

1. Venture capital has become a part of the popular business in India. Venture capital has also become synonymous with investing in high risk technology businesses, which could be majorly IT and can spread across further domains like healthcare, agriculture, etc.
2. The VC's final decision on a proposed venture is based on many criteria and also it differs from one to other. All seek one common thing the right and proper way of documentation for them to analyze the projects faster and easily.
3. If the project is new, promising and has innovative features then VC's seek to have more interest and are ready to help with more amounts because of its wide market characteristics and its ability to capture the market.
4. Many SME's usually lack the right method and technique to approach the suitable VC and thereby they seek consultants to seek funds in the start-up stage through financial institution.
5. SME firms in India believed that ownership of the company is compromised with the price paid for VC funds
6. The preference for investing venture capital is given to start-up stage may be because of innovativeness of the project and a good team. It is found that less preferences is given for expansion and turnaround stage of the venture.
7. Due to the formal structure of the VC operation and more stringent evaluation process, complete business plans are compulsory.
8. The Internal Rate of Return is more when risk is high. 40 percent of the people don't want to take high risk and hence they are satisfied with moderate returns of 20-25 percent. Only 20 percent of the people are taking risk expecting high returns.
9. The venture capital investment is made adequate on IT, Banking, Media and construction but investment is inadequate in Telecom, Energy, Resorts and Healthcare. For overall development adequate investments must be made in all these sectors.
10. The money invested in late stage is more utilized as compared to any other stage. The reason is, in late stage the firm will be well established, has good brand name and loyal customers and hence the money invested is used to promote the product and is fully utilized.
11. The risk is more in the early stage as the product is new to the market and requires huge capital to promote the product. Similarly the risk is less in the late stage where the firm is well established and risk of losses moderate in the growth stage.

12. Equity shares are much preferred since high returns can be earned. It also ensures active participation in management and also ownership. Equity shares are preferred since no fixed interest is given to shareholders; the dividend depends on the profit of the firm. Preference shares are less preferred because a fixed amount is to be paid irrespective of the condition of the firm

CONCLUSIONS

49% of the universes are females and 51% are males, It can be derived that there is an almost equal balance of the gender breakup, majority of the respondents of the universe were youth, were bachelors (spinsters), working in private sector, earning less than 5 lakhs per annum, were urban dwellers, most of the respondents were investors, invested in start-up businesses / enterprises, invested up to 10 US \$ at a time, agreed and confirmed that crowd-funding platforms fulfilled the user expectations, crowd funding policy count with well trained and reliable employees help investors and entrepreneurs with their goals, crowd funding policies offer growth potential in the long, medium and short term for the investors, crowd-funders undecided that crowd funding platforms offer favorable financial results and crowd-funders Crowd funding platforms had more potential than other initial stage investment firms

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