SNS COLLEGE OF ENGINEERING

Kurumbapalayam (Po), Coimbatore – 641 107

An Autonomous Institution

Accredited by NBA – AICTE and Accredited by NAAC – UGC with 'A' Grade

Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai

DEPARTMENT OF MANAGEMENT STUDIES

COURSE NAME : 19BA205 - ENTREPRENEURSHIP DEVELOPMENT

I YEAR /II SEMESTER

Unit IV – FINANCING OF ENTERPRISE

Topic 2: ED –Angel financing , Venture Capital and crowdfunding

Angel financing

- ➢Angel financing refers to an investment model wherein "business angels" – essentially, high net worth individuals – provide financial backing for small businesses in exchange for equity in the company.

- ➢ Angel financing can be a one-time investment, or it can refer to ongoing support.

- ➢ Generally, angel financing is high risk, high reward, as angel investors tend to seek a more favorable return rate than would be provided via traditional investment opportunities.

How angel financing for entrepreneurs works

- Firstly, business angels find out about interesting start-ups from a broad range of sources, including other entrepreneurs, investors looking for partners, or other angels within the same network, fund, or group.

- After an initial screening process, they'll invite the prospective start-ups to pitch, and if the pitch goes well, they will decide to invest.

How angel financing for entrepreneurs works

- When it comes to angel financing for entrepreneurs, it's important to note that the investor won't sit back and wait for you to get the ball rolling. Angel investors play a much more active role in the business.

- They'll provide the founders with advice, make introductions, build your network, and help guide you through any subsequent funding rounds

Angel financing advantages

- An angel investor provides financial backing to entrepreneurs and early-stage businesses, or start-ups.

- Angel financing is far less risky than debt financing, because you won't need to repay the investment capital.

- It's also worth remembering that angel investors tend to think long-term, so they won't be looking for an immediate return.

- Finally, because business angels take a more active role, you'll receive access to their contacts and sector knowledge, which can help speed up your company's growth. (The biggest positive)

Angel financing disadvantages

- Think about the loss of control that you'll need to deal with.(The biggest negative for many is giving up equity or shares in the company.)

- If you accept angel financing, you'll also need to be comfortable with the fact that your investor will have a say in how your business to run, as well as receiving a share of the profits when the company is sold or make profit.

VENTURE CAPITAL

- Venture Capital is a financing tool for companies and an investment vehicle for wealthy individuals and institutional investors.

- Wealthy investors like to invest their capital in startups with a long-term growth perspective.

- This capital is called venture capital and the investors are called venture capitalists, in other words, it is a way for companies to receive money in the short term and for investors to grow wealth in the long term.

VENTURE CAPITAL

- Venture Capitals tend to focus on emerging companies and such investments are risky as they are illiquid, but also have the potential to provide impressive returns if invested in the right venture.

- A venture capital firm can finance a company by equity participation and capital gains, participating in debentures and also extending conditional loans to the firms.

Crowdfunding

- Crowdfunding is the use of small amounts of capital from a large number of individuals to finance a new business venture.

- Crowdfunding makes use of the easy accessibility of vast networks of people through social media and crowdfunding websites to bring investors and entrepreneurs together, with the potential to increase entrepreneurship by expanding the pool of investors beyond the traditional circle of owners, relatives, and venture capitalists.

- Crowdfunding can put money in a business’ bank account without adding to that business’ debt load.

Crowdfunding

- “In simple terms, crowdfunding is the financing of a project or a venture by a group of individuals instead of professional parties (like, for instance, banks, venture capitalists or business angels).

- In theory, individuals already finance investments indirectly through their savings, since banks act as intermediary between those who have and those who need money.

- In contrast, crowdfunding occurs without any intermediary: entrepreneurs ‘tap the crowd’ by raising the money directly from individuals

Crowdfunding

- Crowdfunding offers the above advantages over traditional funding models, but launching a crowdfunding campaign is obviously no guaruntee of immediate success.

- Crowdfunding sometimes requires a steep time investment that may or may not result in a huge payout.

- But remember, short-term failure does not indicate an end.

RECAP

QUESTIONS???

THANK YOU