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Challenges Faced by Angel Investors in Emerging Economies: Evidence from India

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Abstract: Angel investors are major sources of capital for early-stage start-ups. However, they face several challenges that affect their investment decisions and outcomes. This study aims at identifying and estimating the major challenges faced by the angel investors in the startup ecosystem using quantitative research technique. Data were collected from 431 angel investors using a standardized questionnaire and analyzed using SPSS software. Exploratory factor analysis showed a unidimensional structure suggesting that the identified problems are reflective of a single latent construct. The factor loadings and communalities indicated that the variables were well represented. Also, we performed rank-based analysis to rank challenges and used standard deviation as a tie-breaker. The results indicate to the serious challenges such as the effort-intensive investment process, team related issues, regulatory uncertainty and exit limits. The research also provides theoretical and practical implications for improving the efficacy of angel investing strategies.

Keywords: Angel Investors, Startups, Challenges, India

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