

A SYSTEMATIC REVIEW OF BEHAVIOURAL FACTORS INFLUENCING ANGEL INVESTORS' DECISION-MAKING IN EARLY-STAGE VENTURES

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Abstract—This observe provides a scientific assessment of behavioural elements influencing angel investors' selection-making in early-stage ventures, with the goal of developing a comprehensive understanding of non-monetary determinants in funding behaviour. Drawing on existing literature from behavioural finance and entrepreneurial research, the research analyzes how psychological, relational, and contextual factors form funding selections underneath situations of uncertainty. The findings reveal that angel traders' choices are significantly encouraged through cognitive biases such as overconfidence, optimism, and heuristic-primarily based judgement, which frequently result in subjective assessment of funding opportunities. further to psychological factors, the examine highlights the importance of investor–entrepreneur relationships, emphasizing trust, communicate, and alignment of vision as vital elements affecting both funding selections and publish-investment involvement. furthermore, angel traders play a essential non-financial role via imparting mentorship, strategic steering, and get admission to to networks, thereby improving startup growth and sustainability. The influence of group dynamics inside angel networks is likewise recognized as a key aspect shaping collective investment behaviour. The look at concludes that angel investment choice-making is a multidimensional manner in which economic, psychological, and social factors have interaction. by integrating behavioural finance views, this studies contributes to a deeper expertise of investor behaviour and offers practical insights for entrepreneurs, investors, and policymakers to improve funding results and support entrepreneurial improvement

Keywords: *Angel Traders; Behavioral Finance; Investment Decision-Making; Cognitive Biases; Early-stage Ventures; Hazard Notion.*

INTRODUCTION AND REVIEW OF LITERATURE

Entrepreneurial finance: angle investing as a source of funding high-growth start-up firms by – Sonja Markova & Tatjana – 2010:

Angel investors play a crucial role in entrepreneurial finance by supporting early-stage and high-growth ventures through both financial and non-financial contributions. Markova and Tatjana (2010) highlight that angel investing serves as a vital source of funding for start-up firms, particularly in situations where access to formal financial institutions is limited. In addition to providing capital in exchange for equity, angel investors offer strategic guidance, mentorship, and industry expertise, thereby enhancing the survival and growth prospects of new ventures. However, despite their growing importance in the startup ecosystem, there remains a limited understanding of the psychological factors that influence their investment decision-making. Existing literature has largely focused on financial evaluation criteria such as expected returns and risk assessment, often overlooking behavioural and emotional dimensions. This lack of insight creates challenges for entrepreneurs in aligning their strategies with investor expectations. Furthermore, psychological factors such as cognitive biases, prior experiences, and subjective risk perceptions play a significant role in shaping investment decisions under uncertainty. Therefore, integrating behavioural finance into the study of angel investing provides a more comprehensive understanding of investor behaviour, enabling more effective fundraising strategies and contributing to the development of a stronger startup ecosystem.

Angel financing: Matching start-up firms with angel investors by – Emily M Rodriguez – 2011.

Angel financing plays a critical role in bridging the funding gap for early-stage ventures, particularly those characterized by innovation and high risk. Rodriguez (2011) examines the process of matching start-up firms with angel investors, with a specific focus on the investment criteria adopted by organized networks such as Tech Coast Angels. The study highlights that angel investors, typically high-net-worth individuals investing personal funds, not only provide capital but also support entrepreneurial ventures through expertise and mentorship. The decision-making process of angel investors is complex and influenced by multiple factors, including market potential, business model viability, team competence, and investor-venture fit. Within angel networks, these decisions are further shaped by group dynamics, shared investment norms, and prior funding experiences, creating a structured yet subjective evaluation environment. Despite the growing importance of such networks, there remains limited empirical understanding of the specific criteria guiding investment decisions, posing challenges for entrepreneurs in effectively positioning their ventures. The findings suggest that angel investment decisions are based on a combination of quantitative metrics and qualitative assessments, such as the capabilities of the founding team, product innovation, market size, and risk management strategies. This study contributes to entrepreneurial finance literature by emphasizing the need to better understand network-based investment behaviour and enhancing transparency in the angel investment process.

Role of Angel Investors in Sustainable Development of Young Entrepreneurs By Rameez Raja M (2023)

Angel investors play a pivotal role in fostering the sustainable development of young entrepreneurs by providing both financial and non-financial support essential for startup success. Raja (2023) highlights that entrepreneurship, particularly among young founders, involves navigating significant challenges such as limited access to capital, managerial inefficiencies, and market entry barriers. In this context, angel investors act as key enablers by offering not only funding but also mentorship, industry expertise, and strategic guidance, thereby enhancing the survival and growth prospects of early-stage ventures. The study characterizes angel investors as “unsung heroes” who actively engage with startups, adopting a hands-on investment approach that emphasizes the founders’ commitment, vision, and passion rather than relying solely on financial metrics. This active involvement significantly influences the success trajectory of startups, particularly during their formative stages. Furthermore, the study draws attention to the rapid growth of angel investing in India, noting a surge in startup funding and an increase in unicorn ventures, reflecting heightened investor confidence and ecosystem development. Overall, the research underscores that angel investment is a transformational mechanism that integrates capital support with mentorship and active participation, thereby promoting innovation, economic growth, and sustainable entrepreneurship.

Angel Funding and Entrepreneurs’ Well-Being: The Mediating Role of Autonomy, Competence, and Relatedness by Corinna Vera Hedwig Schmidt, Patrick Sven Gaßmann, Nele McElvany, and Tessa Christina Flatten

Angel funding not only influences the financial outcomes of entrepreneurial ventures but also has significant implications for entrepreneurs’ psychological well-being. Schmidt, Gaßmann, McElvany, and Flatten examine this relationship through the lens of self-determination theory, focusing on the impact of angel investment on eudaimonic well-being, which encompasses personal growth, fulfillment, and self-realization. Using large-scale linguistic analysis of entrepreneurs’ social media data, the study finds that angel funding generally enhances well-being by strengthening feelings of competence and relatedness, as entrepreneurs benefit from mentorship, validation, and expanded professional networks. However, the involvement of angel investors may simultaneously reduce entrepreneurs’ sense of autonomy due to shared control and decision-making responsibilities. This dual effect highlights both the empowering and constraining dimensions of angel investment. The study further emphasizes that entrepreneurs’ well-being is shaped not only by financial performance but also by the quality of their interactions with investors and their perceived level of independence. Additionally, it suggests that cultural and individual differences may influence these outcomes, indicating the need for further research using diverse methodologies and contexts. Overall, the study contributes to entrepreneurial finance literature by linking angel investment with psychological outcomes, underscoring the importance of supportive and autonomy-sensitive investor relationships in promoting both venture success and entrepreneur well-being.

Financing High-Growth Firms: The Role of Angel Investors By Karen E. Wilson (2011)

Angel investors play a critical role in financing high-growth firms, particularly during the seed and early stages of business development where access to formal funding is limited. Wilson (2011) highlights that angel investors are often the primary source of external equity for startups and have become increasingly significant in bridging financing gaps, especially in the aftermath of the global financial crisis when traditional funding sources such as banks and venture capital firms became more constrained. Beyond providing capital, angel investors contribute valuable mentorship, industry expertise, and professional networks that are essential for startup success and scalability. Drawing on a global analysis

across OECD and non-OECD countries, the study identifies key trends, investment structures, and success factors associated with angel financing. It also emphasizes the importance of policy interventions, including fiscal incentives, co-investment schemes, and the development of organized angel networks, to strengthen entrepreneurial ecosystems. Furthermore, the report underscores the need for improved data collection and enhanced collaboration between investors and policymakers to support innovation-driven growth. Overall, the study positions angel investors as vital catalysts for innovation, job creation, and economic development, reinforcing their significance in building sustainable and resilient startup ecosystems.

Angel Investors, Seed-Stage Investors, and Founders' Influence on FinTech Funding: An Emerging Market Context:

Angel and seed-stage investors play a crucial role in shaping the funding trajectory of FinTech startups, particularly in emerging market contexts. The study on FinTech funding across 2,524 firms in 76 countries highlights that early-stage investments significantly increase the likelihood of startups securing follow-on funding from venture capital and private equity sources. Startups that receive angel or seed funding benefit not only from financial capital but also from mentorship, credibility, and market validation, which enhance their attractiveness to subsequent investors. Additionally, the research finds that ventures led by multiple founders are more likely to attract funding compared to single-founder firms, indicating that collaborative teams inspire greater investor confidence due to diversified skills and shared decision-making. However, the impact of early-stage investment and founder composition is observed to be relatively weaker in emerging markets, likely due to structural constraints such as limited investor networks, lower financial literacy, and underdeveloped entrepreneurial ecosystems. The study also notes that FinTech firms operating in financing and payments segments are more successful in attracting investment due to their scalability and relevance to digital financial inclusion. Overall, the research emphasizes the importance of strengthening investor networks, promoting team-based entrepreneurship, and supporting high-potential sectors to enhance funding outcomes and drive financial innovation in emerging economies.

OBJECTIVES OF THE STUDY

1. To examine the psychological factors, (cognitive biases, feelings, and private attitudes) influencing angel buyers' decision-making towards early-degree ventures.
2. To analyse the role of investor–entrepreneur relationships, including consider, conversation, and personal compatibility, in shaping investment decisions and startup results.
3. To evaluate the non-financial contributions of angel traders, particularly in phrases of mentorship, strategic steering, and organizational improvement.
4. To assess the influence of angel traders on key managerial decisions, such as hiring practices and human resource strategies inside startups.
5. To study the funding choice standards and group dynamics within angel investor networks and their impact on investment choices.

RESEARCH GAP

1. Lack of information of mental factors:
2. there may be restrained studies on how angel investors' emotions, behaviour, and personal attitudes impact their funding choices.
3. Limited study on investor–entrepreneur dating:
4. Few research have explored how consider, communicate, and personal connection among angels and marketers affect investment success and enterprise growth.
5. Lack of knowledge of non-monetary roles:
6. the wider, non-financial impact of angel buyers—consisting of their guidance in building groups and shaping organizational culture—remains underexplored.
7. Limited information of selection standards within angel networks:
8. there may be inadequate empirical studies at the precise factors and decision-making standards that guide angel traders working in organized networks inclusive of Tech Coast Angels.

TOOLS AND METHODOLOGY

Research design:

The examine adopts a systematic Literature assessment (SLR) design to critically observe and synthesize present research on behavioural elements influencing angel investors' selection-making in early-level ventures.

Statistics sources:

The take a look at is based totally on secondary statistics gathered from credible instructional and institutional assets, together with:

- Peer-reviewed journals indexed in Scopus and UGC Care
- online databases inclusive of Google scholar, Scopus, JSTOR, and ScienceDirect

approach of evaluation:

The gathered literature is systematically reviewed and analyzed the usage of thematic evaluation to pick out key behavioural elements influencing angel investors' choice-making.

DATA ANALYSIS AND INTERPRETATION

The present examine is based on a scientific review of secondary information accrued from numerous peer-reviewed journals, studies articles, and institutional reviews related to angel investors and behavioural finance. The accrued literature became cautiously analyzed using thematic analysis to identify recurring styles, principles, and behavioural factors influencing angel investors' selection-making.

The analysis famous that cognitive biases such as overconfidence, optimism, anchoring, and herd behaviour play a full-size role in shaping investment decisions, specially underneath situations of uncertainty. buyers regularly rely upon heuristics and beyond reports, which may also result in subjective judgement as opposed to merely rational evaluation of funding possibilities.

further, the assessment suggests that threat perception and emotional factors strongly have an impact on decision-making. Angel investors generally tend to assess not most effective the economic viability of a assignment however additionally their personal self assurance within the founders, market ability, and average enterprise surroundings. Emotional attachment and intuition frequently complement analytical reasoning inside the investment method.

The findings additionally spotlight the significance of non-financial contributions, such as mentorship, strategic guidance, and industry understanding, which notably impact startup increase and sustainability. additionally, the investor–entrepreneur relationship, which include trust, conversation, and alignment of imaginative and prescient, emerges as a important issue influencing both funding choices and submit-funding involvement.

furthermore, the analysis indicates that group dynamics within angel networks and prior investment experiences have an impact on choice-making patterns, main to collective behaviour which could toughen certain biases or alternatives.

typical, the translation of findings indicates that angel buyers' selection-making is a complex interplay of psychological, behavioural, and contextual factors, rather than being pushed solely through monetary concerns.

FINDINGS

1. Massive position of mental factors:

The evaluate exhibits that angel traders' selection-making is strongly prompted through psychological elements inclusive of cognitive biases (overconfidence, optimism, anchoring) and emotional responses, leading to subjective assessment of investment opportunities.

2. Importance of danger notion:

Angel investors' belief of chance varies based totally on private revel in, instinct, and marketplace uncertainty, indicating that investment choices aren't merely rational however context-pushed.

3. Have an impact on of Investor–Entrepreneur relationship:

believe, conversation, and alignment of vision between traders and entrepreneurs play a important function in investment decisions and post-funding involvement.

4. Price of Non-economic Contributions:

Angel investors provide substantial non-financial support, such as mentorship, strategic steerage, and industry know-how, which positively effect startup increase and sustainability.

5. Effect of group Dynamics in Angel Networks:

investment decisions inside angel networks are inspired via collective judgement, shared reports, and institution behaviour, which can strengthen both rational decisions and behavioural biases.

6. Multi-Dimensional Nature of choice-Making:

The examine reveals that angel funding decisions are a combination of economic evaluation, psychological elements, and social affects, in place of being based solely on economic metrics.

SUGGESTIONS

1. Improving awareness of Behavioural Biases:

Angel buyers need to be made aware about cognitive biases through education and based assessment frameworks to improve the first-class of selection-making.

2. Strengthening Investor–Entrepreneur Relationships:

marketers should cognizance on building trust, keeping obvious verbal exchange, and aligning their imaginative and prescient with investor expectancies to improve funding effects.

3. Encouraging established selection-Making in Networks:

Angel networks should undertake formal assessment criteria and decision-making frameworks to decrease the impact of group biases and enhance investment performance.

4. Promoting Non-monetary Engagement:

Traders must actively have interaction in mentorship and strategic steering to beautify startup overall performance and lengthy-time period sustainability.

5. Policy support for Angel Ecosystems:

Governments have to design regulations that inspire both economic funding and non-monetary participation, along with mentorship applications and investor networks.

6. Enhancing Entrepreneurial Preparedness:

Startups should benefit higher information of investor expectations, including behavioural alternatives, to efficiently function their ventures and boom funding achievement.

CONCLUSION

This has a look at offers a comprehensive knowledge of the behavioural factors influencing angel investors' decision-making in early-level ventures via a scientific overview of existing literature. The findings set up that angel investment selections are not solely driven with the aid of rational economic assessment but are substantially shaped through psychological and behavioural dimensions, consisting of cognitive biases, emotions, and individual hazard perceptions. factors consisting of overconfidence, optimism, and heuristic-based totally judgement often have an effect on how buyers determine opportunities under uncertainty, highlighting the restrictions of in basic terms objective choice-making models.

The examine similarly emphasizes the important role of relational and contextual elements, specifically the investor–entrepreneur relationship, which is constructed on accept as true with, verbal exchange, and shared vision. in addition, angel traders make a contribution extensively past capital with the aid of presenting mentorship, strategic guidance, and get entry to to networks, thereby enhancing the increase and sustainability of startups. The effect of organization dynamics within angel networks additionally emerges as a key determinant, shaping collective investment behaviour and reinforcing each rational and biased selections.

via integrating insights from behavioural finance and entrepreneurial studies, this study contributes to a extra holistic expertise of angel investing. It underscores the want for structured decision-making frameworks, more awareness of behavioural biases, and stronger collaboration among traders and marketers. ordinary, the have a look at highlights that

effective angel investment is a multidimensional technique, in which economic, mental, and social elements have interaction to determine funding effects, thereby gambling a critical position in fostering innovation, entrepreneurship, and economic development.

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