

Individuals

Individuals may also provide funding for innovation, such support which can be from provided by friends and family can be especially important for start-ups that need seed money to start operations as access to external sources of funding might be difficult. Moreover, when it comes to innovation angel investors can play a particularly important role. They typically operate in a segment that falls in between informal founders, friends and family financing, and formal venture capital investors. An angel investor can be defined as “(a) high net worth individual, acting alone or in a formal or informal syndicate, who invests his or her own money directly in an unquoted business in which there is no family connection and who, after making the investment, generally takes an active involvement in the business, for example, as an advisor or member of the board of directors” (Mason and Harrison, 2008).

Angel investors play a key role in providing strategic and operational expertise for innovative new ventures, as well as providing important contacts and introductions. Several studies estimate that total angel investment is greater than VC investment in countries with developed angel markets. Angel investors tend to invest in a broader range of sectors than VCs, although the bulk of investment is also typically in ICT, biotech and health. Thus, the role of business angels in the trajectories of innovative new ventures is important and complements the role of other key actors, such as venture capitalists. Policy makers can encourage angel investment through tax incentives for private individuals investing in specified types of investments and businesses, and through co-investment funds. Policy makers can also support the development of the angel investment market through the provision of financing for angel networks, groups, associations and federations, and by providing training to help professionalize the industry and attract new angel investors (see [Business angels](#) [1]).

References

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