

Impact Factor: **2.2**

5-Year Impact Factor:

Contents

... More


Abstract

The 2008 financial crisis had a significant impact on medium-sized enterprises, resulting in a loss of venture capital. This has prompted governments to provide support for venture capital. Whereas there are comprehensive data on venture capital, there is equivalent information on business angel investment activity is lacking. This paper draws upon three sources of evidence on business angel investment activity in the UK—business angel networks, Scottish angel groups, and individual angels—to reveal for the first time how the angel market has fared during the early stage of the financial crisis. While the evidence is not entirely consistent, it is clear that angel investment activity has held up since the onset of the financial crisis. This further emphasises the economic significance of business angels and underlines the need for ongoing government support. Policy options are reviewed.



Get full access to this article

View all access and purchase options for this article.

Get Access 

References

Angel Resource Institute, Silicon Valley Bank, 2013, "The Halo Report. Angel group update: 2012 year in review", <http://www.angelresourceinstitute.org/research/halo-report.aspx>

[Google Scholar](#)

Avdeitchokova S, Landström H, Månsson N, 2008, "What do we mean when we talk about business angels? Some reflections on definitions and sampling" *Venture Capital: An International Journal of*

[Crossref](#)

[Google Scholar](#)

Bank of England, 2013 *Trends in Lending* London, http://www.bankofengland.co.uk/publications/Documents/other/monetary/trends_july.pdf

[Google Scholar](#)

BIS, 2010 *Finance Survey of SMEs*. IFF Research, Department for Business, Innovation and Skills, London

[Google Scholar](#)

BIS, 2012, “*SME access to external finance*”, BIS Economics Paper 16, Department for Business, Innovation and Skills, London

[Google Scholar](#)

Breedon T, 2012 *Boosting Finance Options for Business*. Department for Business, Innovation and Skills, London

[Google Scholar](#)

BVCA, 2010 *Private Equity and Venture Capital Report on Investment Activity*. British Venture Capital Association, London

[Google Scholar](#)

BVCA, 2013 *Private Equity and Venture Capital Report on Investment Activity*. British Venture Capital Association, London

[Google Scholar](#)

Cerullo B, Sommer B, 2002, “Helping healthcare entrepreneurs: a case study of angel healthcare investors, LLC” *Venture Capital: An International Journal of Entrepreneurial Finance* 4 325–330

[Crossref](#)

[Google Scholar](#)

Collewaert V, Manigart S, Aernoudt A, 2010, “Assessment of government funding of business angel networks in Flanders” *Regional Studies* 44 119–130

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Cowling M, Liu W, Ledger A, 2012, “Small business financing in the UK before and during the current financial crisis” *International Small Business Journal* 30 778–800

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

[Google Scholar](#)

Davis A 2011 *Beyond The Banks: Innovative Ways to Finance Britain's Small Businesses*. Nesta, London

[Google Scholar](#)

Deloitte, 2013 Taking the Pulse of the Angel Market UK Business Angels Association, London [Entrevestor.com](#), 2013, "Debating the pay-to-pitch model", <http://www.entrevestor.com/blog/debating-the-pay-to-pitch-model>

[Google Scholar](#)

Farrell E, Howorth C, Wright M, 2008, "A review of sampling and definitional issues in informal venture capital research" *Venture Capital: An International Journal of Entrepreneurial Finance* 10 331–353

[Crossref](#)

[Google Scholar](#)

Freear J, Sohl J E, Wetzel W E, 1994, "The private investor market for venture capital" *The Financier* 1 7–15

[Google Scholar](#)

Gaston R J, 1989, "The scale of informal capital markets" *Small Business Economics* 1 223–230

[Crossref](#)

[Google Scholar](#)

Gill D, 2010, "The collapse of the funding escalator: how it happened about what to do about it", *presentation to the Institute for Manufacturing, University of Cambridge, 24 June*; copy available from author at St John's Innovation Centre, Cowley Road, Cambridge CB4 0WS

[Google Scholar](#)

Gregson G, Mann S, Harrison R, 2013, "Business angel syndication and the evolution of risk capital in a small market economy: evidence from Scotland" *Management and Decision Economics* 34 95–107

[Crossref](#)

[Google Scholar](#)

Harris J, Mason C, 2013, "Risk capital market in Scotland 2009–2011", Glasgow Scottish Enterprise, <http://www.scottish-enterprise.com/resources/publications/pqr/risk-capital-market-in-scotland-2012.aspx>

[Google Scholar](#)

Harrison R T, Mason C M, 1989, "The role of the Business Expansion Scheme in the UK" *Omega* 17 147–157

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Harrison R T, Mason C M, 1996, "Developing the informal venture capital market: a review of DTI's informal investment demonstration projects" *Regional Studies* 30 765–772

[Crossref](#)

[Google Scholar](#)

Harrison R T, Don G, Glancey Johnston K, 2010, "The early-stage risk capital market in Scotland since 2000: issues of scale, characteristics and market efficiency" *Venture Capital: An International Journal of Entrepreneurial Finance* 12 211–239

[Crossref](#)

[Google Scholar](#)

Hayton K, Thorn G, Percy V, Boyd C, Latimer K, 2008, "Evaluation of the Scottish Co-investment Fund: a report to Scottish Enterprise", Hayton Consulting and GEN, Glasgow

[Google Scholar](#)

HMRC, 2012 *Enterprise Investment Scheme*. HM Revenue and Customs, <http://www.hmrc.gov.uk/statistics/enterprise.htm>

[Google Scholar](#)

HM Treasury, 2003 *Bridging the Finance Gap* (HM Treasury, London)

[Google Scholar](#)

HM Treasury, BIS, 2010 *Financing a Private Sector Recovery Department for Business, Innovation and Skills* (HM Treasury, London)

[Google Scholar](#)

House of Commons, 2013 *Bridging the Valley of Death: Improving the Commercialisation of Research* HC 348, *House of Commons Science and Technology Committee* (The Stationery Office, London)

[Google Scholar](#)

Hutton W, Nightingale P, 2012 *The Discouraged Economy*. The Work Foundation, London

[Google Scholar](#)

Kreston UK, 2013, "Technology survey report 2012", <http://www.kreston.com>

[Google Scholar](#)

Large D, Muegge S 2008, "Venture capitalists' non-financial value-added: an evaluation of the evidence and implications for research" *Venture Capital: An International Journal of Entrepreneurial Finance* 10 21–53

[Crossref](#)

[Google Scholar](#)

Mason C, 2009, "Venture capital in crisis?" *Venture Capital: An International Journal of Entrepreneurial Finance* 11 279–285

[Crossref](#)

[Google Scholar](#)

Mason C, 2012, "Does tax relief tempt angels?" *Financial Times Weekend Money*, 21–22 April

[Google Scholar](#)

Mason C M, Harrison R T, 1996, "Informal venture capital: a study of the investment process and post-investment experience" *Entrepreneurship and Regional Development* 8 105–126

[Crossref](#)

[Google Scholar](#)

Mason C M, Harrison R T, 1997, "Business angel networks and the development of the informal venture capital market in the UK: is there still a role for public policy?" *Small Business Economics* 9 111–123

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Mason C M, Harrison R T, 2000a, "The size of the informal venture capital market in the United Kingdom" *Small Business Economics* 15 137–148

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Mason C M, Harrison R T, 2000b, "Influences on the supply of informal venture capital in the UK: an exploratory study of investor attitudes" *International Small Business Journal* 18(4) 11–28

[Crossref](#)

[Google Scholar](#)

Mason C M, Harrison R T, 2006, "After the exit: acquisitions, entrepreneurial recycling and regional economic development" *Regional Studies* 40 55–73

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Mason C M, Harrison R T, 2008a, "Measuring business angel investment activity in the United Kingdom: a review of potential data sources" *Venture Capital: An International Journal of Entrepreneurial Finance* 10 309–330

[Crossref](#)

[Google Scholar](#)

Mason C M, Harrison R T, 2008b *Developing Time-series Data on the Size and Scope of the UK Business Angel Market*. Small Business Investment Task Force, Department for Business, Enterprise and Regulatory Reform, Sheffield

[Google Scholar](#)

Mason C M, Harrison R T, 2010 *Annual Report on the Business Angel Market in the United Kingdom: 2008/09*. Department of Business, Innovation and Skills, London

[Google Scholar](#)

Mason C M, Harrison R T, 2011 *Annual Report on the Business Angel Market in the United Kingdom: 2009/10*. Department for Business, Innovation and Skills, London

[Google Scholar](#)

Mason C, Pierrakis Y, 2013, "Venture capital, the regions and public policy: the United Kingdom since the post-2000 technology crash" *Regional Studies* 47 1156–1171

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

May J, 2002, "Structured angel groups in the USA: the Dinner Club experience" *Venture Capital: An International Journal of Entrepreneurial Finance* 4 337–342

[Crossref](#)

[Google Scholar](#)

Murray G, 1994, "The second 'equity gap': exit problems for seed and early stage venture capitalists and their investee companies" *International Small Business Journal* 12 59–76

[Crossref](#)

[Google Scholar](#)

North D, Baldock R, Ullah F, 2013, "Funding the growth of UK technology-based small firms since the financial crash: are there breakages in the finance escalator?" *Venture Capital: An International Journal of Entrepreneurial Finance* 15 237–260

[Crossref](#)

[Google Scholar](#)

NZVIF, 2013 *New Zealand Young Company Finance 14*. New Zealand Venture Investment Fund, Auckland

[Google Scholar](#)

OECD, 2011, *Financing High Growth Firms: The Role of Angel Investors* (Paris)

[Google Scholar](#)

Payne W H, Macarty M J, 2002, "The anatomy of an angel investing network: Tech Coast Angels" *Venture Capital: An International Journal of Entrepreneurial Finance* 4 331–336

[Crossref](#)

[Google Scholar](#)

Pierrakis Y, 2010 *Venture Capital: Now And After the Dotcom Crash*. Nesta, London

[Google Scholar](#)

Politis D, 2008, "Business angels and value added: what do we know and where do we go?" *Venture Capital: An International Journal of Entrepreneurial Finance* 10 127–147

[Crossref](#)

[Google Scholar](#)

Reuschke D, MacLennan D, 2012, "*Housing assets and small firms: connections and policy implications*", Centre for Housing Research, University of St Andrews, Scotland

[Google Scholar](#)

Rowlands, 2009 *The Provision of Growth Capital to UK Small and Medium Sized Firms* (The Stationery Office, London)

[Google Scholar](#)

Sohl J, 2007, "The organization of the informal venture capital market", in *Handbook of Research on Venture Capital* Ed. Landström H (Edward Elgar, Cheltenham, Glos) pp 347–368

[Crossref](#)

[Google Scholar](#)

Sohl J, 2009, "*The angel investment market in 2008: a down year in investment dollars but not in deals*", Center for Venture Research, University of New Hampshire, Durham, NH

[Google Scholar](#)

Sohl J, 2010, "*The angel investment market in 2009: holding steady but changes in seed and start-up investments*", Center for Venture Research, University of New Hampshire, Durham, NH

[Google Scholar](#)

Sohl J, 2011, "*The angel investment market in 2010: a market on the rebound*", Center for Venture Research, University of New Hampshire, Durham, NH

[Google Scholar](#)

Sohl J, 2012a, "The changing nature of the angel market", in *Handbook of Research on Venture Capital. Volume 2: A Globalising Industry* Eds Landström H, Mason C (Edward Elgar, Cheltenham, Glos) pp 17–41

[Crossref](#)

[Google Scholar](#)

Sohl J, 2012b, *"The angel investment market in 2011: the recovery continues"*, Center for Venture Research, University of New Hampshire, Durham, NH

[Google Scholar](#)

Sohl J, 2013, *"The angel investment market in 2012: a moderating recovery continues"*, Center for Venture Research, University of New Hampshire, Durham, NH

[Google Scholar](#)

SQW Consulting, 2009, *"The supply of equity finance to SMEs: revisiting the 'equity gap'"*, report to the Department of Business, Enterprise and Regulatory Reform and Department for Innovation, University and Skills, London

[Google Scholar](#)

Wetzel W E, 1983, "Angels and informal risk capital" *Sloan Management Review* 24 23–34

[Google Scholar](#)

Similar articles:



Restricted access

[Business Angels in the UK: A Response to Stevenson and Coveney.](#)

Show Details ▾



Restricted access

[Why business angels reject investment opportunities: Is it personal?](#)

Show Details ▾



Restricted access

[Critical innovations in the UK peer-to-peer \(P2P\) and equity alternative finance markets for small firm growth](#)

Show Details ▾

[View More](#)

Sage recommends:

SAGE Knowledge

Book chapter

[Sources of Early-Stage Financing](#)

Show Details ▾

SAGE Knowledge
Entry

[Angel Investors](#)

Show Details ▾

SAGE Knowledge
Literature review

[What do Investors Look for in a Business Plan? A Comparison of the Investment Criteria of Bankers, Venture Capitalists and Business Angels](#)

Show Details ▾

[View More](#)

You currently have no access to this content. Visit the [access options](#) page to authenticate.

[Download PDF](#)

Also from Sage

CQ Library

Elevating debate

Sage Data

Uncovering insight

Sage Business Cases

Shaping futures

Sage Campus

Unleashing potential

Sage Knowledge

Multimedia learning resources

Sage Research Methods

Supercharging research

Sage Video

Streaming knowledge

Technology from Sage

Library digital services