



BUSINESS ANGELS' ENTREPRENEURS IN THE AREA OF SOUTHEAST EUROPE

Milenko Matić

University of Novi Sad, Faculty of Economics in Subotica, Republic of Serbia

✉ milenko.matic@ef.uns.ac.rs

Bojan Leković

University of Novi Sad, Faculty of Economics in Subotica, Republic of Serbia

✉ bojan.lekovic@ef.uns.ac.rs

Sunčica Milutinović

University of Novi Sad, Faculty of Economics in Subotica, Republic of Serbia

✉ suncica.milutinovic@ef.uns.ac.rs

UDC
330.341.1
(4-12)

Original
scientific
paper

Received:
22.01.2024
Accepted:
30.08.2024

Abstract: This research aims to determine the determinants of entrepreneurs, who are also business angels in Southeast Europe. Using the Global Entrepreneurship Monitor (GEM) database, 8002 entrepreneurs were identified, of which 408 are business angels. Empirical analysis was performed using the SPSS v.26 software package. Binary logistic regression is used. Four groups of factors were identified as determinants. Demographic factors, factors of growth, internationalization of business and motivation are at stake. The findings of the study show that angel entrepreneurs generate high levels of income. In addition, a statistically significant negative relationship was established between the mining, construction, and administrative services sectors, with angel investing. Expectations of company growth are positively related to investing in risky businesses. Entrepreneurs who achieve an export intensity of up to 25% are most often engaged in angel investing. Entrepreneurs whose source of motivation is the desire to continue the family business are the most inspired by investing in ventures in the role of business angels.

Keywords: Business angels, angel investment, entrepreneurship

JEL classification: G24, M13, L124

1. Introduction

Venture capital funds are created by investors who have a very active role in the venture. They are active observers of the businesses they invest in (Dennis, 2004). In addition to financing, their activity is also manifested through the provision of strategic support, shell resources, marketing advice, connections with lawyers, accountants, consultants, investment banks and other actors who can help them become large companies (Cumming & Johan, 2017). This way of financing will lead to a reduction in control and influence on decision-making about the venture. In addition, this is a very expensive source of financing, as investors may demand high rates of return (Zacharakis et al., 1999).

Corporate investment can be in the form of direct investments through corporate venture funds, indirect investments through independent funds, acquisitions, and strategic alliances with entrepreneurs. The reasons why corporations engage in this form of financing can be financial and strategic. This form of financing is not very popular, due to its several disadvantages. Corporate financing programs often have incompatible goals, the corporation's commitment is low, there is a conflict of interest between the company and the entrepreneur, no possibility of agreement on the division of financial results, the risk of creating competition and taking over the business (Dushnitsky & Shaver, 2009).

Business angels represent a source of venture capital that finances entrepreneurial firms that other investors are reluctant to finance (Wetzel, 1983). They differ from the previous alternatives in that they invest their own funds. (Van Osnabrugge, 2000). Investments are in smaller amounts and are given in the early stages of enterprise development. Investment decisions and ventures that lack material assets are made based on the assessment that they have potential for growth. Obtaining funds from business angels increases the chances of qualifying for support funds from other venture funds. The relationship between an angel and an entrepreneur can be defined in different ways. They can provide one-time funds or ongoing support to entrepreneurs.

The research focuses on the financing of entrepreneurial ventures by business angels. The goal is to determine the characteristics of business angels in Southeast Europe. The GEM database was used for the research. The key determinants analyzed in the paper are demographic characteristics, the sector the angel comes from, company growth, business internationalization and motivation. The organization of the work presents a theoretical analysis of the literature in this area, which includes a review of works that analyze the influence of the aforementioned factors on the entrepreneur's decision to choose the role of a business angel. The next segment of the work consists of the methodology and research results obtained by the logistic regression method. The last segment consists of a discussion of the results, conclusion, limitations of the research, contribution of the work and suggestions for further research.

2. Theoretical background

Financing of new ventures starts with collecting money from own sources, which include family, friends, and fools, which is popularly called 3F (Kotha & George, 2012). Companies in the initial stages of their development often must use external sources of financing to ensure growth (Hisrich & Jankowicz, 1990). When a new venture does not have the possibility of independent financing, but has the potential for rapid and aggressive growth, some of the alternatives for its financing can be business angels or venture capital investors. Business angels are usually the first to provide capital to entrepreneurs who want to build a business (DeGennaro, 2010). They are the second round of financing, when the funds of family and friends are exhausted. In addition to playing an important role in providing seed capital, they build closer partnerships with the entrepreneurs in whose ventures they invest compared to venture capital investors (De Clercq et al., 2006; Fairchild, 2011). Entrepreneurs turn to venture capital investors only in the following stages when they need even more capital. Previous research shows that users of venture capital funds in many cases previously received money from business angels (Madill et al., 2005).

Mason (1999) defines angel financing as informal investments of risk capital and capital that is loaned without collateral, to companies that are not listed on the stock exchange and with which the angels have no family ties. Business angels are wealthy individuals who invest part of their assets in high-risk ventures, which bring high returns (Avdeitchikova et al., 2008). They are providers of venture capital to small, private businesses (Prowse, 1998). Wong & Ho (2007) define a business angel as an individual who, in the last three years, has invested his personal wealth in a venture started by a person with whom he has no family ties, excluding the purchase of publicly traded stocks. By all definitions, angels are venture capitalists who invest their own capital in early-stage ventures before using formal forms of venture capital. A large proportion of business angel investments are made before the company has earned any revenue. Business angel investment is a minimally regulated segment of the capital market, but it is crucial as it fills the gap that occurs in the financing of start-up companies (Wessendorf et al., 2019). That is why they play a significant role in the economy for encouraging entrepreneurship, creating new jobs and innovation.

Business angels can be said to make a high level of profit off the backs of entrepreneurs who have no money but bright ideas (Aernoudt, 1999). The best situation for angels is when the success of the venture depends on the lack of financial resources. However, for angels' financial rewards are not dominantly in the center of attention. The fact is that what makes them business angels is that they have money. The money they invest is only part of their capital that they will make available in this market. They are mostly triggered by some other motivators. Training entrepreneurs, helping to develop ventures, co-investing with others, participating in the growth of new ventures, buying prestige (Freear et al., 1992; Van

Osnabrugge & Robinson, 2000). Angels invest not only money, but also time, which entails giving advice and guidance to young entrepreneurs on the technical and managerial aspects of running a venture. They are helpful in preparing for securing a long-term financing strategy, engaging management and other employees. They can often be found in some formal position in the organization (Prowse, 1998).

The angel capital market operates in the dark, as little is known about the size of the market, the scale, the type of fundraisers and the angels who provide it. Angel investments are illiquid, meaning that there is no index to track angel investments, nor is there a secondary exchange where investors can buy or sell shares (Edelman et al., 2017). The business angel market involves private equity transactions that are not subject to rigorous disclosure requirements and there is almost no institutional infrastructure to support this market (Prowse, 1998). Once an investment is found, negotiations follow on key issues: financial and management. In addition to financing amounts, angels also provide loans and loan guarantees. The ownership share will depend on the interest of the business angel.

Venture capital funds have much more formal legal structures and regulatory requirements (DeGennaro, 2010). Business angels are less careful when they want to invest, they usually do it opportunistically, relying on instinct and without calculating the internal rate of return (Van Osnabrugge & Robinson, 2000). Investing their own money gives them the freedom to be less cautious, which can lead them to make poorer investment decisions. When investing, they use the jockey principle, according to which the horse is not important for success, but the jockey. This means that the choice of investment depends on the quality of the entrepreneur (Aernoudt, 1999). In addition, angels have at their disposal various mechanisms of control, which enable them to protect their interests. A place in the board of directors is one of the main ones. Their right to vote is extremely strong and they are asked about all important issues for the organization. Funds are placed in rounds, according to well-defined stages of development. They make available exactly as much as is needed to move to the next stage. There are also different types of contracts, which prevent mergers, asset sales and entering long-term deals, without the angel's permission. The extent to which these mechanisms are used will depend on the level of sophistication of the angel (Prowse, 1998). Sophisticated angels will demand that their contracts resemble those written in an organized capital market, to minimize moral hazard and protect against poor performance.

Business angels are quite different from each other, but we can divide them into two categories. These are active and passive angels (Harrison et al., 2010). Active angels are those who actively monitor the venture in which they have invested, are board members and advisors for important issues in the organization. They are highly motivated and have a knack for choosing good ideas and teams. Passive angels give money and rarely follow the activities of the company in which they have invested. They are usually part of an informal network, which is led by one or more active angels. Networks arise because angels create opportunities for joint ventures by

sharing information on potential business and expect it from their partners. Angel networks are made up of wealthy individuals, who usually invest in young companies for the first time. These groups bring many advantages to investors and entrepreneurs. Operational affairs are much better organized, and administrative costs are lower per monetary unit invested (DeGennaro, 2010).

An entrepreneurial background is characteristic of a large percentage of angels, and especially of the active group (DeGennaro, 2010). They have high incomes, as well as significant experience in establishing and managing businesses. Since they founded companies themselves, they give their investments to start-up companies rather than to companies with a set business model. That is why angel entrepreneurs, as the most active figures, are the focus of our research. The paper aims to explore the determinants of these angels, based on which they differ from other entrepreneurs.

2.1 Demographical factors

Analyzing different types of people, in our case entrepreneurs, begins with an attempt to determine the influence of their demographic characteristics on belonging to that profile. Demographic characteristics include gender, age, education, profession, employment status, marital status, and more. Studies dealing with entrepreneurs and their intentions confirm that demographic characteristics are significant for them. Entrepreneurial orientation and the ability to find new opportunities is determined by demographic characteristics (Startienė & Remeikienė, 2009; Javalgi & Grossman, 2016; Arafat et al., 2017). Earlier studies give an overview of the profile of angels, where they say that they are wealthy middle-aged men who have entrepreneurial ventures behind them (Harrison & Mason, 1992; Landström, 1993; Hindle & Wenban, 1999). Maula et al., (2005) confirm in their work that gender, age, education, and income are factors that predict the probability of becoming a business angel. Regarding gender and age, the dominant view is that angels are middle-aged men who have managed to gather entrepreneurial experience and financial resources for investment. High net worth and permanent employment are associated with a greater propensity to invest in risky businesses (Gollier, 2002). The professional experience that entrepreneurs use in angel investing is related to business management and administration, and these skills can be acquired in all industrial sectors. However, the choice of the sector in which to invest is crucial, and that is the one with the most potential for growth (Stedler & Peters, 2003). Research that is focused on examining the investment behavior of business angels in more detail shows that business angels are heterogeneous (Wong & Ho, 2007). Based on the analyzed literature, the first hypothesis is defined:

H1: Demographic factors influence the likelihood of engaging in angel investing in other ventures by entrepreneurs in Southeast Europe.

2.2 Business growth

Entrepreneurial contribution to economic growth has already been emphasized several times in the paper. What is not emphasized is that the mere existence of an entrepreneur is not enough. Continuous economic growth can only be achieved with the growth of entrepreneurs. Entrepreneurs achieve this by bringing innovations, creating new jobs, and entering foreign markets. Hence, the interest of the Governments of many countries in this area is clear (Oyelola et al., 2013). Angel capital is concentrated in regions that are more developed. Paul et al. (2003) points out that the population of business angels in less developed regions contains fewer investors with an entrepreneurial background. Expectations of the growth of the business angel's entrepreneurial venture contribute to his decision to place his funds on the risky market. The opening of new jobs is a clear sign that the growth of the entrepreneurial venture is to be achieved (Petrović & Leković, 2019). The growth of the enterprise will increase its capacity and affect the security of survival. The growth effect will result in an increase in net worth and risk tolerance. Guiso et al. (2003) say that increasing wealth will also increase the fund for risky assets. Individuals with higher risk tolerance will place their funds in risky ventures (Merton, 1975). Expectations of the growth of the business angel's entrepreneurial venture contribute to his decision to place his funds on the risky market. The second hypothesis is based on the previous analysis:

H2: Expectations of the growth of an entrepreneurial venture affects the probability of engaging in angel investing in other ventures by entrepreneurs in Southeast Europe.

2.3 Internationalization

The desire for profitable exploitation of the enterprise often leads entrepreneurs to the foreign market. In this sense, we will have the result of increasing the wealth of entrepreneurs, which can further result in their activation in the role of business angels. This effect has already been shown in the previous segment of the work. Doing business outside the borders of one's country will open up new opportunities for the entrepreneur (Alves et al., 2017). In addition to increasing profitability, the internationalization of business can bring entrepreneurs new business knowledge, new practices, work experience, travel, and the opportunity to see what is done better in the world, familiarization with foreign laws and regulations, and more. All this can help them understand how much easier it is to do business within the national economy. This can motivate entrepreneurs to make part of their funds available to other entrepreneurs within their country and thus contribute to economic growth. Previous work points out that angels invest mostly close to home (DeGennaro, 2010). Aernoudt (1999) in his work recounts the anecdote of a lord in England and states that he told him that he wanted when he was walking with his wife and dog, he could see and visit all his investments. Investing outside your backyard is characteristic of networks of associated business angels. Their capacities may exceed

the needs of their region, which may result in the placement of funds beyond their borders (Harrison et al., 2010). The previous analysis leads us to the third hypothesis:

H3: The internationalization of an entrepreneur's venture affects the likelihood of engaging in angel investing in other ventures by entrepreneurs in Southeast Europe.

2.4 Motivation

Knowing the motivational factors of entrepreneurs gives the possibility to direct their activities (Macfarland et al., 2022). In terms of motivation, according to the Global Entrepreneurship Monitor (GEM), we have four categories of entrepreneurs: motivated to make a change in the world, motivated to achieve high income and increase wealth, motivated to continue the family tradition and motivated to earn money due to lack of work (Matic et al., 2023). The classification is derived from the categorization of motives into motives of necessity and motives of chance (Hessels et al., 2008; Gurtoo & Williams, 2009). Entrepreneurs who started a business due to unemployment or lack of other alternatives are said to be motivated by motives of necessity. They are pushed into entrepreneurship (Block & Koellinger, 2009). Entrepreneurs who start a business because they see an opportunity and want to take advantage of it are motivated by chance motives (Kautonen & Palmroos, 2010). Van Osnabrugge & Robinson (2000) analyzed the reasons for investing by business angels. They determined the existence of three categories: angels who want financial gain, angels who want to play the role of entrepreneurs in the entrepreneurial process, and angels who are motivated by other non-financial factors. The fourth hypothesis derives from the previously analyzed literature.

H4: Motivational factors of entrepreneurs influence the likelihood of engaging in angel investing in other ventures by entrepreneurs in Southeast Europe.

3. Methodology

The SPSS v.26 program package was used to analyze the research results. The data was taken from the Global Entrepreneurship Monitor database from 2019. It is a global research organization that analyzes the impact of entrepreneurship on economic development. Global data at the national level were used for the work. Their content and conceptuality give results that do not lose their importance over time. Responses from the countries of Southeast Europe were filtered from the database. These are Slovenia, Croatia, Greece, and North Macedonia. The busang question was taken as the dependent variable: In the past three years, have you personally provided funds for a new business started by someone else, excluding any purchases of stocks or investments in mutual funds. The variable is binary with answers no=0 and yes=1. The independent variables are grouped into four categories.

Table 1. Independent variables

Description	Variable
Demographic	Gender
	Age
	Household size
	Income
	Sector
Growth	Expectation job growth ≥ 10 persons and ≥ 50 percent
	Expected job growth (percentage) in 5 years
Internationalization	Export intensity (4 categories)
Motivation	To make difference in the world
	To build great wealth or very high income
	To continue family tradition
	To earn a living because jobs are scare

Source: Author's analysis

The total number of respondents selected from the database from Southeast Europe is 8002. The research sample is presented in Table 2.

Table 2. Research sample

Angel		Gender		Age		Income	
No	7.594	Male	3.959	18-24	717	Lowest 33% tile	2.451
Yes	408	Female	4.043	18-24	8.008	Middle 33% tile	2.045
				35-44	1.182	Upper 33% tile	1.980
				45-54	1.231		
				55-64	1.263		
				65-99	424		

Source: Author's analysis

4. Results

Binary logistic regression was used to examine the influence of the determinants on the entrepreneurs' decision to invest in other ventures in the role of business angels. Omnibus Tests of Model Coefficients considers independent variables and based on the data (Sig.=0.012), ($p < 0.0005$) better predicts the results than in the situation where it is predicted that all entrepreneurs deal with logistics. The chi-square test is 45.05 with 26 degrees of freedom. According to the Hosmer-Lemesh test, the chi-square is 6.92 with a significance of 0.55, which shows that the model is supported. Reporting is based on the Nagelkerke R Square, which is an upgrade to the Cox & Snell R Square. Based on it, the model explained 18.7% of the variance on the determinants of business angel entrepreneurs.

Table 3. Binary logistics

Variables in the Equation									
		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1a	A. What is your gender?	0.0847	0.3471	0.0595	1	0.81	1.0884	0.5512	2.1489
	B. What is your current age (in years)?	0.0015	0.0135	0.0127	1	0.91	1.0015	0.9754	1.0284
	E. How many members make up your permanent household, including you?	-0.0188	0.1127	0.0278	1	0.87	0.9814	0.7868	1.2241
	GEMHHINC. GEM income recoded into thirds			5.1291	2	0.08			
	GEMHHINC. GEM income recoded into thirds(1)	0.8502	0.5167	2.7076	1	0.10	2.3401	0.8500	6.4420
	GEMHHINC. GEM income recoded into thirds(2)	1.0869	0.4799	5.1287	1	0.02	2.9651	1.1575	7.5957
	TEA: Industry ISIC version 4, 1-digit code			10.8405	12	0.54			

TEA: Industry ISIC version 4, 1-digit code(1)	-1.3011	0.9035	2.0740	1	0.15	0.2722	0.0463	1.5994
TEA: Industry ISIC version 4, 1-digit code(2)	-2.1150	0.9504	4.9521	1	0.03	0.1206	0.0187	0.7771
TEA: Industry ISIC version 4, 1-digit code(3)	-1.2973	0.8469	2.3463	1	0.13	0.2733	0.0520	1.4371
TEA: Industry ISIC version 4, 1-digit code(4)	-2.2736	1.2731	3.1892	1	0.07	0.1029	0.0085	1.2482
TEA: Industry ISIC version 4, 1-digit code(5)	-1.0672	0.9039	1.3939	1	0.24	0.3440	0.0585	2.0227
TEA: Industry ISIC version 4, 1-digit code(6)	-0.8855	0.7504	1.3925	1	0.24	0.4125	0.0948	1.7955
TEA: Industry ISIC version 4, 1-digit code(7)	-1.9808	1.2665	2.4462	1	0.12	0.1380	0.0115	1.6511
TEA: Industry ISIC version 4, 1-digit code(8)	-1.2936	1.2792	1.0226	1	0.31	0.2743	0.0224	3.3657
TEA: Industry ISIC version 4, 1-digit code(9)	-0.7316	0.8081	0.8196	1	0.37	0.4812	0.0987	2.3448
TEA: Industry ISIC version 4, 1-digit code(10)	-2.5657	1.2587	4.1547	1	0.04	0.0769	0.0065	0.9061
TEA: Industry ISIC version 4, 1-digit code(11)	-1.3611	0.8523	2.5500	1	0.11	0.2564	0.0482	1.3627
TEA: Industry ISIC version 4, 1-digit code(12)	-20.7820	12304.5698	0.0000	1	1.00	0.0000	0.0000	
TEA: Exp. job growth ≥ 10 persons and ≥ 50 percent	1.0119	0.4952	4.1763	1	0.04	2.7509	1.0423	7.2606
TEA: Expected job growth (percentage) in 5 years	-0.0001	0.0001	1.1493	1	0.28	0.9999	0.9996	1.0001

TEA: export intensity, 4 categories			7.9002	3	0.05			
TEA: export intensity, 4 categories(1)	0.1171	0.6783	0.0298	1	0.86	1.1243	0.2975	4.2487
TEA: export intensity, 4 categories(2)	1.1852	0.6143	3.7220	1	0.05	3.2713	0.9813	10.9050
TEA: export intensity, 4 categories(3)	0.0812	0.5407	0.0225	1	0.88	1.0845	0.3758	3.1296
Early-stage entrepreneur motive: To make a difference in the world	0.0964	0.1023	0.8865	1	0.35	1.1012	0.9010	1.3457
Early-stage entrepreneur motive: To build great wealth or a very high income	-0.0551	0.1042	0.2793	1	0.60	0.9464	0.7716	1.1609
Early-stage entrepreneur motive: To continue a family tradition	0.2856	0.0962	8.8109	1	0.00	1.3306	1.1019	1.6068
Early-stage entrepreneur motive: To earn a living because jobs are scarce	-0.0705	0.1019	0.4788	1	0.49	0.9319	0.7631	1.1380
Constant	-2.5294	1.3039	3.7635	1	0.05	0.0797		
a. Variable(s) entered on step 1: A. What is your gender?, B. What is your current age (in years)?, E. How many members make up your permanent household, including you?, GEMHHINC. GEM income recoded into thirds, TEA: Industry ISIC version 4, 1-digit code, TEA: Exp. job growth >=10 persons and >=50 percent, TEA: Expected job growth (percentage) in 5 years, TEA: export intensity, 4 categories, Early-stage entrepreneur motive: To make a difference in the world, Early-stage entrepreneur motive: To build great wealth or a very high income, Early-stage entrepreneur motive: To continue a family tradition, Early-stage entrepreneur motive: To earn a living because jobs are scarce.								

Source: Author's analysis

Importance and contribution were analysed for all independent variables. Below is an overview of variables that are statistically significant for the model. These are factors characteristic of entrepreneurs who, in addition to their core activity, are also involved in the financing of other businesses in the role of business angels. A factor reporting the level of income (*gemhhinc*), which in GEM denotes income recoded into thirds, and a factor reporting the sectors from which business angels come are the only statistically significant demographic factors. In addition to it, gender, age, and household size were observed within the framework of demographic factors.

The probability that an entrepreneur will finance other businesses in the role of a business angel is 2.9651 times higher for those who belong to the group of entrepreneurs with the highest income compared to the reference category representing entrepreneurs with the lowest level of income, when all other factors are equal. Belonging to the category with the highest level of income also gives the greatest opportunity for the accumulation of financial resources, which can be used later. One of the ways of using these funds is through the role of a business angel. Freear et al., (1994) and Harrison & Mason (1992) state that business angels are wealthy individuals with high incomes, which coincides with our results. The increase in the number of entrepreneurs in the field of mining and construction compared to the reference category of those who are not classified in any sector, reduces the probability of financing other businesses by entrepreneurs in the role of business angels. Increasing the category of entrepreneurs engaged in mining and construction by one unit decreases the probability of entrepreneurs being business angels by 0.1206, all other factors being equal. The increase in the number of entrepreneurs in the field of administrative services compared to the reference category of those who are not classified in any sector, reduces the probability of financing other businesses by entrepreneurs in the role of business angels. Increasing the category of entrepreneurs engaged in administrative services by one unit decreases the probability of entrepreneurs being business angels by 0.0769, all other factors being equal. Based on the review, it can be concluded that the sector from which the business angels came did not determine their decision to be angels. We are given an overview of the sectors in which there is a low probability of an angel appearing. Countries from the area of Southeast Europe cannot boast of developed financial markets. Savings, various development funds and loans are mainly used to finance ventures. Business angels are not represented on a large scale. In addition, neither of the two mentioned sectors can boast of business angels. The mining and construction sector consists of large companies, state-owned or foreign owned. There are very few places for entrepreneurs, so it is very unlikely that business angels will be found in this sector. The administrative sector is dominated by entrepreneurs, but the chance of generating income that can be used to finance other businesses is very small. Other authors are more concerned with the sectors in which angels invest (Stedler & Peters, 2003), and for the determinants that encourage angel investing, they highlight those that directly and indirectly lead to an increase in the wealth of angels (Gollier, 2002). This means that hypothesis H1 is partially confirmed.

The probability that an entrepreneur will finance other businesses in the role of a business angel is 2.7509 times higher for entrepreneurs who expect business growth compared to those who do not, when all other factors are equal. This confirms hypothesis H2. The entrepreneur's desire for growth comes from the desire for survival and greater profits. More jobs, more employees mean a greater possibility for the realization of those intentions. All this leads to the creation of preconditions for the entrepreneur to become a business angel and to have the possibility of investing in other ventures (Guiso et al., 2003).

The probability that an entrepreneur will deal with the financing of other businesses in the role of a business angel is 3.2713 times higher for those who belong to the group of entrepreneurs whose export intensity is from 1% to 25% compared to the reference category that represents entrepreneurs with an export intensity of 76 % to 100%, all other factors being equal. To explain this situation, it is best to start from the area in which the research is carried out and the business opportunities within its framework. In the area of Southeast Europe, a high level of exports is characteristic of foreign companies that have outsourced their operations to this area. This is not only characteristic of goods, but also the service sector with a special emphasis on IT. That is why there are very few business angel entrepreneurs who have a large percentage of exports, because there is little chance that these funds will be kept in these countries and marketed in this way. A characteristic of business angels is that they invest at home, in entrepreneurs who are at their fingertips (Aernoudt, 1999; DeGennaro, 2010). Therefore, it is more likely that domestic entrepreneurs are the ones who can be expected to be business angels, and their export capacity falls into the category that has an export intensity of up to 25%. With this, it can be concluded that hypothesis H3 is rejected.

The probability that an entrepreneur will engage in financing other businesses in the role of a business angel is 1.3306 times higher for those who are motivated to engage in entrepreneurship to continue the family tradition compared to those who are not motivated by it, when all other factors are equal. The continuation of the family tradition implies the desire for the long-term survival of the company. In the long term, an entrepreneur faces various challenges, and one of the best remedies for survival in entrepreneurship is through risk diversification, by making investments in other businesses that are not dependent on others. The existence of a family background in entrepreneurship can also mean accumulated funds that are used for the position of a business angel. (Guiso et al 2003) came to similar findings in their works, emphasizing that household wealth is the main determinant of allocation to risky assets. This partially confirms hypothesis H4.

5. Conclusion

Business angels represent one of the links in the chain, which influences the economic growth of the country through entrepreneurial activities. They are there to empower entrepreneurs with ideas in the initial stages of developing their venture. In this way, it will contribute to encouraging entrepreneurship, innovation, and the creation of new jobs. Their multiple importance set us the goal of looking at their determinants in Southeast Europe. The Global Entrepreneurship Monitor (GEM) database from 2019 was used for this analysis. The research sample consisted of 8002 entrepreneurs from Slovenia, Croatia, Greece and North Macedonia. Out of the total number of respondents, 408 of them invested in other ventures in the role of business angels.

Four groups of determinants were used for the analysis. These are demographic factors, within which the focus was on gender, age, household size, income level and the industrial sector they come from. The findings showed that the data on the level of income and the sector are statistically significant, in the sense that business angels are characterized by a high level of income. When it comes to sector analysis, the results indicate that the increase in the number of entrepreneurs engaged in mining, construction and administrative services will affect the decrease in the number of business angels in this area. The next considered determinant was the expectation of business growth of angel entrepreneurs, and the data show that there is a positive statistically significant relationship with their decision to invest. The more a business angel's business grows, the more likely it is to invest money in risky ventures. The third considered determinant was the internationalization of business. It was determined that those entrepreneurs whose export intensity is up to 25% have the highest probability of engaging in angel investing. Motivation was the last determinant that was analysed, and the conclusion is that entrepreneurs who are motivated to engage in entrepreneurship due to the continuation of the family business are most likely to invest in the role of angels.

The contribution of this work is reflected in the increase of literature in the field of finance and entrepreneurship. It serves as a framework for future research in these areas. The contribution is also in the fact that through the presentation of the determinants of business angels, it is a base for searching for key points that motivate them to invest. In this way, they can be more easily identified, tracked, and directed. In addition, one can analyse what others need to be in this role.

The work itself is characterized by several limitations. The subject of research was the characteristics of entrepreneurs in Southeast Europe. However, only Slovenia, Croatia, Greece and North Macedonia participated in the GEM research from this area, since they are the only ones that have a GEM national team that conducts and finances this research. The database is from 2019, which may lead to the question of the correctness of the research. The questionnaire is not directly intended for business angels, but the research was carried out by filtering in the

database, so there is a possibility that a more detailed questionnaire, which specifically aims to determine their determinants, would give more meaningful and better results.

Recommendations for further research are related to the creation of a questionnaire whose purpose is to determine their determinants. It would be good to do a panel research and compare different time periods, regarding business angel investing. In addition, further research could be focused on determining the sectors in which angels invest the most. Through further research, it is necessary to remove the fog from the concept of business angels as much as possible and make it easier to reach them, which is useful for entrepreneurs, but also for policy makers, if they want to institutionalize that process and contribute to this type of financing.

References

- Aernoudt, R. (1999). Business angels: should they fly on their own wings?. *Venture Capital: An International Journal of Entrepreneurial Finance*, 1(2), 187-195.
- Alves, M. F. R., Galina, S. V. R., Macini, N., Cagica Carvalho, L., & Costa, T. (2017). Internationalization and innovation in nascent companies: does gender matter?. *Journal of Small Business and Enterprise Development*, 24(4), 887-905.
- Arafat, M. Y., Saleem, I., Dwivedi, A. K., & Khan, A. (2020). Determinants of agricultural entrepreneurship: a GEM data based study. *International Entrepreneurship and Management Journal*, 16, 345-370.
- Avdeitchikova, S., Landström, H., & Månsson, N. (2008). What do we mean when we talk about business angels? Some reflections on definitions and sampling. *Venture Capital*, 10(4), 371-394.
- Block, J., & Koellinger, P. (2009). I can't get no satisfaction—Necessity entrepreneurship and procedural utility. *Kyklos*, 62(2), 191-209.
- Bosma, N., Content, J., Sanders, M., & Stam, E. (2018). Institutions, entrepreneurship, and economic growth in Europe. *Small Business Economics*, 51, 483-499.
- Carree, M. A., & Thurik, A. R. (2010). *The impact of entrepreneurship on economic growth* (pp. 557-594). Springer New York.
- Cumming, D., & Johan, S. (2017). The problems with and promise of entrepreneurial finance. *Strategic Entrepreneurship Journal*, 11(3), 357-370.
- De Clercq, D., Fried, V., Lehtonen, O., & Sapienza, H. (2006). An entrepreneur's guide to the venture capital galaxy. *Academy of Management Perspectives*, 20, 90-112.
- DeGennaro, R. P. (2010). Angel investors: who they are and what they do; can I be one, too?. *The journal of wealth management*, 13(2), 55-60.
- Denis, D. J. (2004). Entrepreneurial finance: an overview of the issues and evidence. *Journal of corporate finance*, 10(2), 301-326.
- Dushnitsky, G., & Shaver, J. M. (2009). Limitations to interorganizational knowledge acquisition: The paradox of corporate venture capital. *Strategic Management Journal*, 30(10), 1045-1064.
- Edelman, L. F., Manolova, T. S., & Brush, C. G. (2017). Angel investing: A literature review. *Foundations and Trends® in Entrepreneurship*, 13(4-5), 265-439.

- Fairchild, R. (2011). An entrepreneur's choice of venture capitalist or angel-financing: A behavioral game-theoretic approach. *Journal of Business Venturing*, 26(3), 359-374.
- Frederick, H. H., & Bygrave, B. (2004). How we finance our new and growing firms. *International Journal of Entrepreneurship and Small Business*, 1(3-4), 287-293.
- Freeear, J., Sohl, J. E., & Wetzel Jr, W. E. (1992). The investment attitudes, behavior and characteristics of high net worth individuals. *Frontiers of entrepreneurship research*, 16, 374-387.
- Freeear, J., Sohl, J. E., & Wetzel Jr, W. E. (1994). Angels and non-angels: are there differences?. *Journal of Business venturing*, 9(2), 109-123.
- Gollier, C. (2002). Discounting an uncertain future. *Journal of public economics*, 85(2), 149-166.
- Guiso, L., Haliassos, M., & Jappelli, T. (2003). Household stockholding in Europe: where do we stand and where do we go?. *Economic Policy*, 18(36), 123-170.
- Gurtoo, A., & Williams, C. C. (2009). Entrepreneurship and the informal sector: some lessons from India. *The International Journal of Entrepreneurship and Innovation*, 10(1), 55-62.
- Harrison, R. T., & Mason, C. M. (1992). International perspectives on the supply of informal venture capital. *Journal of Business venturing*, 7(6), 459-475.
- Harrison, R., Mason, C., & Robson, P. (2010). Determinants of long-distance investing by business angels in the UK. *Entrepreneurship and Regional Development*, 22(2), 113-137.
- Hessels, J., Van Gelderen, M., & Thurik, R. (2008). Entrepreneurial aspirations, motivations, and their drivers. *Small business economics*, 31, 323-339.
- Hindle, K., & Wenban, R. (1999). Australia's informal venture capitalists: an exploratory profile. *Venture Capital: An international journal of entrepreneurial finance*, 1(2), 169-186.
- Hisrich, R. D., & Jankowicz, A. D. (1990). Intuition in venture capital decisions: An exploratory study using a new technique. *Journal of business venturing*, 5(1), 49-62.
- Javalgi, R. R. G., & Grossman, D. A. (2016). Aspirations and entrepreneurial motivations of middle-class consumers in emerging markets: The case of India. *International Business Review*, 25(3), 657-667.
- Kautonen, T., & Palmroos, J. (2010). The impact of a necessity-based start-up on subsequent entrepreneurial satisfaction. *International Entrepreneurship and Management Journal*, 6, 285-300.
- Kotha, R., & George, G. (2012). Friends, family, or fools: Entrepreneur experience and its implications for equity distribution and resource mobilization. *Journal of business venturing*, 27(5), 525-543.
- Landström, H. (1993). Informal risk capital in Sweden and some international comparisons. *Journal of Business Venturing*, 8(6), 525-540.
- Macfarland, A. C. G., Macfarland, H. G., & Thompson, R. R. (2022). MOTIVATIONAL FACTORS IN ENTREPRENEURSHIP: THEORETICAL FRAMEWORK. *ASSOCIATION OF COLLEGIATE MARKETING EDUCATORS*, 33.
- Madill, J. J., Haines, Jr, G. H., & RIding, A. L. (2005). The role of angels in technology SMEs: A link to venture capital. *Venture capital*, 7(2), 107-129.
- Mason, C. (1999). *Venture capital: Rationale, aims and scope*.

- Matić, M., Leković, B., & Bobera, D. (2023). DETERMINANTS OF ENTREPRENEURS IN LOGISTIC INDUSTRY: GEM STUDY ANALYSIS. *Facta Universitatis, Series: Economics and Organization*, 261-279.
- Matić, M., Leković, B., & Bobera, D. (2023). The influence of barriers on entrepreneurial intentions: Student entrepreneurship in Western Balkan countries. *Anali Ekonomskog fakulteta u Subotici*, (00).
- Maula, M., Autio, E., & Arenius, P. (2005). What drives micro-angel investments?. *Small Business Economics*, 25, 459-475.
- Merton, R. C. (1975). Optimum consumption and portfolio rules in a continuous-time model. In *Stochastic optimization models in finance* (pp. 621-661). Academic Press.
- Oyelola, O. T., Ajiboshin, I. O., Raimi, L., Raheem, S., & Igwe, C. N. (2013). Entrepreneurship for sustainable economic growth in Nigeria. *Journal of sustainable development studies*, 2(2).
- Prowse, S. (1998). Angel investors and the market for angel investments. *Journal of Banking & Finance*, 22(6-8), 785-792.
- Stam, E., & Van Stel, A. (2011). Types of entrepreneurship and economic growth. *Entrepreneurship, innovation, and economic development*, 2011, 78-95.
- Startienė, G., & Remeikienė, R. (2009). The influence of demographical factors on the interaction between entrepreneurship and unemployment. *Inžinerinė ekonomika*, (4), 60-70.
- Stedler, H., & Peters, H. H. (2003). Business angels in Germany: an empirical study. *Venture Capital: An International Journal of Entrepreneurial Finance*, 5(3), 269-276.
- Urbano, D., Aparicio, S., & Audretsch, D. (2019). Twenty-five years of research on institutions, entrepreneurship, and economic growth: what has been learned?. *Small business economics*, 53, 21-49.
- Van Osnabrugge, M. (2000a). A comparison of business angel and venture capitalist investment procedures: an agency theory-based analysis. *Venture Capital: An international journal of entrepreneurial finance*, 2(2), 91-109.
- Van Osnabrugge, M., & Robinson, R. J. (2000b). *Angel investing: Matching startup funds with startup companies--the guide for entrepreneurs and individual investors*. John Wiley & Sons.
- Wessendorf, C. P., Kegelman, J., & Terzidis, O. (2019). Determinants of early-stage technology venture valuation by business angels and venture capitalists. *International Journal of Entrepreneurial Venturing*, 11(5), 489-520.
- Wetzel Jr, W. E. (1983). Angels and informal risk capital. *Sloan Management Review* (pre-1986), 24(4), 23
- Wong, P. K., & Ho, Y. P. (2007). Characteristics and determinants of informal investment in Singapore. *Venture Capital*, 9(1), 43-70.
- Zacharakis, A. L., Meyer, G. D., & DeCastro, J. (1999). Differing perceptions of new venture failure: a matched exploratory study of venture capitalists and entrepreneurs. *Journal of small business management*, 37(3), 1.

BIZNIS ANĐELI PREDUZETNICI NA PODRUČJU JUGOISTOČNE EVROPE

Apstrakt: Ovo istraživanje ima za cilj da utvrdi determinante preduzetnika, koji su ujedno i biznis anđeli na području Jugoistočne Evrope. Korišćenjem Global Entrepreneurship Monitor (GEM) baze podataka, izvedeno je 8002 preduzetnika, od kojih je 408 biznis anđela. Empirijska analiza je odrađena putem softverskog paketa SPSS v.26. Korišćenja je binarna logistička regresija. Četiri grupe faktora su identifikovane kao determinante. U pitanju su demografski faktori, faktori rasta, internacionalizacije poslovanja i motivacije. Nalazi studije pokazuju da anđeli preduzetnici generišu visok nivo prihoda. Pored toga je utvrđena statistički značajna negativna veza između sektora rudarstva, građevinarstva i administrativnih usluga, sa anđeoskim investiranjem. Očekivanja rasta preduzeća su u pozitivnoj vezi sa investiranjem u rizične poslove. Preduzetnici koji ostvaruju intenzitet izvoza do 25%, najčešće se bave anđeoskim investiranjem. Ulaganjem u poduhvate u ulozi biznis anđela, najviše su inspirisani preduzetnici čiji je izvor motivacije želja za nastavkom porodičnog biznisa.

Ključne reči: poslovni anđeli, anđeoska investiranja, preduzetništvo.

Authors' biographies

Milenko Matić is an assistant at the University of Novi Sad at the Faculty of Economics in Subotica, Department of Management. He is engaged in the courses Entrepreneurship, Project Management, and Innovation Management. He graduated (2020), completed his master's degree (2021) and enrolled in doctoral studies at the Faculty of Economics in Subotica in the same year.

Bojan Leković is an associate professor at the University of Novi Sad at the Faculty of Economics in Subotica, Department of Management. He is engaged in the courses Entrepreneurship, Project Management, Innovation Management and Operational Management. He is the author of two co-authored textbooks and over fifty articles in international and domestic magazines, as well as proceedings from scientific and professional conferences.

Sunčica Milutinović is an associate professor at the University of Novi Sad at the Faculty of Economics in Subotica, Department of Finance and Accounting. He is engaged in the courses Financial reporting, Financial accounting, Controlling, Tax accounting. He is the author of two co-authored textbooks and over one hundred articles in international and domestic magazines, as well as proceedings from scientific and professional conferences.