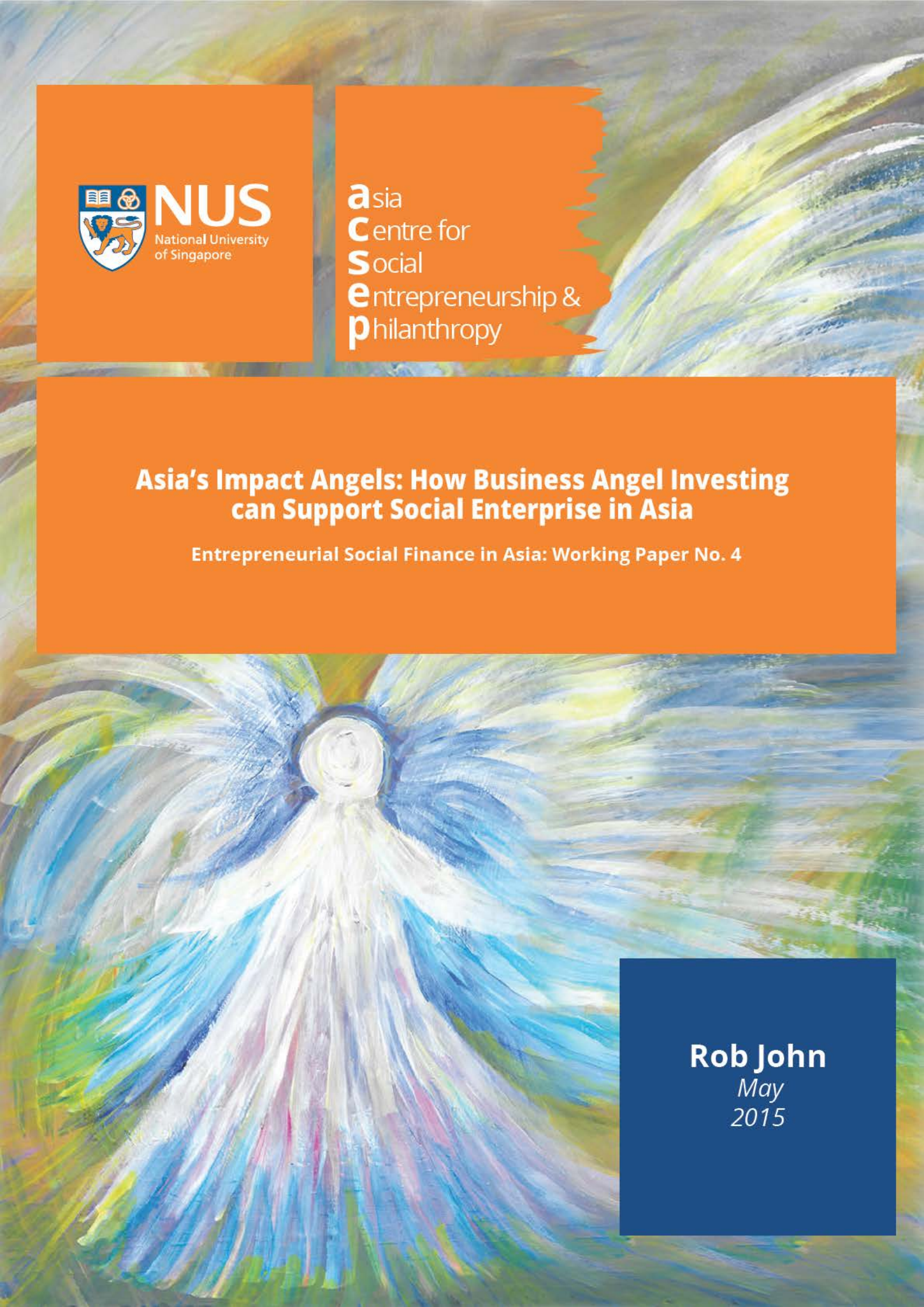

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asia centre for Social Entrepreneurship & Philanthropy

Asia's Impact Angels: How Business Angel Investing can Support Social Enterprise in Asia

Entrepreneurial Social Finance in Asia: Working Paper No. 4

Rob John

May 2015

ACSEP

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Introduction

Our series of working papers reflects an interest in how the philanthropy and social investment sector is developing to provide capital and non-financial support to social entrepreneurs and entrepreneurial social ventures in Asia. We have coined the term *Entrepreneurial Social Finance* (ESF) to capture a broad canopy of practices that include venture philanthropy and impact investment. These practices reflect a paradigm shift by philanthropists who are prepared to use a wider range of financial tools to support a broader spectrum of organisational types, including social enterprises, to fulfil their social impact objectives.

Our first working paper explored the ESF ecosystem, which comprises the supply of and demand for capital, and the intermediaries who broker connections, offer information and analysis, or advocate policies that create a supportive regulatory environment. Our second paper looked at the development of philanthropy in Asia through the lens of innovation and explored, through case studies, the development of venture philanthropy models, examples of strategic, collaborative philanthropy, and initiatives that strengthened the fragile philanthropy ecosystem. A third paper explored in greater depth one of the *innovations* we identified in Asian entrepreneurial philanthropy – the rise of giving circles in the region.

Giving circles are an example of citizen collaboration in philanthropy where individuals pool their financial resources and together select promising nonprofit organisations to support with grants and business advice. In the study on giving circles we found a number of initiatives where individuals collaborated to invest in social businesses – analogous to angel investing in mainstream commercial entrepreneurship. We originally intended to include such examples of collaborative investments in the study report, but felt it was potentially confusing for readers if we combined giving circles (which fund nonprofits using grants) and impact angel investing (which use equity to fund social businesses) although both seek positive social value creation, use similar methodologies, and often involve the same individuals.

An effective ecosystem will provide the financing requirements of social businesses throughout all stages of their development. Entrepreneurs require seed and start-up financing, and later on first stage and expansion capital as their enterprises grow and develop. To be starved of the right kind of capital (or advice) at any stage is a *chasm of death* that can lead to the demise of even the most promising businesses. We felt that our enquiry – while far from comprehensive – shows the potential of the angel investing model in supporting early stage enterprises whose mission blends social impact and financial sustainability.

Chapter 1 is a short review of the mainstream angel investing industry – its principles, origins and expansion into Asia.

In Chapter 2 we look at the role of the social entrepreneur and the rise of social enterprise in addressing social issues through market-based, trading activity. We explore the emergence of impact investment in providing the capital social entrepreneurs need to grow and develop their enterprises as part of the *finance ladder* of funding from start-up to maturity.

Chapter 3 looks to the United States and the United Kingdom for examples of impact angel activity. Investors' Circle is probably the longest established impact angel investing network. Two U.K.-based angel initiatives show how angel investing can be embedded or hosted by organisations that support the impact investing ecosystem.

Chapter 4 highlights a number of impact angel investments we found in Asia; the majority is located in India. We suggest a tentative typology: migrating angels, impact angel networks (both independent and embedded), and individual angels. Several of these initiatives are amplified by extended profiles.

In the final chapter we list research questions that emanate from this initial study and offer recommendations on how the potential of impact angel investing can be promoted and developed in Asia.

1. Business Angel Investing

While a strict definition of business angel investing (or simply angel investing) is lacking, the practice is generally accepted to mean individuals who invest both their money and time into early stage businesses with the objective of a financial return. They do so by acting either alone or in formal or informal syndicates called angel groups or networks. Angels are typically high-net-worth individuals with personal business acumen and experience. In North America and the United Kingdom, angels are more narrowly defined as "accredited investors" by the regulatory bodies.[1]

Many angels are successful entrepreneurs with first-hand knowledge of launching and growing companies, and help to cultivate entrepreneurship around them by drawing on their own acumen and experience. Some are returning diaspora who become key enablers of entrepreneurship in countries such as Cambodia, India or Vietnam after having built enterprises in the United States or Europe. Other angels come from successful corporate business background whose capital and business connections are a resource for entrepreneurs starting their own ventures.

Angels are important because of the key – and expanding – role they play in funding new business ventures, which when successful are major contributors to economic development through the creation of new jobs and wealth (Kortum & Lerner, 2000). New venture funding is inherently risky and shunned by the banking system, especially during periods in the economic cycle when credit is tight. Venture capital and angel investors fill a funding gap commonly referred to as the *valley of death* – a period of negative cash flow during the pre-revenue stage of a new venture after funds from family and friends have been exhausted. This funding gap ranges between US$50,000 (family and friends) and US$1 million (venture capital), depending on the industry and country.

But funding is not the only critical asset business angels bring. Their business acumen, patience and understanding of the length of time required before a new business develops into a thriving venture are qualities valued by entrepreneurs. To this group, mentoring, expertise and access to business networks often mean more than cash (OECD, 2011).

Throughout this paper we have taken *angel investing* to mean the practices of individuals who invest in early stage companies. Angel investing is also used to describe investment at the *angel stage* or the start-up/early stage of a company by a variety of investors; some of whom may be angels. We also use the term throughout this paper to denote individuals who invest in early stage enterprises. While an angel may invest alone it is normative to invest in the company of others – informally or through established groups.

The Kauffman Foundation has argued the advantages of collaborative angel investing (see Table 1) and actively supports the setting up of angel groups by providing practical *how-to* guides, initially focused on the United States, but more recently in emerging markets (Preston, 2004; World Bank, 2014).

The United States dominates the angel investing landscape with about 350 groups scattered across almost every state and strong hubs in Silicon Valley and Boston. Figures from 2007 suggested that there were over 250,000 angels in the United States who invested US$26 billion in some 50,000 enterprises. The United Kingdom is thought to have up to 6,000 angels who invested up to £1 billion (US$1.6 billion).

There are also angel networks in Australia, Canada, China, India, Latin America, the Middle East, New Zealand and South East Asia[2] although data on the size of angel markets in these parts of the world is sketchy. The Indian Angel Network (IAN) is Asia's largest with over 300 angels across 10 countries. In 2014 it consolidated its global

1 Accredited investors are primarily defined by their net worth (US$1 million of disposable assets and income exceeding US$200,000 in the United States and Canada, and £500,000 of assets in the United Kingdom); membership in a syndicated business angel network; and a track record of investing in unlisted companies.

2 The 2014 World Bank report offers a snapshot of angel investing globally, but inexplicably omits India (which has several networks, including the largest in Asia) and South East Asia (with a growing regional network).

Table 1: The Advantages of Creating or Joining an Angel Group

- Groups can aggregate resources to secure staff, interns, and facilities to enhance the deal process.
- Angel groups have more efficient deal screening processes that allow for multiple "checks and balances" by having a diversity of knowledge about the market, management, and financial assumptions.
- Angel groups can make larger investments and fill larger funding gaps by combining resources of individual investors.
- Angel groups allow people to syndicate on a deal and share the risk.
- New angels can learn from experienced angel investors on all aspects and steps of investing.
- The pooling of investment capital gives angels greater economic power and influence, which enhances investment terms negotiation. It also reduces risk by allowing angels to diversify their investments across several deals.
- Angel groups provide the intangible values of camaraderie and sharing of common goals.
- Angel groups can have an influential voice collectively when raising regulatory and policy issues with government and can contribute to the creation of new and better policies.

Note: From World Bank, 2014, p. 13.

reach by making its first investment in a U.K. start-up. Investing well beyond a network's locality is a departure from the traditional angel approach of staying close to the ventures they fund.

There is relatively little published research on angel activities in Greater China (mainland China, Hong Kong and Taiwan). Formalised angel investing is growing rapidly in China; much of it is centred in Beijing, Shanghai and Shenzhen. The China Business Angel Network has 140 members investing in these cities. Hong Kong, often cited as the *world's freest economy*, has a long history of company creation and entrepreneurship, but has a relatively weak angel environment. The reasons include the various alternative investment opportunities in the city, the preference for investing in family-linked business, and the Chinese mindset of taking controlling stakes in businesses.

In South East Asia there is considerable informal angel-type investing by individuals, often in the new business ventures of family members, neighbours or work colleagues. One of the earliest angel networks in the region is BANSEA, set up in 2001 by a group of Singapore angels with connections to China, India, Malaysia and Thailand. By 2007 BANSEA angels had invested S$18 million (US$14 million) in 79 start-ups. The network convenes annual meetings of business angels across the region. BANSEA is also the founding organiser of the Asian Business Angel Forum (ABAF), which was first held in Singapore in 2010 and subsequently in Shanghai in 2011 and Mumbai in 2013.

Research on angel activities in Indonesia, the Philippines, Thailand and Vietnam has only recently been initiated, but bear in mind that angel investing in these countries suffers from an investment climate marked by political uncertainty, weak legal and financial support, and lack of government support (Scheela, Isidro, Jittrapanum, Trang, & Gunawan, 2012).

Data on how much angel groups invest and in how many companies is patchy and usually obtained through network confidence surveys. In the United States, 67 percent of angel deals in 2012, tracked by the Center for Venture Research, ranged from US$150,000 to US$500,000 (Sohl, 2013). Angel networks in Australia, Europe, New Zealand and the United States typically invest in five to 20 start-up companies each year (OECD, 2011). In developed financial markets, venture capital (VC) would often be available for follow-on funding after an angel investment, but in developing markets with little VC activity, business angels may need to offer additional rounds of funding before exits such as a trade sale or an Initial Public Offering (IPO) are possible.

Angel investing is risky with over half of start-up companies ending in failures and resulting in a negative return to angels. Risk is mitigated by investing in a portfolio of ventures, and banking on a small minority of businesses achieving success and providing investors with several multiples on their initial investment sum. An angel investment in the United States typically takes six to eight years to yield a return through a strategic trade sale that is 2.6 times the original investment (OECD, 2011).

2. Impact Investing[3]

The Social Entrepreneur

The steadily growing global phenomenon of social entrepreneurship has caused one of the most significant shifts in philanthropy over the last 50 years. Social entrepreneurs and their associated ventures are challenging the old paradigm whereby the grant-making programmes of philanthropic organisations funded the project costs of charities through a reactive application process.

In the new paradigm, philanthropists ask, "how can we best fulfil our mission objectives by responding to the innovations of social entrepreneurs?" The language and underlying attitude have shifted from donation to investment (even when non-returnable grants are made) – a departure from subsidising charitable projects to investing in the development and resilience of organisations.

Social entrepreneurship and social enterprise are sometimes viewed as synonymous. In a field where terminology is generally loose and inconsistent, this is not surprising. We view social entrepreneurship self-evidently as the realm of the social entrepreneur – an *individual* who according to Bessant and Tidd (2011) is "prepared to challenge and change, to take calculated risks and put energy and enthusiasm into the venture, picking up and enthusing supporters along the way. They are typically ambitious, mission driven, passionate, strategic (not just impulsive), resourceful, results oriented." Such people operate in different segments of society – the private sector, the social sector and sometimes within government or public institutions.

In contrast, social enterprise is an organisational form – thought of as a hybrid between traditional models of a private company and a charitable organisation – pursuing clearly articulated social impact objectives through a model where goods or services are traded and any profit or surpluses are reinvested rather than distributed to shareholders.

Social entrepreneurs may choose to realise their innovations through a social enterprise, but they can also use the non-hybrid forms of commercial business or charitable nonprofit. However, pressing too hard on definitions misses the point that entrepreneurs (including the social kind) are essentially pragmatic and not ideological. Delivering their mission counts and organisational form is simply a means to that end.

Entrepreneurial Social Finance

The opportunities for innovation in philanthropy afforded by the rise of social entrepreneurship coalesce with a new generation of philanthropists; many of whom are entrepreneurs wanting to connect their business acumen to their aspirations for charitable giving. They are younger than their predecessors and want to give while still developing their careers; many wanting to engage actively rather than give passively. They often question the effectiveness of more traditional charitable giving and speak more readily of *impact* and *outcome*. Younger professionals – perhaps reflecting a broader re-evaluation of the nature of financial security, personal motivation and responsibility to society – want to engage in charitable work with their volunteered skills.

The reaction of philanthropy to social entrepreneurship bears some analogy to the way that angel investing and venture capital are responses of the commercial sector to entrepreneurship. Sir Ronald Cohen, whose experiences in the United States during the 1970s gave him the impetus to create the British venture capital industry, likens

3 Adapted and updated from a previous working paper (John, Tan, & Ito, 2013)

the relationship of entrepreneurship and venture capital as two intertwining strands of DNA, each mutually supporting the growth of the other. Without the innovation that entrepreneurs bring, there would be no compelling reason for a venture capital industry; venture capital – with its hands-on, risk funding – is a valuable resource for entrepreneurs who want to grow their companies.

Arguably there is a parallel with social entrepreneurship and the models of philanthropy that invest in ambitious nonprofits with a blend of finance and advice. In a previous paper in this series, we introduced the term *entrepreneurial social finance* to capture an emerging number of finance models that seek to meet the needs of entrepreneurial nonprofits and social enterprises in Asia. Entrepreneurial social finance is our umbrella term that identifies a number of practices often described by labels such as *venture philanthropy*, *enterprise philanthropy* and *impact investing*. Exact definitions are elusive and anyway contested.

Figure 1 illustrates the landscape of social finance using the metrics of (i) degree of engagement and (ii) the kind of financial return anticipated. Venture philanthropists and impact investors engage actively with their investees, unlike traditional grant-making or the social investment industry. Traditional grantmakers generally use non-returnable donations, and thus have a negative return of 100 percent. The social investing quadrant houses Socially Responsible Investment (SRI) funds, which seek commercial levels of return on investment while targeting socially and environmentally positive businesses. Typically, venture philanthropy uses grants, but may also seek to recycle capital by using other tools, including loans or devices such as quasi-equity. Impact investors tend to choose financing tools that at the very least preserve capital, but preferably give modest, risk-adjusted rates of return to their investors. The impact investment community is broadly characterised as comprising *impact-first* and *finance-first* investors – terms used to express their relative priorities in blending social and financial return. Impact-first investors prefer to maximise the social or environmental impact of their investment. To do so, they are willing to cap any financial gains. They explore the return on investment range of between positive five percent and negative 15 percent. Finance-first investors are more commercially driven investors who want to optimise their financial gain (typically in the five to 10 percent territory) at the expense of creating social value.

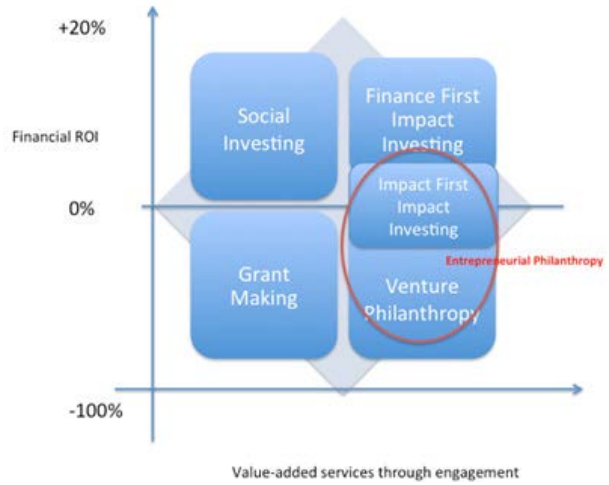

Figure 1: The Social Finance Landscape (adapted from John, Tan, & Ito, 2013)

The Origins and Expansion of Impact Investing

Although the term *impact investing* was only first coined in 2008, its rise has been meteoric and its global promotion well resourced. Pure philanthropy is always constrained since donations are a one-way flow of capital. The promise of impact investing is to create social value by investing in socially focused enterprises with sustainable business models, which, when successful, preserve capital and even offer a return on investment.[4] Returns are reinvested in new ventures and create a virtuous cycle of socially minded investments.

While the term may be new, the practice is much older. Impact investing has its roots in Program Related Investment, a device pioneered by the Ford Foundation in 1968 that allowed endowed U.S. grant-making foundations to invest their corpus in support of quasi-commercial entities that potentially fulfil the foundation's charitable objectives. In 2009, the Global Impact Investing

4 For overviews and analysis of social enterprise developments in the region, see Prakash and Tan, 2014 (Singapore); Lam, Dela Cruz, Seah and Jacob, 2012 (Philippines); Lane, 2012 (China); Suprapto, 2006 (Indonesia); Asian Development Bank, 2012 (India); and Au, 2014 (Hong Kong).

Network (GIIN) was launched by J.P. Morgan, Rockefeller Foundation and USAID as the impact investing movement's advocate. The same year, Monitor Institute published its seminal report on investing with social and environmental impact (Freireich & Fulton, 2009). Several quantitative analyses followed over the next three years predicting the astronomical potential of the impact investing market. The 2011 report from J.P. Morgan and GIIN estimated US$4 billion of potential impact investments for the following year and up to US$1 trillion in the coming decade (O'Donohoe, Leijonhurfvnd, Bugg-Levine, & Brandenburg, 2010) – a figure supported by Credit Suisse in 2012 (Clark, Emerson, Balandina, Katz, Milligan, Ruttmann, & Trestad, 2012).

A recent survey of 32 institutional investors by the Aspen Institute (Kempner & Pan, 2014) assessed activity and interest in impact investing in the United States in education, economic assets, and health and well-being. About half of the investors measured investment performance using both financial and social metrics. Of these, 80 percent said their investments had met or exceeded financial objectives and 90 percent stated that their investments had met or exceeded social targets. The report notes that:

> Impact investing in the U.S. is transitioning from a phase of exploration and experimentation toward maturity. Demand for impact investment capital is shifting and moving beyond philanthropy toward market rate expectations. Signs of activity include the following:
>
> - An increasing number of foundations are becoming active impact investors. The F.B. Heron Foundation began developing its mission-related investment strategy in 1997, and by 2011, 100 percent of its capital was made available for impact investing.
>
> - The McKnight Foundation recently committed [US]$200 million, representing 50 percent of its endowment, toward its mission. The Silicon Valley Community Foundation and the Greater Cincinnati Community Foundation are among the community foundations that are incorporating impact investing to help address their communities' most pressing challenges.
>
> - Private sector players, such as Goldman Sachs, Bank of America, and Morgan Stanley, are developing business units dedicated to impact investing. Goldman Sachs has been integral in developing and executing the early social impact bond/pay for success deals. Bank of America sees increased client interest in impact investing, as high-net-worth individuals are seeking ways to integrate their values with investment strategies. (Aspen Institute, 2014, p. 18)

Avantage Ventures (2011) optimistically estimated the potential demand for impact investing in Asia alone to be as much as US$74 billion in the 10 years to 2020. For wealth-creating, entrepreneurial philanthropists, venture philanthropy has opened a new world of opportunity where they need not abandon their business acumen when donating money to build stronger nonprofits. Impact investing offers the same but more: a business-like approach to philanthropy where capital could be recovered or even enhanced by investing in social businesses.

In recent years a new investment construct has emerged whereby investors seek to maximise the impact of their capital through a *unified investment strategy*, which coordinates grant-making with impact investing to generate financial performance with social and environmental returns. Such an approach is challenging the traditional *fiduciary-led* position of foundations, family offices and others with assets to invest and a social mission to maintain.

But the impact investment movement is not without its critics who suggest that the stellar figures used to describe the market opportunity are inflated by the longstanding flow of funds into developing markets for industrial development, infrastructure and newer sectors such as clean technology. Even more distorting, argued researchers from Acumen Fund and Monitor Institute, is the claim that only a tiny fraction of impact investing capital flows to pioneering social enterprises whose innovations are aimed at serving the poorest (Dichter, Katz, Koh, & Karamchandani, 2013).

Alto (2012) suggests that the real bottleneck in Asian impact investing will be the lack of early stage philanthropic funding and advisory services necessary for early stage social enterprises to become impact investment ready. New ventures, whether commercially or socially driven, need access to appropriate funding across all the stages of their lifecycle provided by a progressive *ladder* of finance and advice (Figure 2).

Generating a steady pipeline of investable social enterprises remains the biggest challenge for philanthropists and impact investors. Freireich and Fulton (2009) from the Monitor Institute have sketched the likely roadmap for the development of impact investing in the coming decade. They suggested three roadblocks would hamper the impact investment journey unless addressed: (i) poor intermediation; (ii) a lack of infrastructure, compounded by the historical bifurcation of philanthropy and social investment; and (iii) a low volume of social enterprises meeting basic investment criteria, leading to an inability of the market to absorb the capital available. Two years later, in 2011, a survey of 50 impact investors by J.P. Morgan validated the insight on absorptive capacity, citing a poor track record of successful investments and lack of investment opportunities as the greatest challenges to impact investing (Saltuk, Bouri, & Leung, 2011).

An analysis of historical data from Africa and India collected by a joint Monitor Institute-Acumen Fund team led them to suggest that philanthropy has a pivotal role to play in creating a pipeline of investment opportunities for impact investment (Koh, Karanchandaria, & Katz, 2012). The Monitor team's data supports the assumption that *innovation is risky* when developing new business models for hybrid social enterprises and businesses that serve poor, mass underserved markets. These, the authors said, are risks that commercially minded investors (including finance-first impact investors) are unwilling or unable to underwrite. It can take a decade or more to prove and scale innovative business models in India, they added. The development of the microcredit (and later microfinance) industry – from a number of risky innovations to mainstream investment opportunity – took decades to achieve and US$20 billion in subsidy along the way; even Grameen Bank took 17 years to break even.

The Monitor team offered a solution to this disconnect in the supply chain for impact investing: address what they have coined the *pioneer gap* – the lack of financial and other support for social enterprises pioneering new business models that could potentially lead to impact investment once proven. They described *enterprise philanthropy* as providing grants and non-financial support to help an enterprise progress from its design stage to the point where it is ready to embark on scaling up. This value-added grant-funding to early stage social enterprises helps to ready them for downstream investment by impact investors.

The role played by enterprise philanthropy in supporting early stage renewable energy enterprises in India has been documented,[5] illustrating how grantmakers such as Shell Foundation, Ashden Trust and Lemelson Foundation provide finance for R&D along with business development advice and coaching to bring these enterprises into the domain of interest to impact investors.

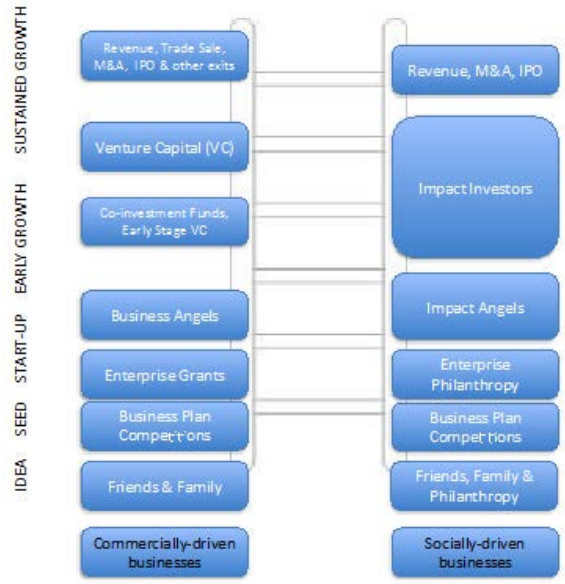

Figure 2: Finance Ladder (adapted from World Bank, 2014, p. 11)

As we will see in the following chapters where we draw on examples from Asia, the United Kingdom and the United States, angel investors have a role to play in this continuum of funding early stage social ventures.

5 "Electrifying Bihar" in the June special edition of *Alliance* (Desjardins, 2011) has several case studies showing how grants and non-financial support have helped Husk Power, Greenlight Planet and other Indian social enterprises become ready for impact investment.

3. Impact Angels: Experiences from Developed Economies

In the previous chapter we discussed the recent development of impact investing as a means of providing finance for social businesses. For enterprises to thrive during their growth and development, there should be a continuum of appropriate capital and business advice available across their lifecycle. In addition, the impact investing community needs a secure pipeline of investable businesses able to absorb the capital available. Intermediaries that connect capital to investable ventures, the regulatory environment, capital providers and businesses are the elements of the social finance ecosystem.

In our previous enquiries on innovation in philanthropy and giving circles we noted several examples of angel-like investing in Asia, which prompted us to return to the subject in this paper. Before we turn to Asia, we first look at examples of impact angels in the United States and the United Kingdom.

Impact Angels in the United States

Investors' Circle (IC) describes itself as "the oldest, largest and most successful early stage impact investing network in the world," comprising angel and institutional investors. IC was launched in Chicago in 1992 by a group of social entrepreneurs with a common vision to see more capital flow towards "mission-driven businesses." Today IC has more than 150 investors – typically high-net-worth individuals, venture capitalists, investment advisors, family office managers and foundation officers. Two-thirds are individual angels and the remainder are institutions. Over 22 years they have invested US$185 million in 285 companies.[6]

The network is today headquartered in North Carolina and has local chapters in the Bay Area, New York City and Philadelphia. In addition to sign-up charges, each member pays a US$2,000 annual fee (US$5,000 for institutions). Individual investors typically invest between US$5,000 and US$100,000 in a deal, with syndicated club deals investing up to US$250,000. Entrepreneurs apply online and pay a small fee if accepted to make a presentation at one of the *Beyond the Pitch* chapter events.

The IC network of investors looks for enterprises that are both for-profit and offer social and/or environmental solutions across a range of sectors and business models. The typical company is early stage but has gone to market and achieved some degree of traction, has moved beyond *proof of concept* as evidenced by contracts, revenues and strategic partnerships, and has projected annual revenues of up to US$5 million. IC's website says that it looks for a strong management team with ambitions to grow the company to scale and an opportunity for a successful investment exit. IC has incubated related initiatives, including the Patient Capital Collaborative (a follow-on investment fund) and B Lab (a support organisation for accrediting socially focused businesses).

The Impact Angel Group, based in Boulder, Colarado, is a small, locally focused impact angel group which merged with IC in 2014 after being formally operational for one year. The group has nearly 50 investor members and during 2013 committed over US$700,000 to 10 different angel investment

6 IC members must be "accredited investors" as defined by the Securities and Exchange Commission. Accredited investors include any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds US$1 million; and any natural person who had individual income in excess of US$200,000 in each of the two most recent years, or joint income with that person's spouse in excess of US$300,000 in each of those years, and has a reasonable expectation of reaching the same income level in the current year. From www.investorwords.com.

opportunities. The group describes its mission as "equally dedicated to making a difference and realizing a return" by investing in "high-growth, high-impact entrepreneurs."

Originally formed to address what they saw as a dysfunction in financing start-ups, the group states on its website that "companies that are NOT viable are receiving funding and those that ARE viable are not receiving the same attention and support they would from traditional angel investors." The group uses B Lab Impact Assessment Criteria (see Box) and its own online questionnaire, which teases out a venture's current and planned social and environmental impact and its business practices. Impact Angel Group also requires funded ventures to complete a second impact assessment five years after investment began.

B Lab Impact Assessment

B Lab is a nonprofit organisation "dedicated to using the power of business to solve social and environmental problems." B Lab's three interrelated initiatives are: (i) building a community of Certified B Corporations; (ii) growing impact investing through its GIIRS Ratings and Analytics platform; and (iii) promoting legislation for new corporate forms.

Any business (whether or not intentionally addressing social issues through its business activities) can measure its social and environmental impact through a free online assessment provided by B Lab. The assessment evaluates Governance, Workers, Community, Environment, Impact Business Models and Environmental Business Models. A rapid 90-minute online survey provides a company with its baseline score, which can be compared against comparable businesses in the same sector and used to drive organisational improvements. B Lab argues that a company following the impact process builds a better entity by attracting talented employees, getting positive media attention, and gaining competitive advantage.

The impact assessment process has been adapted by the Impact Angel Group for use in assessing the social and environmental impact of start-up businesses that the angels consider for investment.

The group provides its members and entrepreneurs with "impact investing education" through regular open seminars that address traditional investing issues plus topics on social impact. Impact Angel Group defines its difference from standard angel investing as such: "by intention, information and understanding … by publicly stating that we care about more than the financial return of our investments, we hope to encourage entrepreneurs and investors to be mindful of the impact they are making."

These two examples of U.S. angel groups – one small and localised, the other a larger network with national coverage – have decided to merge to bring better deal flow to their members and resources to entrepreneurs. We are not aware of published information about the scale and number of impact angel groups in the United States, so it is beyond the scope of this study to estimate the size of such an angel community. The merger of IC and Impact Angel Group suggests that there are probably numerous community-based angel groups (formal or informal) throughout the United States who may look for opportunities to partner or merge with each other to bring efficiencies and enhance deal flow potential.

Toniic – A *Global* Impact Investing Community

Toniic was founded in the United States in 2010, presumably as an add-on to GIIN (the global impact investing network),[7] to give a small community of globally scattered impact investors a platform for better investment. Toniic does not explicitly call itself an angel network, but describes its 50+ members as including "business angels" as well as "individuals, families, family offices, institutional investors and foundations."

Toniic is headquartered in San Francisco and certified as a B Corporation with membership from across 20 countries. In addition to the core members who source and vet investment opportunities, the community includes more than 120 investors who are linked virtually in a cloud-based online deal flow database. Members and entrepreneurs

7 GIIN is a U.S.-based project of Rockefeller Philanthropy Advisors that promotes the principles and practices of impact investment. Its network comprises asset owners, asset managers and service providers.

share deals monthly by connecting in-person in Amsterdam, India and San Francisco, and via video conferencing. Deals range from US$20,000 to US$3 million or more, and the community's promotional materials claim to have already invested more than US$25 million and aspire to "deploy US$20 million … in the next 1 – 2 years."

Toniic staff and members review opportunities and meet with management teams representing investee ventures to vet the financial and mission potential of the companies. One or more members are *champions* who lead deals, with staff assisting with due diligence and investment agreements. Membership fees and sponsor support pay for Toniic's operational costs. Toniic is a rather unique innovation in impact investing collaboration, having some of the aggregating and socialising characteristics of an angel network, while also a virtual global platform for institutional impact investors.

Impact Angels in the United Kingdom

There is no comprehensive survey of business angels in the United Kingdom, but one government report estimated 4,000 – 6,000 business angels were investing up to £1 billion (US$1.67 billion) annually in start-ups. We did not find any independent impact angel groups of the kind illustrated by the U.S.-based groups above although it is likely that informal groups exist without a public profile. We did identify two angel groups that are embedded within larger impact related institutions and serve their host's mission. Big Venture Challenge (BVC) is a social investment initiative of UnLtd, a social entrepreneur support organisation which hosts 83 angel investors in addition to institutional funds. ClearlySo, an intermediary broker that matches capital with social enterprises, launched Clearly Social Angels which now numbers around 40 angels.

Big Venture Challenge **(see Profile: UnLtd Big Venture Challenge on pages 14-16)** wanted to close the gap that prevented social enterprises with high growth potential from attracting early stage funding from institutional funders and angels. It did so by equipping pre-selected social entrepreneurs to pitch to investors and offering a matching fund to incentivise investment. Through this model Big Venture Challenge did not set up its own angel investor group but attracted 83 angels to participate in impact deals. These were mostly *virgin* angels who had not previously invested in social enterprises and were not even aware that an impact space existed.

This kind of initiative is important for drawing into impact investing individual angels from a purely commercial background and with an investment mindset. Big Venture Challenge found these angels did not compromise on the quality of a business plan because the enterprises had a social mission. The majority of angels making first-time investments in social ventures did not class them any differently from the purely commercial businesses in their portfolio although some felt their investment was "doing some good" and gave an opportunity for them to "give something back."

Clearly Social Angels **(see Profile: Clearly Social Angels on pages 16-19)** is structured along the lines of a traditional business angel network and brings screened ventures to a pitching event. It is the first example in the United Kingdom of an angel group "for business that create positive social change." ClealySo, a specialised brokerage and fundraiser, initiated and has hosted the angel network since 2012. To date, it has brought 40 angels into the group; most of whom are financial services professionals, lawyers, family offices and entrepreneurs looking at impact investments of around US$50,000.

Creating its own in-house angel network is a natural extension for ClearlySo, which is developing the ecosystem through brokerage and investor education, and bringing social investing into the *mainstream* of angel activity in the United Kingdom. The U.K. Business Angels 2013 annual gala awards dinner recognised ClearlySo's investment in charity fundraising platform PlayMob as the 'Social Impact Investment of the Year'.

Chapter 3 Profiles

UnLtd Big Venture Challenge[8]

UnLtd was founded in 2003 and is a leading provider of support for social entrepreneurs in the United Kingdom.[9] The core of its activity is a tiered personal award programme – *Do It Awards* (to get a new idea off the ground); *Build It Awards* (to grow to local or national level); and *Fast Growth Awards* (to help bring to scale a social venture through personal and business support). Over time UnLtd became a key developer of the social entrepreneur ecosystem in addition to offering personal funding for individuals.

The U.K. social investment market is relatively well developed. Big Society Capital estimated that the demand for social investment would reach £1 billion (US$1.6 billion) by 2016 although in 2012 the actual investment in social ventures was a relatively modest £190 million (US$320 million) compared to charitable giving (£13 billion/ US$21 billion) or small business lending (£55 billion/US$88 billion). Big Society Capital estimated that only a quarter of the £190 million was growth capital and only two percent was offered as equity investment. UnLtd views this gap between the demand and supply of high-risk growth capital as a major constraint for viable social ventures in search of later stage funding.

In 2011 UnLtd, supported by the Big Lottery Fund, launched Big Venture Challenge to address the perceived gap in financing for ambitious social ventures in the early growth phase. The programme planned to help 25 social entrepreneurs scale up their ventures rapidly with the offer of grants, non-financial business advisory support, and matched funding to draw in external investment. The candidates were selected following a rigorous review of 638 applications.

By the end of the initiative's first year, the 25 selected social entrepreneurs were each awarded an initial £25,000 (US$42,000) grant and a package of non-financial business advisory and mentoring support to help them become ready for external investment. Twelve deals had secured £1.2 million (US$2 million) of funding using £570,000 (US$960,000) of BVC matched grant. Sixty-seven percent of the external investment was in the form of equity finance, with two-thirds coming from 12 angel investors who had not previously made any social investment.

Fifty-two percent of the ventures had at least three years of operating experience, while the remainder were more recent start-ups. Fifty-six percent were registered as companies limited by shares and the others were companies limited by guarantee. All the ventures were trading and on average generated 70 percent of their income from sales of goods or services.

UnLtd extended the Big Venture Challenge programme in 2013 to support another 100 social ventures over a three-year period. By July 2014 the programme had recorded the following outputs:

- 29 ventures raised a total of £5.75 million (US$9.7 million) of external investment.
- BVC provided £2.8 million (US$4.7 million) of matched funding.
- Equity investment made up 72 percent of external funding.
- A total of 126 individuals and institutions were external funders of which 83 were angel investors.
- Seventy-seven percent of investors were new to the social investment sector.

Two reports published by UnLtd in 2012 and 2014 reviewed BVC's progress after one and two financial years respectively. Besides describing the structure of investments, the reports track the developing relationships

8 This profile is based on reports published by UnLtd in its Research Findings Series and a staff interview.

9 The author of this paper was a volunteer member of the advisory board of UnLtd Ventures from 2005 – 2007.

between entrepreneur and angel investor and the changing attitudes of both parties.

Table 2 showcases some of the ventures that have secured external funding under UnLtd's BVC programme.

UnLtd's proposition was that rigorous selection, investment readiness support and match-funding would *de-risk* the investments for institutional and angel investors. It is noteworthy that BVC did not source the investors, but rather the entrepreneurs were encouraged to approach and negotiate directly with potential business angels.

Of the 17 investors in the first year, five were institutional (including one corporate) and 12 were individual angels with no previous experience of making social investments. The angels had learnt about the BVC social ventures through the same channels used to source their commercial investments, i.e., networking events, peers, family and friends. Many of the angels were not even aware of the concept of investing in social enterprises or that such opportunities were available.

UnLtd's research suggested that these *virgin* angels assessed the BVC ventures using the same criteria for purely commercial opportunities; they were looking for a financial return of two to three times their investment over a three- to five-year investment period. This focus on financial return meant that the majority of angels did not require the entrepreneurs to provide reporting on social impact as long as the business was sustainably progressing. UnLtd commented that this should not be interpreted as angel investors undervaluing social impact, but simply that from their pragmatic viewpoint social impact was "just plain obvious."

The majority of angels making first-time investments in social ventures did not class them any differently from the purely commercial businesses in their portfolio although some felt their investment "was doing some good" and gave an opportunity for them to "give something back." The angel investors required social businesses to have a robust business plan that included the characteristics of commercial ventures, including:

- A credible and clear proposition within the angels' area of expertise.
- Clearly presented financial information, especially well researched cost projections and a financially literate team.
- A well researched market opportunity and potential to scale up.
- A strong, transparent board and management team led by a motivated and passionate entrepreneur who knows his or her market.

Venture	Investment/Investor	Business Type
B4box	£50,000 (US$80,000) equity; one angel	A building company that brings vacant properties back into use to provide housing. B4box also provides training in building construction.
Patient Choice	£50,000 (US$80,000) loan; one angel	A not-for-profit medical prescription home delivery service.
Patients Know Best (PKB)	£53,091 (US$85,000) equity; three angels	PKB is helping to bridge a critical gap in the healthcare system by allowing patients to work directly with research.
Spacehive	£162,000 (US$260,000) equity; three angels	A crowd funding platform for community projects.
Squease	£125,000 (US$200,000) equity; three angels	Squease is an inflatable pressure vest designed for people with difficulties in processing sensory information, including those with autism, ADHD, sleeping disorder or anxiety disorder.

Table 2: Social Ventures Supported by Angel Investors through Big Venture Challenge. This table only includes the subset of ventures that were supported by angels. The report details six other deals where investors were institutional funds.

UnLtd found that the angels who invested in BVC preferred to take an equity stake rather than offer a loan, reasoning that equity was more appropriate for early stage ventures, implied ownership and permitted involvement in strategy and operations. The majority of the ventures in the BVC portfolio were structured as companies limited by shares and therefore able to offer equity to investors;[10] eight of 14 such companies secured investments in the first 12 months. UnLtd also found that a few of the entrepreneurs were reluctant to dilute their ownership, especially giving equity to a party they felt did not share a common interest in social value.

The angels acknowledged that BVC played a key role in mitigating their exposure to risk by its rigorous selection procedure, matched funding and non-financial support to entrepreneurs. While the appropriateness of grants in the mix of financing for early stage enterprises is somewhat contested,[11] UnLtd concluded that its injection of grant capital (a *pure* form of equity without ownership rights) provided the ventures with a level of capitalisation that encouraged angel investment.

All the angel investors in UnLtd's study offered the ventures business advice by being available for consultation as required by the entrepreneurs. They provided access to their networks and made introductions where beneficial to the business. Some of the angels took board places and two became formally involved on a day-to-day basis as senior executive staff. Feedback from angels indicated that the social entrepreneurs were generally willing to accept direction and advice and several commented on the entrepreneurs' "honesty and transparency."

The highly engaged nature of the angel-investing model is not always a comfortable experience for either commercial or social entrepreneurs. All the BVC entrepreneurs found *pitching* to an angel challenging, in terms of time, energy and emotion. Some entrepreneurs were naturally confident negotiators, while a minority reported difficulty in the relationship with angel investors who became involved in the day-to-day running of the business, compounded by a perceived lack of appreciation for the social impact being created.

One highly significant aspect of the first year of BVC was that none of the 12 business angels had prior experience of investing in a socially focused business – a first step in engaging investors from outside the small *social investor* community.

The second tracking study, published two years after these investments, reported that:

- Two ventures ceased trading but the remaining 23 evidenced organisational growth and increased social impact.
- Thirteen of the 2011 cohort had progressed to secure investment. Eighty-two percent of external investment came from angel investors without prior experience of the social sector, with 65 percent investing in high-risk equity.
- The majority of deals led to the angels taking an *on demand* role, which included taking a seat on the board, making introduction to their networks, and providing advice if asked.

One objective of BVC was to facilitate the learning and attitude change of angel investors without prior experience in social venture investments, and the report's interviews with angels suggested some success. While angels were not prepared to compromise on a venture's business soundness and potential for financial return, many seemed more predisposed to including social businesses in their future portfolios.

Clearly Social Angels

ClearlySo was founded in 2009 as a U.K.-based financial services intermediary with the mission "to help social entrepreneurs raise capital." The firm does this by providing entrepreneurs with capital raising and advisory services, and by helping investors find opportunities for making financial and

10 In addition, two ventures were able to offer tax relief through the Enterprise Investment Scheme, which is known to incentivise some angel investors.

11 Some commentators argue that grants may artificially inflate returns and create unrealistic expectations of social investment (Brown & Norman, 2011) while others see the value of *enterprise philanthropy* for investment readiness (Koh, Karanchandaria, & Katz, 2012).

social returns. In five years ClearlySo has helped raise £27 million (US$45 million) for social enterprises, charities and an impact fund.

These brokerage and fundraising functions are underpinned by open and commissioned research going back more than a decade when a website for showcasing social enterprise became ClearlySo. Its database has grown to list over 3,500 enterprises in 80 countries. ClearlySo's regular *Tea Time* events in London are an informal gathering for entrepreneurs and mid-career professionals to explore their interest in social ventures.

In 2012 ClearlySo strengthened its intermediary role to entrepreneurs and investors by launching Clearly Social Angels (CSA), the United Kingdom's first angel network dedicated to "businesses that create positive social change." CSA's founder was Suzanne Biegel who had been the CEO of Investors' Circle, the largest social investment collaborative in the United States.

In taking an established American model to the United Kingdom, CSA wanted to engage a variety of individuals and grantmakers curious about investing in social change through supporting business ventures. CSA has built up an angel network of approximately 40 individuals who look at all deals through the lens of social impact. In creating a niche network differentiated from mainstream angel investing, CSA believes it helps social entrepreneurs find potential investors who are aligned with the goal of creating social value through a sustainable business model. CSA angels include those who work in finance and law, represent family offices and trusts, or are entrepreneurs who have exited their own ventures.

While individual angels typically invest £30,000 - £40,000 (US$50,000 – US$66,000) in a CSA deal, the range can be very wide – from £5,000 (US$8,000) to £500,000 (US$800,000). The majority is equity investments although a minority is structured as loans. Mike Mompi, who leads ClearlySo's wider network of investors, feels it is hard to be prescriptive about the angels' expectations of financial and social return, saying "there is no institutional structure demanding the blend of social and financial return since it depends so much on the individual – and it changes from deal to deal and over time."

That said, Mompi has noted an interesting and perhaps counterintuitive trend in how angels approach the deals presented to them. He has observed that "angels from a grant-making background tend to focus on the financial sustainability of the venture, whereas someone running a hedge fund might spend more time challenging the social value the business says it will create."

CSA holds a monthly meeting in London when up to 30 of the angels in the network will meet to hear two or three pitches from entrepreneurs. All the angels know each other and CSA believes this is important for group dynamics during the meetings and follow-ups.

The deal process – origination, distribution and execution – is like that found in most commercial angel networks. An online application page opens origination to any entrepreneur with an early stage business, although most deals are sourced from ClearlySo's extensive networks and through referrals. Of the 1,000 or so businesses screened each year, only 50 make it to a pitching session, with about a dozen eventually funded.

Preselecting the best potential ventures is a critical added-value CSA offers its angels. CSA will put in five to 20 hours of due diligence on ventures before they are pitched at a meeting to give a strong sense of the product, service, market, business plan and financials. Mompi estimates that "around 10 percent" of the time spent scrutinising a venture will be focused on social value creation, with the rest testing the core business proposition. CSA is agnostic about which sectors deals come from but the majority seen are in education, health and the environment.

Many of CSA's angels are very commercially minded with some having an investment portfolio where the majority of ventures offer only financial return. Even so, Mompi sees the careful selection of CSA's angels as "likely to protect social mission" than undermine it. CSA investors engage with the ventures they fund just as commercial angels do – by

taking a place on the board, mentoring the entrepreneur or making introductions.

CSA charges each angel an annual fee of £1,000 (US$1,600) and derives success fees from entrepreneurs whose ventures are funded. CSA is too young for angels to have exited investments. Nor has any of the businesses selected for angel investment failed. Mompi is optimistic that the social businesses funded by CSA are less likely to fail compared to commercial ventures due in large part to entrepreneurs and investors "who push harder and longer to make it work."

By creating a network of angels and selecting high potential, early stage businesses that offer both financial and social return on investment, CSA is helping social business become a mainstream investment opportunity. The U.K. Business Angels Association represents all angel investing activities in Britain. At its annual gala awards dinner in 2013, ClearlySo's investment in PlayMob, a tech platform which helps charities raise funds through gaming, was recognised as the 'Social Impact Investment of the Year'. Eleven other angel-funded investments are featured on CSA's website and a selection of ventures supported by its angel investors is listed in Table 3.

Business	Deal Date	CSA Investment	Company Profile
Breezie	July 2014	£180,000 (US$300,000) equity	Breezie software makes the benefits of the Internet accessible to those who currently do not use it (or use it less effectively), primarily the older demographic. It works on touchscreen tablets and provides a simple and intuitive interface to popular Internet applications such as Facebook.
Third Space Learning	April 2014	£200,000 (US$330,000) equity	A technology platform that connects global numeracy specialists to students from disadvantaged backgrounds in schools across the United Kingdom for one-on-one math tuition. Schools purchase programmes for individual students and all sessions take place in schools in addition to normal math lessons, accelerating what the children learn in class.
Weedingtech	January 2014	£390,000 (US$650,000) equity; unknown number of angels	Weedingtech designs, develops and manufactures environmentally sustainable alternatives to herbicides. Their key product *Foamstream* controls weeds using a combination of hot water, steam and natural foam. The funding is primarily for use to market *Foamstream* to the amenities sector – in particular councils and water companies – and to drive uptake of the product, first in the United Kingdom and later in Europe.
Intern Avenue	November 2013	£42,000 (US$70,000) equity; unknown number of angels	This online platform connects employers to student and graduate candidates, allowing students to market themselves in a secure and private environment to the employers most likely to hire them.
Insane Logics	September 2013	Investment unknown; nine angel investors	The organisation's flagship product *MyChoicePad* – an iPad application designed to help those with speech and learning difficulties to communicate with those around them – has helped to revolutionise speech therapy in a matter of a few years.
My Mela	September 2013	Investment unknown; one angel investor	An online marketplace for Indian artisans to connect with international markets, helping preserve livelihoods and traditional craftsmanship.

Business	Deal Date	CSA Investment	Company Profile
Exosect	July 2013	Investment unknown; four angel investors	Exosect's patented delivery platforms enable pesticide manufacturers to improve the delivery of their formulations to overcome issues such as pest resistance, regulatory control and residues within the food chain.
PlayMob	June 2013	Investment unknown; four angel investors	PlayMob is a tech platform which helps charities to raise funds through gaming.
Psychology Online	June 2013	Investment unknown; nine angel investors	This Cambridge-based company offering clinically proven online cognitive behaviour therapy (CBT) has received new investment to develop and extend its service in response to increasing demand in the United Kingdom.
Fair Finance	March 2013	£600,000 (US$1 million) equity and subordinated debt; unknown number of angels	A company offering financial services to those usually excluded from access.
Time for Medicine	January 2013	Investment unknown; one angel investor	Time for Medicine aims to use digital and mobile technology to speed up and reduce the costs of specialist medical diagnostics, shortening patient pathways in the diagnosis and management of illness.

Table 3: A Sample of CSA Ventures with Angel Funding

4. Impact Angels in Asia

During our enquiry on collaborative philanthropy in Asia, we became aware of another form of collective action by impact investors, particularly in India, who sought to invest in potentially profitable businesses that yielded strong social impact with a blend of financial and social return. This, together with similar examples from the United States and the United Kingdom, prompted us to report our initial findings here. While it would be unwise to construct a formal typology using such a small sample, we do offer an exploratory categorisation of angel models based on initial observations. We observed the *migration* by traditional business angel groups into impact investing; we found *impact angel networks* (either independent or embedded within other organisations) and *individual* angels investing alone or in ad hoc association with others.

Migrating Angels

Business angel networks, which provide their members with a managed platform of investment opportunities in early stage companies, have a short history of under a decade in Asia. The Indian Angel Network (IAN), India's first formal angel collective, was set up in 2006 by entrepreneurs and has become Asia's largest with over 300 angels investing in start-up and early stage ventures in seven countries. Many of IAN's members are serial entrepreneurs who created substantial businesses and shaped industries, and philanthropists who wish to address India's social problems through grant-making. These members saw the potential of using the network's financial and intellectual resources to develop "businesses with a social cause."

India offers a unique set of circumstances in Asia. It is a country with economic growth, a growing middle class, a vast number of people at the base of the economic pyramid, a culture of *frugal innovation*, and a higher education system that fosters entrepreneurship. Scalable businesses that aspire to provide affordable goods and services to those at the base of the pyramid can potentially provide widespread social impact profitably.

In 2013 IAN Impact was launched by a group of the network's angels to invest in such opportunities **(see Profile: IAN Impact on pages 26-27)**. The network screens over 400 deals a month of which up to 75 are eligible for impact investment by IAN Impact. Seven investments were made during the first year with up to 40 angels collaborating to invest in some of the ventures. In 2014 IAN Impact partnered with the German official development agency and an Indian bank to launch *iArise* – an incubator of 200 social enterprises that focus on the base of the economic pyramid, with angels providing mentoring to entrepreneurs as they become investment ready.

Other Indian commercial angel networks have also committed resources to social ventures. Mumbai Angels, like IAN, was launched in 2006 and has invested in five or six *social impact companies*, according to its executive officer, Ashpi Gupta. IAN has run a *social impact day*, which showcased ventures with clear social objectives, including Dialogue in the Dark India, iKure and Sevamob. Gupta says that the majority of her members "look primarily for strong business case and profitable exit, but 10 percent of our angels come with a strong interest in and preference for impact deals."

Calcutta Angels is one of India's newest angel networks and since launching in 2013 has made investing in socially strong businesses a key priority. The Kolkata-based network already partners with the impact angel fund I3N **(see Profile: I3N on pages 28-31)** and is investigating collaboration with IAN Impact. Raghav Kanoria, one of Calcutta Angels' founders, credits the relationship with I3N and the particular membership of the network with the focus on impact investments, explaining that "our members are from well established industrial families

in Bengal; many having family trusts that have long invested and given grants to individuals and organisations."

The first social venture in the state to receive angel investment – provided jointly by Calcutta Angels and I3N – was iKure Technosoft which provides access to affordable rural health clinics. The clinics are staffed by a doctor, a pharmacist and an assistant, and charge only INR80 (US$1.30) for a consultation. Kanoria says that he and other angels "got excited when we realised that capital could have a big social impact as well as create a strong company."

Kanoria believes that some of his angels will moderate their expected financial return if that is necessary for these social businesses to succeed. He admits that "deal flow in this impact space is a big challenge, and we need a better developed ecosystem for impact investing."

Of the 22 angels, about half are making impact investments for the first time with six investing in iKure and another five in Ketto Online Ventures – a Mumbai-based online crowd funding platform for nonprofit organisations and charitable causes. Calcutta Angels made the INR77 lakh (US$125,000) investment in Ketto in partnership with ah! Ventures, a fast growing angel network with an impact investment arm, ah! Impact. ah! Impact has developed an *Impact Plan* which it describes as "an extension of the regular business plan and will help investors to gauge the impact creating potential of the company." The ah! group includes many first-time angel investors among its members who, according to its website, "have shown great interest in investing in social enterprises with high potential and measurable social or environmental impact."

In these Indian examples of angel networks – both long established and new – we observed the objective of engaging their members with start-up businesses that have clear social objectives and which compete for funding with more traditional, commercial business opportunities.

Business angel networks were established earlier – and have grown faster – in India than other parts of Asia. More recently angel networks have been launched more widely in China, Japan and South East Asia. The Singapore-based Business Angel Network of South East Asia (BANSEA) mentioned earlier was created in 2007 "to foster a vibrant start-up ecosystem in which angel investors fund entrepreneurs who eventually become angels themselves … through educational workshops, research, conferences, and networking with international angel groups." BANSEA emphasises the need to build awareness of angel investing amongst business professionals and entrepreneurs in addition to providing a platform for angel investments to take place. BANSEA is clearly focused on commercial angel investing. While that may include ventures with high social content, it does not articulate a strategy for fostering social entrepreneurship. Similarly, we found no examples of mainstream angel networks in other parts of Asia that have *migrated* into impact investing in any publicly intentional way.

Impact Angel Networks

The *migrating* angels featured above resulted from established commercial angel networks identifying investment opportunities that intentionally create social value. In the United States and the United Kingdom, we saw examples of angel networks working exclusively in the social impact domain; each exercising a slightly different operational model:

- Investors' Circle (United States): A network of angels exclusively sourcing impact investments.
- Clearly Social Angels (United Kingdom): A group of angels embedded within ClearlySo, a social finance intermediary.
- Big Venture Challenge (United Kingdom): An initiative of UnLtd that facilitates the connection of its investments to external impact angels.

In Asia we are seeing the first wave of angel networks with dedicated focus on social enterprises as investable opportunities. We profile seven here which act independently or are embedded in other organisations.

One network disbanded and re-formed with an educational focus. Two are initiatives of university student and alumni groups.

Independent Impact Angel Networks

As interest in impact investing grows in Asia, we are seeing the first angel networks dedicated wholly or predominantly to early stage social enterprises. Our first example from Pakistan is the creation of the country's first angel network, which emphasises the opportunities to invest in social impact.

In comparison to its neighbour India, Pakistan has a poorly developed ecosystem for supporting entrepreneurs and financing their ventures to scale. Invest2Innovate (I2I) was launched in 2011 to sustain what had previously failed – create a community of angel investors and provide them with a pipeline of investable early stage ventures. The ventures seeking funding will need to offer a compelling business case and have plans that demonstrate financial viability and potential sustainability. In addition, they need to be an *impact enterprise*, which I2I defines as "a for-profit business that provides an innovative product or service to address a long-standing social or environmental issue."

I2I's requirements make the organisation an angel network with a bias for social businesses. I2I founder Kalsoom Lakhani describes the need to work at "both ends of the 'dumbbell' by strengthening the business skills of social entrepreneurs and educating angels about social impact." Most of I2I's angels are successful entrepreneurs who have previously invested only in commercial start-ups although several have the experience of angel investing in Silicon Valley. They intuitively view ventures through the lens of business profitability and exit, and I2I helps them appreciate and evaluate the social value to be created.

While Pakistan "is full of good ideas," Lakhani admits that "finding entrepreneurs with quality ideas and some traction" is challenging. At the front end of its pipeline development, I2I runs an accelerator programme from September to January each year. Over the course of four months, selected entrepreneurs receive virtual support and convene for six in-person weekends in either Karachi or Lahore, with sessions led by mentors on topics including branding, customer acquisition, financial management and operations. Three cohorts, comprising a total of 16 entrepreneurs, have attended the classes since 2012. They represent businesses in agriculture, renewable energy, clothing retail, health foods and education.

I2I aspires to work across the fragile ecosystem by partnering with university incubators and business competitions that produce ideas that can be fed into the Invest2Innovate pipeline, and working with venture capital and private equity investors for post angel investment. More than 35 mentors (entrepreneurs or corporate executives) support the curriculum of the accelerator programme. Several of the mentors are also I2I angels who can engage with entrepreneurs at the end of the programme but prior to the pitching events. One of the reasons angel networks have not thrived in Pakistan previously is "lack of trust," says Lakhani. This is the reason why a core value of I2I is to build an investment community "not only to increase access to seed capital for entrepreneurs, but also promote trust and transparency between entrepreneurs and investors, and among investors."

Unlike most angel networks, I2I is structured as a for-profit company and derives much of its income from fees for consulting with development organisations active in Pakistan. I2I helped design an incubator project for educational innovation as part of a programme of Development Alternatives Inc. funded by the U.K. Department for International Development. I2I's report on the entrepreneurship ecosystem in Pakistan (Invest2Innovate, 2014) is the country's first such in-depth mapping and analysis. The report argues that while there is an encouraging increase in entrepreneurial activity in Pakistan, the lack of structured funding, transparency, trust and an unsupportive regulatory environment pose serious challenges.

Impact Angels in Asia

In Hong Kong in 2010, a group of 10 individuals created the Social Investors Club (SIC), an impact angel network. While most were mid-career professionals with backgrounds in entrepreneurship or financial services, others represented the social sector and academia. Each pledged HK$100,000 (US$13,000). Over two years the group considered more than 20 potential deals, evaluated about half of them, approved three and closed on one. SIC's only reported investment was in Fairtaste, a Hong Kong-based social enterprise promoting fairtrade and ethical consumption. Instead of a platform to bring deals to individual angels, the group was like an investment club that pooled funds to make a collaborative investment.

In 2012, the group dissolved and later re-formed as SIC 2.0 (later branded as *Giinseng*) with a mandate to include younger members and introduce grant-making as a component in its activities.[12] *Giinseng* limits itself to 100 members and has a strong focus on educating members about impact investing and philanthropy.

One of SIC's institutional investors was another Hong Kong-based, experimental impact angel network called GIVE Venture Partners which comprises five individuals including Doris Kwan, a retired private banker. GIVE is typical of a new generation of philanthropists where individuals see the value of collective action and wish to support the social enterprise movement by investing in capable businesses rather than make donations to nonprofits. Kwan and her colleagues evaluated the business plans of many social entrepreneurs and observed that while these individuals were strong on visionary ideas, they were generally weak on execution experience. GIVE saw its particular value in mentoring social entrepreneurs and offering basic business advice as well as seed capital. Kwan believes the strong dependency on government grant-funding among social enterprises in Hong Kong has created an unhealthy attitude that has taken the edge off entrepreneurial spirit. "When we offer [social entrepreneurs] constructive criticism, they feel they have a right to be funded," she says.

12 Reported on http://hksocialinvestor.blogspot.co.uk

Living Waters Social Ventures (LWSV) was incorporated in Taiwan as a social enterprise in 2011 to "connect social entrepreneurs with impact investors," says co-founder Ray Chen. He says that in Taiwan there is a "huge gap between social entrepreneurs and potential impact investors in the segment where social enterprises are not ready for investment." Chen and his co-founder Jason Tuan select start-up and later stage social enterprises and offer them free non-financial support, such as management consulting and financial advisory.

For smaller, early stage enterprises, this support is provided by the founders and a roster of pro bono consultants and interns. For larger, more complex ventures, LWSV works in partnership with Asia America MultiTechnology Association (AAMA)[13] Taipei Cradle Plan, a mentoring scheme with origins in the collaboration of technologists in Silicon Valley and Asia. The technical and mentoring support given by LWSV – directly and through its partners – helps social enterprises become ready for investment by impact angels and impact investment funds.

LWSV maintains an "investor circle" – currently numbering eight impact angel investors made up of experienced entrepreneurs and individuals drawn from the venture capital, accounting and legal sectors. While LWSV is the primary source of deal flow, the angels are encouraged to introduce potential investee organisations sourced from their own networks. The group has a deliberate educational function with meetings covering topics such as the development of the social enterprise sector in Taiwan and the need for regulatory changes to foster the emerging sector.

LWSV aims to provide angel funding in the range of US$30,000 – US$300,000 and is prepared to consider larger amounts if any investments require second round funding. Within its first two years, LWSV made three equity investments in New Life Information Services, Dialogue in the Dark Taiwan and Good Works Social Enterprise Company Ltd.

13 Founded in 1979, AAMA – formerly known as Asian American Manufacturers Association – is Silicon Valley's largest nonprofit organisation dedicated to the Asia American high-tech community. AAMA expanded overseas by launching chapters in Beijing (2004), Shanghai (2007), Seoul (2010) as well as the Pearl River Delta (2012) and Taipei (2012) to better serve as the bridge between Silicon Valley and Asia.

Good Works is positioned as a branding, design and marketing company especially for products made by the disadvantaged, underprivileged or individuals with disabilities. LWSV angels were instrumental in helping reshape the corporate structure of Good Works into a public benefit corporation linked to an affiliated operational charity that works directly with people with disabilities.

Chen says the angel investors "expect to make both financial and social returns, but do not expect the investments to be maximised for financial returns and give weight to how their investments can make a positive impact on society." The angel network has a pipeline of potential investments into 2014 but Chen acknowledges the challenges in Taiwan where "more mature social entrepreneurs with scalable business models" are lacking. LWSV is also engaged in developing the social business ecosystem by supporting early stage incubators and the development of new legal frameworks comparable to B Corporation or Community Interest Company models.

Angels Embedded in Impact Networks and Other Organisations

We saw above that Clearly Social Angels are embedded within the social finance intermediary, ClearlySo, and that Big Venture Challenge facilitates the connection of external angels to the investments of UnLtd. In this study we have identified impact angel groups in India embedded within two social finance intermediaries – Intellecap and Ennovent. In addition, two university-linked impact angel networks in India and Hong Kong illustrate the role played by alumni and students in early stage social ventures.

Intellecap was founded in 2002 in Mumbai and has grown to become an ecosystem of financial and consulting companies promoting investments in enterprises that serve the base of the pyramid in India and beyond. After 11 years processing deals in this space, Intellecap reported a growing gap in financing for early stage ventures valued at US$1 million or less – the sort that also value mentoring and basic business advice.

With the rise of business angels in India, Intellecap saw the opportunity for angel investing to meet the growing demand from early stage social ventures. In 2012 the Intellecap Impact Investment Network (I3N) was launched within Intellecap as a group of angels providing early stage capital for ventures in healthcare, education, agriculture, clean energy, financial inclusion and water. By 2014 I3N comprised over 50 angels exploring deal sizes typically up to US$170,000, and able to make individual contributions of up to US$30,000 **(see Profile: I3N on pages 28-31)**.

Ennovent describes itself as an "innovation services company" which helps its clients accelerate sustainable innovations in low income markets in developing countries. The organisation was conceived in 2008 as an impact investment fund in Austria and today is co-located in Delhi and Vienna. The fund continues to make direct impact investments through Ennovent's Impact Investment Holding, but its full suite of activities as a service firm contribute towards strengthening the ecosystem for early stage investment in social businesses. In 2012 a group of entrepreneurs, investors, mentors and experts was convened to form Ennovent Circle – a collaborative effort to source, mentor, invest in and scale enterprises in low income markets **(see Profile: Ennovent Circle on pages 32-33)**.

Both Intellecap and Ennovent are multifaceted organisations operating in the impact investing ecosystem and involved in activity beyond direct investment funding. Like ClearlySo and UnLtd in the United Kingdom, they see the need to develop a continuum of funding for early stage social ventures by hosting or facilitating the involvement of angel investors.

University-hosted enterprise incubators are a popular mechanism for leveraging entrepreneurship, mentoring, know-how and finance within the community of students, alumni and faculty. The Indian Institute of Management Ahmedabad, one of Asia's leading business schools,[14] hosts a cluster of

14 Ranked second in Asia Pacific in the QS Global 200 Business Schools Report (2013)

incubators and funds that focus on young, socially minded enterprises that "combine innovation with mass impact." The Centre of Innovation, Incubation and Entrepreneurship (CIIE) has made impact investments since 2009 **(see Profile: CIIE on page 34)** and has built a large pool of experienced mentors; many drawn from the Institute's alumni. CIIE wanted to foster personal investing within its alumni community by targeting those with little or no experience of the angel model. More than 40 alumni have become active angel investors in social enterprises as individuals and in club deals with other alumni.

The Pan-Asia Venture Development Platform (PAVD) is an initiative within the MBA programme at the Chinese University of Hong Kong (CUHK). The platform is a vehicle for the practical, real-life teaching of venture financing for graduate students in the MBA programme. Entrepreneurs globally are invited to present their business plans to MBA students who evaluate the ventures and carry out limited due diligence. Student teams prepare investment proposals that are presented to PAVD's group of 30 or so registered angel investors and judges. Up to 30 percent of the projects have been successful in attracting angel investment, with students also having the opportunity to make their own investment in any of the businesses.

Individual Angels

In the examples above we saw impact angels who make their investments within an institutional setting as members of angel networks or groups. Angels can also act independently of such platforms, either as lone individuals or in ad hoc collaborations with other angels. Being part of an angel network brings advantages, especially the opportunity to evaluate a deal flow of pre-screened potential investments brought to the network by its executive staff. But angels are also discovering start-up businesses through their own contacts and business networks.

Patrick Cheung and Sadeesh Raghavan **(see profiles on pages 34-37)** are successful business people who have used their skills and business acumen to support early stage social enterprises and nonprofits. Cheung is a Hong Kong-based packaging entrepreneur who sold his businesses in 2006 and later became one of the island's committed supporters of social enterprise, most notably as lead angel investor in one of Asia's most successful social businesses. Sadeesh Raghavan is a first-generation Malaysian of Indian origin who transitioned from a 30-year career with consulting firm Accenture to become a trenchant supporter of social enterprise, fascinated by the potential of sustainable businesses to serve the poorest.

Cheung and Raghavan exemplify what Schervish (2006) calls "hyperagency" in philanthropy and social investment – the institution- and industry-building capacity of private sector wealth creators who apply their resources, attributes and worldview to the social sector. This was a theme we explored in an earlier working paper when such hyperagents promote giving circle models in Asia (John, 2014). Such hyperangels as those we profile here are not content to simply invest in isolated social enterprises, but want to contribute to the building of the investment ecosystem. They view the emerging marketplace for social enterprise with the same insights that made them industry and system builders in their professional careers.

Cheung and Raghavan retired early from successful careers that gave them attributes necessary to be effective business angels with an understanding of the challenges of growing profitable companies in multiple geographies, and attracting investment capital. Each was also philanthropically orientated and wanted to integrate the social impact of a nonprofit with the sustainability of a thriving business through the vehicle of social enterprise. While Raghavan has blended both commercial and social angel investments, Cheung is content with seeking only social enterprise opportunities. Raghavan uses multiple platforms to make his angel investments – I3N, Ennovent, Dasra and IAN – as well as source his own deals as an individual, reflecting the pragmatism of finding the best opportunities available.

Chapter 4 Profiles

Indian Angel Network – IAN Impact

The Indian Angel Network (IAN) was founded in 2006 by entrepreneurs who rode the first wave of entrepreneurship that followed the liberalisation of the Indian economy 15 – 20 years earlier. These individuals, including creators of the Indian technology industry, wanted to invest close to the spirit of entrepreneurship, and were committed to creating jobs and wanting to improve the lives of the many Indians living at the base of the economic pyramid.

Today, the network has international coverage and comprises more than 325 business angels investing in start-up and early stage ventures as individuals and syndicates. IAN's investors are based in 10 countries and have invested in seven countries. Interestingly, IAN is the world's first angel group to set up operations outside of its home country – in the United Kingdom.

IAN angels typically invest up to US$1 million over a three- to five-year investment period. IAN's President Padmaja Ruparel says "two conversations were happening in recent years amongst many of the network's angels." The first was around how the most talented entrepreneurs could use their industry-building skills to improve the lives of the poorest. The other was about the sustainability of philanthropy – "good work stops when good money stops." Over the last seven years IAN has built a substantial resource of individual entrepreneurial talent, business know-how, capital and networks that can be leveraged for the under developed sector of "businesses with a social cause."

In July 2013 the network announced the setting up of IAN Impact – a sub-group of angels seeking investments in businesses that would serve the base of India's economic pyramid. The impact group includes seasoned angels; among them are two of IAN's original founders and others who are active across the spectrum from commercial investing to impact investing and philanthropy.

Ruparel says the pipeline of potential social investments is strong despite the relative infancy of social business in India, adding that "in a batch of typically 400 potential ventures screened every month, 75 or so are candidates for impact investment." While it is still too early to fully understand how the angels will balance financial and social return on their investments, Ruparel believes the initiative can "divert money from champagne and diamonds into something useful for reaching India's poor."

Aaditeshwar Seth was an academic at the Indian Institute of Technology (IIT) and entrepreneur who wanted to harness technology to empower millions of the rural poor. Using a grant from an American foundation, Seth and his colleagues in 2009 started Gram Vaani (*voice of the village*) – a low cost technology provider for communities and rural NGOs. Today Gram Vaani has more than two million users in India, Afghanistan, Namibia, Pakistan and South Africa. Thirty rural radio stations are able to manage and share content over mobiles and the web; corrupt ration shop officials were arrested due to citizen complaints; women's groups in Uttar Pradesh can share learning and opinions; and Delhi citizens monitor waste management.

While the early pioneering activities could use grant finance, Seth says "the only way we could grow the scale of our impact was by transforming the organisation into a media company." Before meeting IAN Impact angels at an IIT event, Seth had spoken with well known social investors like Omidyar and Acumen funds, only to find Gram Vaani was not yet the kind of *big ticket* investment they were seeking. Seth also points out that most venture capital type investors were "focused on verticals like education, health or sanitation whereas our company provides technology solutions horizontally across several sectors."

Gram Vaani became the first publicised investment of IAN Impact with 24 individuals pooling their capital and co-investing with the Digital News Ventures[15] in a round totalling US$500,000. Gram Vaani and its investors have agreed on social impact metrics, which are presented and discussed at regular investor meetings alongside the more traditional reporting on business growth and profitability.

Seth values the angels' involvement in his business as they are "entrepreneurs who know how to grow a company, whose inputs are very useful in helping us overcome bottlenecks in our growth, and who open up their networks to bring us new business." The IAN Impact angels are represented on Gram Vaani's board by Srikant Sastri, a successful media entrepreneur, who also drives *Growth-for-All*, a movement that seeks to include all in India's development and prosperity.

15 Digital News Ventures is part of Media Development Investment Fund, an impact investment fund that specialises in independent media.

Investee Company	Business/Mission	Number of IAN Angel Investors
Consure	Consure is developing a new standard of care for the management of faecal incontinence (FI) in non-ambulatory patients. Faecal incontinence is a large latent clinical need that affects more than 16 million patients in India and over 100 million patients worldwide every year. FI is embarrassing for the patient, the family member and a major cost factor for hospitals. Consure's product allows family members to care for their loved ones in a clean, hygienic and dignified manner.	36
Ecosense	As the name suggests, Eco + Sense works with government, private organisations and civil societies to sensitise and help them adopt development mechanisms that are environment friendly. Started by young technocrats, Ecosense is working towards bringing sustainable transformation in the lives of common people by providing basic infrastructural solutions for clean water, sanitation, energy and green habitat.	30
GoCoop	An online social marketplace platform for cooperative and community-based producers to list and sell their produce, enabling wider access to markets and helping co-ops and their members realise higher prices.	36
Gram Vaani	Meaning *voice of the village*, it is a social technology company incubated out of IIT Delhi. Gram Vaani aims to reverse the flow of information, i.e., make it bottom-up instead of top-down through the use of appropriate communication technologies and community-based processes to enable voice-based social media networks for the base of the pyramid. Using simple technologies and social context to design tools, they have been able to impact communities at large. Gram Vaani now boasts more than two million users in India, Afghanistan, Namibia, Pakistan and South Africa.	23
Stayzilla	The one place on the web for making peaceful, thoughtful and delightful stay arrangements across India. The name symbolises its gigantic reach that extends to hotels located in the remotest of zillas in India. Backed by the desire of the Stayzilla team to stay ahead of the pack, it offers a simple yet smart online service that helps to make hotel reservations in a jiffy with a series of quick clicks.	40
Uniphore	The leader in Indian language speech-based software solutions, Uniphore's solutions allow any machine to understand and respond to natural human speech, thus enabling humans to use the most natural of communication modes – speech – to engage and instruct machines. Uniphore has a roster of high profile customers across many industries, including banking, financial services, healthcare, agriculture, education and retail. These enterprises deploy Uniphore's solution to improve employee productivity and deliver superior customer service.	36
Vienova	A leader in live online education services, Vienova has grown aggressively by heavily leveraging technology to deliver highly customised live services to customers across the globe. It connects students to highly trained tutors who leverage the rich content library for high impact teaching.	10

Table 4: IAN Impact Investments During First Year of Operations (2013 - 2014)

In 2013 IAN Impact and Unitus Seed Fund, India's most active seed stage impact investor, announced an undisclosed investment in GoCoop Solutions and Services Pvt. Ltd., a Bangalore-based venture that provides a social marketplace for co-operatives and community-based enterprises to list and sell their produce online. India has over 600,000 co-ops with more than 240 million members, but they are exploited by middlemen offering poor terms and low payments. GoCoop developed a technology platform and marketing services that provide co-ops in India and around the globe with market access and fair trading.

After its first year as a niche group within the angel network, IAN Impact had a portfolio of seven social businesses which engaged 40 angels as active investors (see Table 4).

In June 2014 IAN collaborated with GIZ (the German development agency) and SIDBI (the bank serving Indian small and medium entreprises) to launch the *iArise* Incubator – an initiative to incubate close to 200 social enterprises that serve the bottom of the economic pyramid. IAN's intention through incubation is to help and guide entrepreneurs through the process of business scale up to ensure the widest possible geography and population are touched by social impact. The nine-month incubation will see IAN mentor the ventures in refining business plans and sales strategy, and helping with access to angel investors and other capital.

Intellecap Impact Investment Network (I3N)

Intellecap was founded in 2002 in Mumbai. Today, it is an interconnected group of innovative financial and consulting organisations with activities in 25 countries. The Intellecap ecosystem comprises intellect, capital and networks.

Intellecap: Provides a broad range of consulting, research and investment banking services to clients in India and globally.

IntelleGrow: Provides tailored venture debt to small and growing businesses, i.e., missing middle financing for innovative businesses in energy, financial inclusion, healthcare, water and sanitation, agriculture supply chain and education.

Arohan: A microfinance institution serving 200,000 clients in eastern India that was acquired by Intellecap in 2012.

Sankalp Forum: A convenor, think-tank and policy shaping organisation whose annual summit in India brings together over 1,000 participants from all parts of the finance ecosystem.

I3N: India's first angel network aimed at making investments into early stage social businesses.

The Intellecap group of organisations has a strong focus on market-oriented approaches that have positive social impact on people at the base of the economic pyramid delivered through businesses providing goods and services. It has a strategic partnership with Aavishkaar, one of the first impact investment funds in India. After 11 years of pioneering investment banking services for companies whose market was primarily at the base of the economic pyramid, Intellecap noted that as the market matured, deal sizes grew so that investments of US$2 million – US$3 million were not uncommon. The result was a growing gap in financing for earlier stage ventures that require more hand holding and funds below US$1 million.

At the time angel investing was becoming established in Mumbai and other Indian cities, so Intellecap saw an opportunity to influence Indian angels to consider as investable those companies that served the base of the pyramid. In 2012 Intellecap launched its impact angel network (I3N) to provide capital for relatively early stage companies in the priority sectors of healthcare, education, agriculture, clean energy, financial inclusion, and water and sanitation. I3N's head Aditi Shrivastava says these companies "find it impossible to raise funds so for us success is helping these enterprises become attractive to mainstream, commercial capital." Traditional investors are reluctant to back young ventures with little track record. Shrivastava says "very few venture capital funds understand sectors like agriculture

or dairy, and without an appreciation of risk or potential return such enterprises are branded as uninvestable."

When setting up I3N, Intellecap initially conceived an angel group of 25 or so wealthy individuals with a track record in philanthropy, including giving circles. But Intellecap found the response disappointing with philanthropists wondering "why they should invest if they are already giving," says Shrivastava. These individuals also felt they were too time constrained to offer angel type business advice to entrepreneurs. In their giving they have backed nonprofits with "decades of operating activity" so they were cautious about "the reputational risks in investing in a two-year-old entity," she says.

In response Intellecap redefined the kind of person best suited to join its initiative, favouring the individuals typically found in commercial angel networks – senior corporate professionals and successful entrepreneurs with the general business experience to offer advice to an entrepreneur growing a venture in virtually any sector. Members could also include family offices and institutional impact investing funds. Shrivastava says the network looked for angels who "would contribute INR10 lakh – INR20 lakh [US$15,000 – US$30,000] to deals that would typically be INR1 crore [US$170,000]."

"We thought having around five angels in one deal would offer the right amount of personal involvement in the business, which a crowd funding model would not," she says. Intellecap recruited several individuals involved in mainstream angel networks and "helped them make the stretch to impact investing," says Shrivastava. She adds that all the angels "want to see evidence of good business potential and want to support companies creating social value. Even those who will accept muted returns want to see the businesses scale up to reach more people more effectively."

By April 2014 I3N had more than 50 investors, screened about 300 deals and made seven investments (see Table 5).

Venture	Description
AgroStar	AgroStar is a direct-to-farmer mobile-based retail channel that addresses significant gaps in the conventional rural agricultural retail supply chain.
Head Held High	Head Held High offers rural youth an intensive five-month residential training programme focused on teaching English, computer, math and life skills. Post training, hubs provide entrepreneurial activity in the villages, leading to employment.
iKure	iKure manages rural health centres and has developed an award-winning software platform. Headquartered in Kolkata, West Bengal, iKure is incubated by IIT Kharagpur and Webel Venture Fund. Following I3N, Calcutta Angels also invested in iKure.
Ketto	Ketto is a crowd funding platform enabling people to raise funds for their chosen causes or charities, and supporting NGOs in running their own campaigns. Ketto has built long-term partnerships with CAA-KWAN, Google and MTV, among others.
LabourNet	LabourNet is a skills training organisation for informal sector workers, providing financial inclusion, social protection and welfare services to unorganised workers. LabourNet is headquartered in Bangalore.
MeraCareerGuide.com	MeraCareerGuide.com is an affordable platform designed to assist students in making informed career decisions by providing extensive content on career options and offering expert advice from more than 80 counsellors. MeraCareerGuide is based in Delhi.
Surya Power Magic	Surya Power Magic offers farmers efficient, affordable solar water pumps. Surya has installed over 25 water pumps in Tamil Nadu.

Table 5: I3N Angel Investments at April 2014

Twenty-eight of the network's individual angels are listed on its network, revealing a broad range of skills and experiences as industry and company builders. Table 6 shows a representative sample of these angels who are based in major cities in India or overseas. I3N is looking to recruit angels resident in Tier 2 and 3 cities, which would place them nearer to the ventures being supported to increase the engagement between angels and entrepreneurs.

Twenty institutional investors are also listed on I3N's website and a selection is listed in Table 7. These are impact investment funds or venture capital firms located in India or internationally that see the benefits of co-investing with I3N's angels in deals that have been carefully selected and evaluated.

The pipeline of potential investments comes from the Intellecap group, angels, outreach events and referrals by other ventures Intellecap has funded. In 2012 the I3N team (at that time a staff of just two) saw 150 potential enterprises and after screening brought 19 to the network members. I3N uses six broad criteria to sift through potential deals and arrive at a shortlist for the investors:

- Background and commitment of the promoter and team
- Uniqueness of the model or idea
- Robustness and scalability of the business model
- A demonstrated proof of concept
- Low competition or barriers to entry
- (Social) Impact of the enterprise

Mainstream angel networks share these criteria with the possible exception of the venture's social impact although Shrivastava says, "no angel has yet asked for specific impact metrics. They just 'get it' and just want to ensure growth and impact are in lock step."

I3N will work intensively with a candidate venture for a month before its pitch at an angel meeting, thus ensuring the business plan is robust, legals have been scrutinised, and the entrepreneur is prepared to make a presentation. Around 15 percent of deals screened by I3N originate from Non-Resident Indians in the United States who can provide relatively sophisticated business plans. On the other hand, entrepreneurs from poor states such as Bihar often struggle with key areas like governance and require more hand holding by the I3N team. Selected ventures are presented to network members at pitching events held quarterly in Mumbai and Delhi. Experiments with virtual meetings (telephone conferences or email) were disappointing and did not generate the excitement of a live, physical presentation event. With ventures that look promising and likely to gain investment, a *champion* angel will take the lead with I3N staff to speak in depth with the entrepreneurs to work out potential investment details that lead eventually to an agreed term sheet. Shrivastava describes this as "a high touch model needing a lot of coordination." The process takes up to two months. Another week is spent on technical due diligence before the investment is confirmed and the deal finally "goes live"

Angel	Experience	I3N investments
Reena Mithal	International finance, entrepreneur, impact investor	Head Held High, LabourNet
Sanjeev Shah	Serial entrepreneur, angel investor	Head Held High
Ajay Mehra	Founding partner of a tax law firm	unspecified
Seema Bhatia	Development economist	unspecified
Nand Kishore Chaudhary	Indian rug entrepreneur, E&Y Entrepreneur of the Year 2010	unspecified
Nandan Maluste	Investment and private banking, management consulting, advertising industry	iKure
Jayeth Parekh	Media entrepreneur, academic	iKure, Head Held High

Table 6: A Selection of I3N Angels

some four to six months after the venture is first shortlisted.

In a typical investment involving four angels, one will continue as deal lead and usually joins the venture's board, with the other angels getting involved as their time and interests permit. I3N encourages entrepreneurs to send regular informal updates to their angel investors in addition to mandatory quarterly reports. Most angels will spend "a few hours each month on a venture," says Shrivastava, offering advice and facilitating access to their networks to help build the business. Institutional investors can also take the role of deal lead, in which case individual angels can be more passively engaged, letting the fund act "like a venture capital general partner keeping in close day-to-day contact with the entrepreneur," she says.

So far I3N has covered much of its costs through a start-up grant and will move towards financial sustainability by charging an annual membership fee to be levied on angels and institutional investors and a success fee from entrepreneurs. Intellecap, I3N's parent, plans to take a stake in the ventures – in lieu of a success fee – and share in the upside of those that become profitable businesses.

I3N's latest investment was made in December 2014 when seven angels from the network invested in Telangana-based clean energy company Banyan Green Fuel. The start-up collects and processes agricultural waste, which is supplied to large corporations to meet their green fuel energy requirements. Recent Indian regulations include a mandate requiring large industrial plants to source approximately five percent of their energy needs from green producers. Investing I3N members include Naveen Kshatriya, ex-regional Asia Pacific vice president of BP-Castrol and founder of Kshatriya Ventures, and Rema Subramanian of Ankur Capital, a Mumbai-based early stage impact fund. Existing investors have also infused additional capital to bring the total raised to INR1 crore (US$158,000).

Investor/Location	Profile
Aavishkaar India and Mauritius	Pioneer impact investment fund in India and strategic partner of Intellecap
Accion Venture Labs International	The new seed stage *super angel* fund of Accion International
Ankur Capital India	Impact investment fund
Jungle Ventures Singapore	A Singapore-based early stage venture capital fund with interests in South East Asia and India at *angel level*
Omnia Investments India	Promoted by the Spice Group (linked to the B.K. Modi industrial conglomerate) and investing in the *mobility ecosystem*
Opes Impact Fund Italy	An Italian fund with impact investments in India and East Africa
Waaree India	A major India-based multinational technology group

Table 7: A Selection of I3N Institutional Investors

Ennovent Circle

In 2008 Ennovent launched as an Austrian-headquartered impact fund, investing in for-profit enterprises that make a sustainable impact on Indian low income markets while making a fair profit. Over the last five years Ennovent has evolved into an "innovation services company providing discover, start-up, finance and scale services" to help clients – including entrepreneurs, mentors, investors, foundations, development agencies, CSR departments, NGOs and companies – accelerate innovations for sustainability in low income markets.

Ennovent manages three community platforms to provide services at varying levels of cost and customisation:

Ennovent Network: A free, global network managed on LinkedIn where members can "connect and collaborate to accelerate innovations in low income markets."

Ennovent Pool: A diverse and global pool of resources providing low-cost intermediary and professional services to accelerate investment and business in low income markets, utilising a pool of more than 150 experts and mentors.

Ennovent Circle: An exclusive group of entrepreneurs, investors, mentors and experts who collaborate to source, mentor, invest in and scale enterprises in low income markets.

Ennovent Circle was set up in late 2012 and comprises 15 angel investors and 10 institutional investors – mostly established impact funds or foundations. The majority of Circle members are Indian entrepreneurs or senior level corporate professionals while most of the institutional investors are non-Indian impact funds such as Insitor (Italy) and ARUN (Japan). A few local Indian impact funds such as Maitreya Rural Growth Venture and Contrarian Drishti Partners are also members.

Since 2012, the Ennovent Circle has facilitated seven investments by Circle members (see Table 8). The most recent was made in the north Indian clean energy company Boond Engineering & Development in August 2014. The investment was by three Circle members – Rianta Capital (Switzerland/India), Opes Impact Fund (Italy/India) and an individual angel, Sumantra Roy. Boond provides a range of affordable, clean energy technologies in remote, rural parts of India. The Series A investment was led by Opes Impact Fund (Fondazione Opes) and will allow Boond to build a more robust service infrastructure in the form of energy hubs, demonstration units, inventory and trained technicians. The expansion to 20 energy hubs will allow the company to reach one million households.

The pipeline of potential investments for the Circle largely flows from Ennovent's innovation services. Eight to 10 potential deals are put before the investors each month during conference calls. The calls are supplemented with meetings in cities including Bangalore, Delhi and Mumbai. The Ennovent team carries out the initial screening and primary evaluation for the Circle after which selected entrepreneurs are invited to pitch at meetings or conference calls.

The investment deal size is typically below US$1 million, with individual angels committing sums between INR10 lakh (US$16,000) and INR1 crore (US$160,000). Most deals involve one lead angel and two to three others investing smaller amounts. The investments are made as equity or quasi-equity, with angels becoming closely engaged with the venture once the investment begins. Ennovent Circle Manager Joel Rodrigues says that "non-financial services, like mentoring and business planning, are just what these angels want to contribute to start-up businesses that want to create social impact." The Circle's investors moderate their expectation of high financial returns when backing a social enterprise by offering more patient terms than they would in a purely commercial deal, typically not expecting an exit for seven years or longer.

None of the investments has exited in the two years that the Circle has operated, but there has been follow-on funding (see Sudiksha Knowledge Solutions in Table 8).

Ennovent Circle charges its members an annual fee but does not levy success fees on either the entrepreneurs or investors.

Investee Company	Sector/Description
Boond Engineering	Sector: Clean Energy Boond designs high quality products such as solar light systems, solar light bulbs, biomass gas stoves, solar AC inverter systems, and solar water pumps and servicing centres for rural markets. Boond is working towards providing rural markets access to affordable, clean energy. It is currently operational in Rajasthan and Uttar Pradesh.
ERC Eye Care	Sector: Healthcare ERC provides affordable, quality eye care to underserved communities in North East India through a hub-and-spoke model with vision centres, satellite clinics and a hub hospital. It offers primary medical services such as optical retail, pharmacy and consultation services. Ennovent Impact Investment Holding and Ankur Capital along with Ennovent Circle members – Beyond Capital Fund and Sadeesh Raghavan – closed the angel investment round in ERC.
Janta Meals	Sector: Food Janta Meals provides hygienic and high quality meals – based on recipes from home cooks – for low income to middle income consumers at affordable rates in Gurgaon. It prepares its meals in professionally designed kitchens run by women from the local community.
New Leaf Dynamic	Sector: Agriculture/Food New Leaf Dynamic has developed a two-ton refrigeration system for farmers to store milk or agricultural produce and uses renewable energy sources such as farm-waste or biogas as the energy source for cooling.
Sudiksha Knowledge Solutions	Sector: Education Sudiksha Knowledge Solutions, based out of Hyderabad, provides affordable early childhood education by setting up low-cost pre-school centres in low income urban and semi-urban regions. The Ennovent Impact Investment Holding, Opes Impact Fund and Sadeesh Raghavan – all members of Ennovent Circle – closed the pre-Series A investment round. The investment was led by Pearson Affordable Learning Fund and Opes Impact Fund with First Light Ventures and Village Capital being the other investors. The investment in Sudiksha is the second round of investment facilitated by the Ennovent Circle since its launch in June 2012. It is also the third investment made by Ennovent's Impact Investment Holding.

Table 8: Investments Facilitated by Ennovent Circle. Data from Ennovent website http://www.ennovent.com/community/circle accessed on December 19, 2014. Dates of each transaction have been removed at Ennovent's request although these were published on the above website on the date of accessing the information.

CIIE

The Indian Institute of Management in Ahmedabad (IIM-A) is one of Asia's top performing business schools. The Centre for Innovation, Incubation and Entrepreneurship (CIIE) was formed in 2002 as an autonomous nonprofit platform within the institute supported by federal and state government. The Centre leverages the skills, research capacity and financial resources of faculty and alumni to identify and support high potential start-ups through seed investment, mentoring and strategic advice. CIIE is at the heart of a family of enterprise support initiatives including accelerators and venture capital funds in two of its sector verticals:

- Aarohan Ventures is an early stage venture fund and incubator focused on building scalable education, healthcare and technology for development solutions

- Infuse Ventures is an early stage venture capital fund and ecosystem focused on the sustainability and clean energy sector in India

When CIIE began to make equity investments in 2009 that *combined innovation with mass impact*, they noted the need for highly customised business support for early stage ventures. This required human resources beyond the scope of its small secretariat and the building of a mentor network comprising entrepreneurs, consultants, faculty and alumni. Forty percent of the 400 CIIE mentors across India are alumni of IIM-A, which successfully leverages the skills of alumni and helps them remain tangibly connected to their alma mater. CIIE manages several seed and investment funds where the corpus has been capitalised through grants given by government and corporate sponsors, with the understanding that any return realised through investment is recycled back into the fund rather than distributed to the funders.

CIIE has increased the pool of potential investments that are *innovative and mass impact* by seeking social entrepreneurs who are not necessarily self identifying with the term or part of the established social entrepreneur community. Partnership with the Economic Times of India resulted in The Power of Ideas, an initiative to mobilise many more thousands of people with business ideas that impact their own communities.

CIIE saw the need to foster a network of angels from IIM-A's alumni who would invest in the selected social enterprises, and wanted to target individuals who were not yet angel investors in purely commercial ventures. CIIE organised small events for alumni hosted by *social enterprise champions* – senior alumni of the Institute – to encourage personal engagement with high potential social ventures. Over 200 potential angels have attended the events, resulting in more than 40 actively interested in principle of social investing at the US$10,000 – US$25,000 level and offering mentoring. In one of the first resulting deals, three of these new angels have clubbed together to invest in a venture pre-screened by CIIE and receiving institutional investment.

The role of CIIE in screening ventures, being in a network of alumni peers, and the presence of institutional investors give a level of comfort to the first-time alumni angels that reduces the transaction risk. The CIIE angels are typically 40 – 50 years old and are either entrepreneurs or senior company executives. They have sufficient disposable income to invest up to US$25,000 in deals and are available to offer time and advice to the venture's entrepreneur. Through family or personal circumstance they are predisposed towards the social sector, but would rather invest in a social business than donate to a charity.

Patrick Cheung

Patrick Cheung grew up in Hong Kong, studied engineering and after a period working in the marketing division of a multinational packaging company struck out on his own. Over 14 years he built and eventually sold the packaging companies he had created in China. From 2006 he dedicated his entrepreneurial energy to philanthropy. A spell as the finance director of a local service-providing NGO was a culture shock after a working life spent building private sector

businesses. The experience strengthened his resolve to see the social mission of nonprofit blended with the discipline of running a competitive business through the social enterprise model.

Cheung subsequently became a founding director of the Hong Kong Social Enterprise Forum (HKSEF), established to help foster the social enterprise sector in Hong Kong and mainland China. During a Forum event, Patrick met Andreas Heinicke, a social entrepreneur who had founded Dialogue in the Dark (DiD). This is an expanding global franchise of exhibitions intended to provide able sighted people the experience of the visually impaired.[16] Cheung and HKSEF Chairman K.K. Tse wanted to support DiD in Hong Kong. They wanted DiD to stand as a sustainable, business-like enterprise and not be constrained by operating as a subsidised nonprofit. In 2008 this was a radical approach in Hong Kong, which had a conservative charity sector highly dependent on government funding and a social enterprise sector still in its infancy.

Cheung negotiated with Heinicke for a licence to establish DiD in Hong Kong as a social franchise paying a fixed royalty – an arrangement that did not constrain the potential for growth as would a royalty fee based on variable income. With the licence, Cheung and Tse founded DiD Hong Kong with each committing HK$50,000 (US$6,500) of share capital. The pool of people in Hong Kong at that time capable of managing a start-up social enterprise was restrictively small, so the now-retired Cheung temporarily assumed the senior executive role to launch the business. On incorporation the company had 15 shareholders; most of whom acted as active angel investors by providing capital, taking part in strategic discussions and offering links to potential clients.

After a transitional period of two years, Cheung stepped down from his executive role to become chairman of DiD Hong Kong's board. In that capacity, he ensures his fellow angel investors offer advice of the right kind at the right time and do not tread on management's toes.

16 The story of Cheung's meeting with Heinicke and his subsequent involvement with Dialogue in the Dark in Hong Kong and China is amplified in the Business School Case Study of Au, Tsui and Chan (2012).

DiD Hong Kong has been a commercial success while maintaining its core social impact objectives. The enterprise broke even after two years and planned to increase sales revenues to HK$20 million (US$2.6 million) in 2014. Trip Advisor rated DiD Hong Kong as one of the top 10 attractions for visitors in 2011 – an astonishing feat for a young social enterprise in a major tourist city. The financial viability of DiD Hong Kong, based largely on angel equity investment, is in contrast to other DiD franchises around the world that have had variable levels of sustainability and largely depended on grants and other subsidies. DiD Hong Kong returned five percent of the amount invested as dividends to investors in its first two years and 10 percent in the third year, but investors have agreed to cap returns at around 30 percent annual net profit. A minimum of 35 percent of any annual net profit is donated to the DiD Hong Kong Foundation for the development of services for the visually impaired.

During his active retirement Cheung is not interested in making purely commercial angel investments, preferring to concentrate on social enterprises. He says he "does not feel the need to maximise the financial return on investments."

Cheung is aware of the potential pitfalls when commercially minded angels get involved in social impact investments. He advises social enterprises "to pick their investors very carefully," avoiding those he describes as "having heard the term *social impact* but whose motives are financial."

Sadeesh Raghavan

Sadeesh Raghavan is a first-generation Malaysian citizen of Indian heritage. After his education in India and the United States, Raghavan embarked on a 30-year career with management consultants (which became Accenture in 2001). As Managing Director he supervised the firm's Products practice across North and South Asia Pacific. Raghavan particularly enjoyed the challenges of helping

build strong business in the emerging Asian economies he calls the "Wild East." During his final assignment with Accenture he restructured the company's entire Indian domestic operations, which included all their industry practices and capabilities.

At Accenture, Raghavan was exposed to the firm's global *internship* programme, which gave staff a leave of absence to volunteer with a nonprofit organisation for six to nine months. Through this programme, he was introduced to Acumen Fund, a U.S.-based nonprofit that was investing in social businesses in India and supported by Accenture volunteers. "For me this was an 'accidental' introduction to the world of social enterprise," says Raghavan. Being in India prior to taking early retirement and "seeing the work of Acumen in using enterprise to serve the poor was a real eye-opener," he admits. In 2009 Raghavan was introduced to the Indian Angel Network (IAN) and following a formative visit to witness Israel's strong start-up ecosystem, he sought to use his capital and skills as an angel investor.

Raghavan had made angel investments earlier in a few deals brought to him by former classmates launching businesses, mostly in biotech, fast-moving consumer goods and real estate in India. But now he wanted to focus on impact investments in early stage businesses with sound business models that would serve the base of the pyramid at scale. After leaving Accenture, Raghavan continued to support Acumen Fund as an advisor and global investment committee member. The involvement gave him access to innovative social businesses beyond India in Africa, Latin America and Pakistan. On his own or with like-minded angels at IAN, his impact investment experience steadily grew. In many of the deals he championed, he was a hands-on, active angel offering advice to enterprises as a board member, mentor or advisor. Raghavan says this offer of non-financial advice "is just a natural extension of my former professional life, and I always come away feeling I've learnt more than I've contributed."

When looking at a potential investment, Raghavan considers the quality of the entrepreneur and his/her team and asks what they are focused on. "I admit to having a bias for enterprises where 100 percent of their customers are poor people at the base of the pyramid," Raghavan says. "If they are totally focused on the poor, there is far less risk of mission drift than a business model which mixes the well off and the poor," he adds. While he admits that investors needing strong financial returns can influence a business away from serving poor customers, he is generally sanguine about the increasing number of venture capital firms entering the Indian social enterprise sector. "Something like a chain of rural hospitals providing affordable healthcare needs the kind of capital only private equity can provide. And if the business model is focused on the poor, then mainstream capital suppliers should be part of the answer," he says.

As an angel investor, Raghavan usually invests financially and offers business advice to the entrepreneur. Sometimes, if he feels a good social enterprise just needs strategic advice, he will offer it freely without the incentive of a financial investment. One enterprise that came through IAN was Frontier Markets, a distributor of consumer durables through small rural entrepreneurs. While IAN did not eventually make an investment because of foreign direct investment restrictions in India, Raghavan drew upon his knowledge of retail markets to advise the business on its best positioning and remained involved even after others had invested. Today Frontier Markets has secured investments from venture capital and angel investors.

In 2014 Raghavan invested in Sudiksha, an educational business located in Hyderabad. Sudiksha was started in 2010/2011 by entrepreneurs who wanted to offer a high quality, affordable pre-school service to low income families for just US$8 a month per child. Local women from the community are trained by Sudiksha to set up and manage the schools with as little as US$1,600 start-up costs. Sudiksha's Co-founder Naveen Kumar says, "our education is creative and child-centred and inviting rather than intimidating. We understand that for children to have confidence in their abilities, the school should be a nurturing place."

There are now 23 schools in the Hyderabad area; six of which are franchisees and most are already operationally breaking even at the school level. The founders relied on their own financing at start-up but within two years had attracted investment from

Eleos Foundation, a U.S.-based impact fund, followed by another American fund, First Light Ventures.

Kumar found Eleos to be an investor that offered good strategic advice as well as equity finance although he was not particularly looking to attract angels at that stage. On the recommendation of his mentors and advisors, Kumar approached Raghavan for advice in growing the business. This led Raghavan to become an angel investor in the next funding round. "I'm in regular touch with Sadeesh [Raghavan]," Kumar says. "He has helped us solidify our business model, especially the unit economics." Kumar feels he benefitted from Raghavan's angel investment because "he [Raghavan] understands the business and has experience of other base of pyramid ventures in India." One crucial piece of advice Raghavan gave Kumar was to "slow down the pace of school expansion in order to first figure out what it takes to run a few and then replicate." It's usually not easy to advise an entrepreneur to slow down as by nature they are impatient. The trust and relationship that an angel can build with an entrepreneur makes *tough love* palatable.

Raghavan has advice for mid-level professionals who want to start investing for impact. He says to "start by being part of an angel network, learn from others and increase the number of deals you see. Don't expect big returns fast but rather be patient with your capital. And money is not the only thing you can offer; contribute your time and skills wherever possible." In addition to seeing a new generation of angels enter the impact investing space, Raghavan is also keen to encourage other components of the start-up ecosystem, in particular accelerators and incubators. He says, "Over the last six or seven years the impact space has been evolving much as mainstream investing had previously, and is now just a few steps behind. Increasingly they are interacting and as venture capital funds source impact deals, the line between what is a social enterprise and a traditional business is blurring."

5. Conclusions, Recommendation and Further Enquiry

In this working paper we have summarised the role that angel investors play in supporting entrepreneurs during the start-up and early stages of their business ventures. We explored the nascent industry of impact investing where investors seek opportunities to support businesses that intentionally set out to create social value through the products or services they offer, or cater to customers overlooked by mainstream commercial activity. Businesses, whether explicitly *social* or not, require access to a continuum of funding and advice from concept to start-up and early stage growth. Angels are prepared to take the risks associated with such unproven ventures and help fill the funding and advisory gap between *friends and family* and later institutional investors. Philanthropists who have traditionally given grants to charities are increasingly experimenting with a more diverse *toolbox* of financing instruments. In pursuit of their philanthropic objectives they now fund social businesses with a mix of grants, loans and investment equity.

The rise of social entrepreneurship globally has led to experimentation with social enterprise models in many Asian countries despite the hugely variable and often challenging regulatory landscape. If social businesses are to succeed – on their social and commercial merits – they will need access to the full spectrum of financing and business advice through their lifecycle. Not all ventures in Asia that fall under our general understanding of what constitutes a social enterprise are incorporated as privately held entities with a share structure that permits purchase of equity. A social enterprise incorporated as a nonprofit or charity, whose primary activity is trading with social purpose, does not permit the kind of equity investment an angel would typically make in a commercial start-up. Nonetheless it could benefit from the angel investment model. There are a variety of models and maturities in the Asian social enterprise sector, and we believe there exists a useful role for angel investing to support the start-up and early stage growth of social ventures.

Business angel investing is more advanced in India than other Asian countries although it is still relatively new in the region when compared to the United States and Europe. In India we identified examples of three impact angel types – migrating, impact networks and individuals. Business angel networks – both long-established (IAN) and new (Mumbai and Calcutta Angels) – recognise their role in identifying social business deals for their members. Intellecap and Ennovent are impact investment intermediaries with embedded angel groups. CIIE is an alumnus network and incubator with an active angel group. *Hyperangel* Sadeesh Raghavan is a Malaysian of Indian origin who is prolifically active in multiple angel platforms in India.

The relative maturity of angel investing in India coupled with the country's history of social development – through NGOs and large scale opportunities to provide goods and services to the base of the pyramid population – make India fertile ground for impact angel activity.

In Pakistan, formal angel investing was only recently established with Invest2Innovate whose explicit objective is to mobilise angel investors for businesses with clear social goals.

While we have identified some impact angel activity in Hong Kong (the disbanded Social Investors Club and individual Patrick Cheung), we could not yet find examples on the mainland – either directly or through enquiry of individuals familiar with angel investing and the impact investment community in China. We believe that impact angel investing is likely to be a part of the social investment environment in China, which is still experimental and under-publicised. In Taiwan, LWSV is pioneering the engagement of angels in the slowly emerging social enterprise sector, leveraging skills

from individuals and corporate entities, and contributing more broadly to the development of the social investment ecosystem.

We also speculate that the recent growth of business angel investing in South East Asia and widespread interest in social enterprise will foster impact angel activity in the near future.

The examples of angels investing for impact in Asia, which we cited in this paper, are not numerous or the result of extensive enquiry. There is very likely to be more activity than reported here. We have documented angel investing through the migration of business angel networks into the impact space: from specialised impact angel networks (operating independently or embedded in impact intermediaries) and from the agency of individuals. We anticipate the growth of such angel models across Asia in response to the changing tastes of philanthropists for non-grant based social investment and the increasing number of opportunities in the developing social enterprise sector.

Our preliminary working paper raises several questions about angel investing for impact in Asia:

- How widespread is angel investing in the region beyond the few examples reported here?
- What factors, e.g., regulatory, deal flow or return expectation, might determine the appetite angel investors have for funding social enterprises in Asia?
- Is there a role for the migration of commercially orientated angel networks to impact other parts of Asia beyond India where angel networks exist?
- How can impact investing be promoted as an option for mainstream business angels?
- How can angels with only commercial investing experience adapt to the particular needs and culture of socially driven ventures?
- In what ways might impact angel investments differ from their commercial counterparts in terms of investment size, length of the investment period, exit options as well as the kind of non-financial advice offered by angel investors?
- What kind of social impact metrics are used, or should be used, to measure the progress of the business towards its impact goals?

Academic research is necessary to begin addressing these questions around the practice and potential of angel investing for impact in Asia.

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List of Interviewees and Web Resources

Ray Chen	Living Waters Social Ventures	Taiwan	http://www.livingwater.asia
Patrick Cheung		Hong Kong	
Ashpi Gupta	Mumbai Angels	India	http://mumbaiangels.com/
Raghav Kanoria	Calcutta Angels	India	http://calcutta-angels.com/
Naveen Kumar	Sudiksha	India	http://www.sudiksha.in
Doris Kwan	GIVE	Hong Kong	
Kalsoom Lakhani	Invest2Innovate	Pakistan	http://invest2innovate.com
Stephen Miller	UnLtd Big Venture Challenge	United Kingdom	https://unltd.org.uk/bvc/
Richa Misra	CIIE	India	http://www.ciieindia.org/
Mike Mompi	Clearly Social Angels	United Kingdom	http://clearlysocialangels.com/
Prof. Poh Kam Wong	BANSEA	Singapore	http://bansea.org/
Sadeesh Raghavan		Singapore	
Shashank Rastogi	CIIE	India	http://www.ciieindia.org/
Joel Rodrigues	Ennovent Circle	India	http://ennovent.com/
Padmaja Ruparel	Indian Angel Network		http://www.indianangelnetwork.com/
Aaditeshwar Seth	Gram Vaani	India	http://gramvaani.org/
Aditi Shrivastava	Intellecap Impact Investment Network (I3N)	India	http://www.i3n.co.in/
Saurabh Srivastava	Indian Angel Network	India	http://www.indianangelnetwork.com/
Digbyjoy Shukla	Ennovent	India	http://ennovent.com/

Glossary

The language of organisations that operate in the social domain is fluid, contested and still developing.

Angel Investors (business angels, angels)	Business angels are wealthy, private investors who provide capital for young companies at the start-up phase or during a level of expansion. Unlike venture capitalists – whose money is often pooled by investment firms – business angels usually invest their own funds. Business angels are not only valuable for their financial contributions, but also for offering companies in which they invest their expertise and, in many cases, contacts. Many business angels have had success as an entrepreneur or held executive positions at well-established companies or corporations. – *Angel Investment Network* Angel investors may operate alone, in informal groups, or as part of formal angel networks. Angel investors usually take a minority equity stake in the enterprise they support. Some angel investor networks in Asia are known to have interest groups focused on social entrepreneurship and impact investing. Experienced angels with several successful investments are sometimes called *super angels*.
Blended Value	The Blended Value Proposition states that all organisations, whether for-profit or not, create value that takes three forms – economic, social and environmental. Investors (be they market-rate, charitable or some mix of the two) simultaneously generate all three forms of value through providing capital to organisations. The outcome of all these activities is value creation and that value is itself non-divisible and, therefore, a blend of these elements. – *Jed Emerson*
Collective Philanthropy (collective giving)	The practice of philanthropy when individuals pool their resources (financial and/or human) in support of nonprofit organisations. Passive models may include a company's employees making a pooled donation to a charity. Active models include giving circles and volunteering consulting.
Community Foundation	A community foundation is an independent, grant-making organisation that derives its assets from, and disburses grants within, a defined geographical location, usually a city or other identifiable local community. Many community foundations operate specialised philanthropic vehicles such as donor-advised funds in managing the giving of their client members. More recently some community foundations are moving beyond geographical limits to offer grants for international development in what is seen as a new trend for community foundations.
Enterprise Philanthropy (impact giving)	Providing grants and non-financial support to help an enterprise progress from design stage to the point where it is ready to embark on scaling up. – The Monitor Institute Enterprise philanthropy is a niche within venture philanthropy that is focused on providing grant-funding and advice to nonprofits or early stage social enterprises to help them become ready for investment by impact investors.

Entrepreneurial Philanthropy	Entrepreneurial philanthropy is the pursuit of social (not-for- profit) objectives by entrepreneurs through active investment of their economic, cultural, social and symbolic resources. – *CGAP* Entrepreneurial philanthropy is about the active redistribution of wealth through harnessing the sum of resources accessible by the entrepreneur. – *Swinburne University* Entrepreneurial philanthropy is an expression of philanthropy (where capital is deployed, primarily for the creation of social value) that is creative and pragmatic and thus entrepreneurial in nature. Entrepreneurial philanthropy has a strong affinity with social entrepreneurs, and primarily supports the enterprises of social entrepreneurs. Venture philanthropists, enterprise philanthropists and impact-first impact investors all fall under the umbrella of entrepreneurial philanthropy.
Entrepreneurial Social Finance (ESF)	An umbrella term that captures financing models particularly appropriate for nonprofit organisations that are entrepreneurial in nature and social enterprises that primarily trade in order to achieve social goals. ESF includes much of what is described as venture philanthropy and impact investing.
Foundation	A *private endowed foundation* creates a principal, or endowment, for investment and pays out income from the endowment annually to charity. Only the investment income is typically spent, not the endowment, thus ensuring the foundation's growth and sustainability to meet future community needs. Private foundations are required by law [in some jurisdictions] to pay out annual grants and other qualifying distributions at a minimum percentage of the fair market value of their assets. A *pass-though foundation* is a private grant-making organisation that distributes all of the contributions that it receives each year as opposed to just five percent of its assets. A foundation may make or revoke the pass-through option on a year-to-year basis. A *private operating foundation* uses the majority of its income to actively run its own charitable programmes or services. Some private operating foundations also choose to make grants to other charitable organisations. – *The Forum of Regional Associations of Grantmakers* In many countries a foundation's legal status confers certain taxation privileges such as tax deductibility for contributions to the foundation and exemption from paying corporation tax. In some countries the term foundation is used by operating nonprofit organisations (also called NGOs or charities). A corporate foundation is a grantmaker linked to a company and is usually one vehicle for discharging the business' corporate social responsibility.
Giving Circle	A giving circle is a highly participative form of collective philanthropy in which members increase their impact of pooled charitable dollars. Groups of individuals organise themselves to pool financial resources and collectively decide where and how to donate their money. – *Resource Alliance* Many giving circles are self-managed, where members perform assessment, administrative and reporting functions. Other circles, especially larger ones, employ professional staff for day-to-day grant management. Most circles encourage their members to contribute time and skills as well as money to the organisations being supported. Most giving circles use grants to support nonprofits, but some may use loans or equity in some circumstances.

Hyperagency	Individuals having the confidence that their giving can make a sustained, beneficial impact is what Paul Schervish calls the *hyperagency of the Modern Medici*. This is the underpinning of what Bishop and Green have coined *philanthrocapitalism* more recently. "While great expectations and grand aspiration exist across the financial spectrum," it is the wealthy who can make things happen. – *Paul Schervish (Boston College)*
Hyperangels	Hyperangels are impact angels who bring into the social sector the skills and experience that helped them shape commercial enterprises and industries. They exhibit the *hyperagency* described by Schervish and reinterpreted today as *philanthrocapitalism*.
Impact Angel Investors (impact angels, social angels)	Experienced individuals, acting alone or in groups or networks, who provide finance and business advice to early stage social enterprises. Impact angels usually have an entrepreneurial commercial background and are often engaged in angel investing. Depending on circumstances, including the legal form of the investee organisation, impact angels may or may not use equity as their financial tool.
Impact Investment	Impact investments are investments into companies, organisations and funds made with the intention to generate measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances. Impact investors actively seek to place capital in businesses and funds that can harness the potential of enterprise. – *Global Impact Investing Network* Practically speaking, impact investors are broadly characterised into two overlapping communities, reflecting their desire to maximise either social or financial gain. *Impact-first* impact investors prefer to maximise social or environmental impact and to do so are willing to cap any financial gains. *Finance-first* impact investors are more commercially driven investors who want to optimise financial gain at the expense of social value created.
Innovation	Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service. It is capable of being presented as a discipline, capable of being learned, capable of being practised. – *Peter Drucker* Innovation is driven by entrepreneurship – a potent mixture of vision, passion, energy, enthusiasm, insight, judgement and plain hard work, which enables good ideas to become a reality. [The purpose of innovation] is creating value whether expressed in financial terms, employment or growth, sustainability or improvement of social welfare. – *Bessant and Tidd*
Intrapreneur	An intrapreneur is a person who acts like an entrepreneur, in terms of taking risks, pursuing innovation, but does it inside of an existing business. – *The Wharton School* Internal entrepreneurship. – *Bessant and Tidd* Intrapreneurs innovate from within existing organisations rather than by creating new ones. They are committed to continuous improvement through risk-taking experimentation.
Nonprofit Organisation (nonprofit, charity, NGO)	An organisation with a social mission, providing goods, services or activities for public benefit generally without cost at the point of delivery. They are dependent on grants and donations or other kinds of subsidy.

Outcome-oriented Philanthropy	Outcome-oriented is synonymous with result-oriented, strategic and effective. It refers to philanthropy where donors seek to achieve clearly defined goals; where they and their grantees pursue evidence-based strategies for achieving those goals; and where both parties monitor progress toward outcomes and assess their success in achieving them in order to make appropriate course corrections. – *Paul Brest*
Philanthrocapitalism	The word was coined in 2008 by Bishop and Green to describe the practices of individuals who wanted to apply to their philanthropy the secrets behind their money-making. They are characterised as very wealthy, committed to improving what they perceive as the failing of traditional philanthropy, and business-like in their approach to charitable giving.
Philanthropy	Philanthropy stems from the Greek word which means *love of humanity.* Popular interpretations today refer to *private initiatives for public good* (J. W. Gardner) or initiatives directed at the *improvement in the quality of human life* (Robert Bremner). Colloquially, philanthropy is most commonly used interchangeably with charitable giving. – *WINGS* The deployment of financial and human capital for primarily social impact.
Private Equity (venture capital)	Private equity is medium- to long-term finance provided in return for an equity stake in potentially high growth companies, which are usually, but not always, unquoted. Investment opportunities are sourced and screened by private equity firms (also known as General Partners or GPs) in order to arrive at a valuation. The transaction will be financed using equity provided by Limited Partners (LPs) and, in some cases, debt raised from banks. The GP will then actively manage the investment for the holding period (typically five to 10 years), seeking to generate operational improvements in order to increase the value of the company. Returns are realised for investors through exiting the deal; this can be through floating the company on a public stock exchange (IPO – initial public offering) or a secondary buyout, whereby the portfolio company is sold to another private equity firm. Venture capital firms back concepts or ideas brought to them by entrepreneurs or young companies looking for financing to help them grow. – *British Venture Capital and Private Equity Association*
Quasi-equity	Quasi-equity is a financial instrument that aims to reflect some of the characteristics of shares (preference or ordinary). However, it is neither debt nor equity, and is usually structured as an investment whereby repayment is linked to the investee's financial performance, e.g., repayment is calculated as a percentage of the investee's future revenue streams. – *Venturesome*
Social Enterprise (social business)	Social enterprises are, first and foremost, businesses. The term refers to any nonprofit, for-profit or hybrid corporate form that utilises market-based strategies to advance a social cause. Like any other business, it aims to create surpluses, but seeks to reinvest those surpluses to achieve its social objectives. Social enterprises are not businesses driven by a need to maximise profit for their shareholders or owners. – *Social Enterprise Association, Singapore* Social business is a for-profit enterprise whose primary objective is to achieve social impact rather than generating profit for owners and shareholders. Social businesses use market principles, produce goods and services in an entrepreneurial and innovative way, and typically reinvest any surpluses back into the enterprise to achieve the social mission. In addition, they are managed in an accountable and transparent way, in particular by involving workers, customers, and stakeholders affected by its business activity. – *European Commission* Social enterprises can take many legal forms, such as company limited by guarantee or limited by shareholding, Community Interest Company or Low-Profit Limited Liability Company (L3C). Legal form can vary from one jurisdiction to another.

Social Entrepreneurship	Social entrepreneurship refers to the application of innovative, practical and sustainable approaches to benefit society in general, with an emphasis on those who are marginalised and/or poor. Regardless of whether the social enterprise is set up as a nonprofit or for profit, fulfilment of the social mission is the primary objective while financial value creation is a secondary objective and a means to improve the organization's reach and impact. – *The Schwab Foundation for Social Entrepreneurship*
Social Finance	Social finance may be understood as a broad area wherein various forms of capital are structured in ways that consider and value both financial performance and social value creation. – *Emerson, Freundlich and Fruchterman*
Social Purpose Organisation (socially driven organisation)	An umbrella term for the universe of nonprofit organisations and social enterprises whose existential purpose is principally to create social value.
Socially Responsible Investment (SRI)	Sustainable and responsible investing is a broad-based approach to investing that recognises that corporate responsibility and societal concerns are valid parts of investment decisions. SRI considers both the investor's financial needs and an investment's impact on society. SRI investors encourage corporations to improve their practices on environmental, social and governance issues. – *The Forum for Sustainable and Responsible Investment*
Strategic Philanthropy	Strategic philanthropy is a form of philanthropy using focused research, creative planning, proven strategies, careful execution and thorough follow-up to achieve the intended results. Ideally, it reflects and is driven by the philanthropist's core values and concerns. – *The Centre for Social Impact*
Theory of Change	A theory of change shows [an organisation's] path from needs to activities to outcomes to impact. It describes the change you want to make and the steps involved in making that change happen. Theories of change also depict the assumptions that lie behind your reasoning. Where possible, these assumptions are backed by evidence. – *New Philanthropy Capital*
Venture Philanthropy	Venture philanthropy offers a blend of capital and business advice to help entrepreneurial organisations achieve their ambitions for growth and development. – *AVPN* Venture philanthropy works to build stronger social organisations by providing them with both financial and non-financial support to increase their social impact. The organisations supported may be charities, social enterprises or socially driven commercial businesses, with the precise organisational form subject to country-specific legal and cultural norms. – *EVPA*

Note on Sources: Definitions are by ACSEP unless otherwise acknowledged.

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Asia's Impact Angels: How Business Angel Investing can Support Social Enterprise in Asia

Entrepreneurial Social Finance in Asia: Working Paper No. 4

Angels are *individuals who invest both their money and time into early stage businesses with the objective of a financial return*. They do so by acting either alone or in formal or informal syndicates called angel groups or networks. Angels are typically high-net-worth individuals with personal business acumen and experience.

While angel investing in purely commercial ventures is widespread in countries with strong enterprise cultures, relatively little has been reported on the practice of angel investing for impact, i.e., providing capital and advice to social businesses whose intentional purpose is to create social value profitably. In the United States and the United Kingdom, there appear to be a few, established examples of such *impact angel* activity, which we have included in this report.

We report impact angel investing initiatives in Hong Kong, India, Pakistan and Taiwan, and offer a tentative typology based on the small sample of models in our study. Migrating angels have emerged from commercial angel networks to seek investment opportunities in social businesses. Impact angel networks either occur as independent entities or are embedded in impact investment intermediaries. Individual angels act alone or in ad hoc collaborations with other angels.

New forms of enterprise, which address social problems or provide goods and services to low income communities, are gaining traction in Asia. We believe that angel investing offers a useful model for the financing of start-up and early stage social enterprises in Asia.

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