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Various Sources of Financing for Advanced Businesses Including Bank Loans, Angel Investments, and Crowdfunding

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Abstract
Financing is one of the key factors in business development, especially in the advanced phase after the business has successfully passed the initial stage. In this stage, entrepreneurs are faced with various choices of financing sources to support business expansion, product innovation, and increase competitiveness. This research uses a qualitative descriptive method which uses an approach to study literature. This research aims to determine various sources of financing for advanced businesses, including bank loans, angel investment and crowdfunding and the challenges of each source of financing based on existing literature. By understanding the characteristics of each source of financing, entrepreneurs can make more informed decisions in choosing financing alternatives that best suit their business needs.

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I. INTRODUCTION

Financing is a key element in supporting the sustainability and growth of a business, especially for entrepreneurs who want to develop their business. Various sources of financing are now available for advanced businesses, ranging from bank loans, which are a form of traditional funding, to more modern options such as angel investment and crowdfunding. Bank loans are often the first choice for entrepreneurs who have a good credit history and assets as collateral, because of the structured process and competitive interest rates. In meeting the need for loan funds, banks as financial institutions are generally involved in activities to collect funds from the public through various types of savings such as current accounts, savings and deposits. After successfully collecting these funds, the bank then distributes them to the community in the form of credit or other sources of funds. The main function of banks in this case is to provide loans to individuals or companies.

The important role of banks in providing loans can be seen in the high demand from the Indonesian people. At that time, financial loans were carried out by the public in conventional banks, but as financial institutions developed, they were not only filled with conventional banks which were synonymous with interest, but there were also interest-free Islamic banks for carrying out various muamalah transactions. Since the beginning of 2000, Islamic banks have proven to have advantages compared to conventional banks. For example, Bank Muamalat succeeded in maintaining its stability without requiring financial assistance when conventional banks experienced difficulties and requested large amounts of Bank Indonesia Liquidity Assistance (BLBI) due to negative spreads. The impact was the emergence of other sharia banks in Indonesia as a response to this situation. In general, to obtain financing from banks, whether from conventional or sharia banks, prospective customers need to provide collateral or collateral. This guarantee acts as protection for the bank against the risk of the customer's inability to pay off the financing payments provided by the bank. The distribution of credit based on the type of use, credit purpose, term, and type of collateral provided is a very important aspect in the assessment carried out by banks to determine financing requirements and costs.

An angel investor is a wealthy individual who voluntarily gives his personal money to help finance the initial start-up business. Setianto, (2020). Capital originating from individual investors, or what are known as angel investors, not only serves as a source of funds, but also brings various additional benefits that are very valuable for entrepreneurs. These investors often have experience and expertise in a particular industry, so they can provide valuable strategic advice to startup founders. For example, in the early phases of product development, an angel investor with experience in technology can provide insights into market trends and consumer preferences that can help the development team direct their efforts more effectively. Apart from that, angel investment also often opens up access to a wide business network. Angel investors typically have strong connections with various stakeholders in the industry, including potential customers, strategic partners, and even other investors. This allows entrepreneurs to get recommendations that can lead to further collaboration, partnership and funding opportunities. Furthermore, the emotional and motivational support of these investors should not be overlooked. In a challenging entrepreneurial journey, the presence of an angel investor who believes in the founder's vision and abilities can be a significant morale booster. With a combination of capital, mentorship, and networks, angel investing serves as a catalyst to accelerate business growth, which is often the determining factor in a startup's success in achieving their business goals. Therefore, in the context of an ever-growing entrepreneurial ecosystem, it is important to consider the vital role that angel investors play in supporting innovation and overall economic growth. Angel investors provide more than just capital; they often serve as important mentors and networks for entrepreneurs, helping overcome initial challenges and increasing the venture's chances of success. Mason, C., & Harrison, R. T. (2008). The relationship between angel investors and founders can often be complicated, with potential tensions regarding investment return expectations and growth strategies Lopez, M. P., & Rojas, L. (2019).

Crowdfunding, defined as the raising of funds from many individuals through online platforms, has emerged as an increasingly popular financing alternative for entrepreneurs around the world. By using this model, entrepreneurs can not only raise capital to start or expand a business, but also reach a wider audience interested in the products or services offered. In practice, crowdfunding allows individuals or groups to contribute an amount, which is often smaller than contributions from traditional investors. In return, project backers often receive stock ownership, exclusive products, or future services. According to research conducted by Randi D. Suhardiman in the journal "Journal of Economics and Business" in 2023, “Crowdfunding is not just about raising money; it's also about building a community around your vision and getting support from people who believe in your ideas.” This research is in line with the findings of Zhang et al. (2022) in the "International Journal of Entrepreneurial Behavior & Research" which shows that crowdfunding can increase community involvement and customer loyalty. However, there are also conflicting research results, as reported by Kim and Hwang (2021) in the "Journal of Business Venturing" which noted that not all crowdfunding campaigns were successful in attracting investor interest, with around 70% of campaigns failing to reach their funding targets.

In an increasingly connected world, entrepreneurs must consider the various sources of financing available, including crowdfunding, bank loans, angel investment, and venture capital, each with its own advantages and challenges. The advantage of crowdfunding lies in its ability to test the market before launching a product, as well as providing the opportunity for backers to be directly involved in the development process. However, challenges include the need to market campaigns effectively and meet backer expectations, which can be a burden for entrepreneurs. Additionally, entrepreneurs also need to consider the legal and regulatory aspects related to crowdfunding, which vary from country to country. In considering these financing sources, entrepreneurs should evaluate the specific needs of their business, including the stage of business development, business model, as well as the market potential for the product or service being offered. Based on this description, researchers are interested in analyzing "Various Sources of Financing for Advanced Businesses Including Bank Loans, Angel Investments, and Crowdfunding."

2. RESEARCH METHOD

This research uses a qualitative descriptive research method, using an approach to study *literature*. This descriptive analysis was carried out to provide a general picture related to Sources of financing for continued ventures including bank loans, angel investments, and crowdfunding. The descriptive method is a method used to look for the characteristics, elements or characteristics of a case. Alejos, (2017). The stages in descriptive research to answer the problems that occur consist of stages of collecting information through related internet sites and sources of financing for continued business include bank loans, angel investments, And *crowdfunding*. Then the next stage is *study* literature which evaluates various sources, in this research the sources consist of academic or professional scientific articles, related book reports and web-based sources. Afrianto, (2019).

3. RESULTS AND DISCUSSION

1. Bank Loans

Banks play an important role in a country's financial system by functioning as intermediaries between depositors and borrowers. Based on Law Number 10 of 1998 concerning Banking, banks are defined as business entities that accept savings from the public and distribute them to the public in the form of credit, with the aim of improving the standard of living of many people. This is in line with the opinion of Jones (2018) who emphasizes that banks have a responsibility to manage public funds and divert them to productive activities that support economic growth.

In Indonesia, the role of banks in providing funding for companies is very crucial. According to Sinaga et al. (2020), the general public also contributes to funds managed by banks, which shows the public's trust in the banking system in managing its funds. With the increase in commercial business activities, the need for funding from banks is increasing. Iskandar et al. (2022) explain that banks not only function as loan providers but also as institutions that facilitate the creation of new businesses through appropriate and efficient distribution of funds.

In the context of company funding, bank loans are often the main choice. Nurfathirani & Rahayu (2020) said that funding through loans is a common practice among companies in Indonesia to support their operations. This loan becomes an obligation that must be repaid according to a predetermined agreement, both in the form of principal and interest. Company policies regarding debt funding, including bank loans, are an important strategy in managing financial resources and ensuring operational continuity Palupi & Hendiarto, (2018).

However, challenges faced in obtaining a loan from a bank include the need to meet collateral requirements, as well as the bank's rigorous evaluation process to determine the borrower's eligibility. This can limit access for companies, especially small and medium enterprises (SMEs), which often do not have sufficient assets to provide collateral. Therefore, the existence of Islamic banks and other financing alternatives also becomes relevant in this context. Overall, the existence of banks as financial institutions is very important in supporting a country's economic growth. With their role in collecting and distributing funds, banks not only contribute to economic stability, but also to the creation of jobs and the development of new businesses.

2. Angel Investment

Angel investing, which involves individual investors or small groups funding startups or startups, has become an important source of funding in the entrepreneurial ecosystem, especially in the early stages of business development. Recent research shows that these investments not only provide capital, but also offer strategic support and mentoring to startup founders. According to research conducted by Kerr, Nanda, and Rhodes-Kropf (2023), angel investors play an important role in helping startups overcome initial challenges, such as product development and marketing strategies. They emphasize that the involvement of angel investors can accelerate the startup growth process by providing access to extensive business networks as well as specialized expertise in certain industries, thereby allowing companies to adapt more quickly to market dynamics. Other research by Block, Fisch, and Vismara (2023) highlights that the presence of angel investors increases a startup's credibility in the eyes of other investors, including venture capital, which often follows after the initial funding stage. The presence of these angel investors creates a "reputation effect," where venture capital is more likely to invest in companies that already have support from angel investors, because they are perceived to have gone through a rigorous initial selection stage. These findings suggest that angel investment can be a catalyst for additional investment inflow, which is critical to supporting long-term business growth.

Furthermore, the results of research conducted by Politis and Landström (2022) show that angel investors not only act as providers of capital, but also as mentors and advisors who are actively involved in the daily operations of startups. They note that support from angel investors, especially in the form of strategic guidance, greatly helps startups navigate market uncertainty and navigate regulatory challenges. In some cases, this involvement can even lead to significantly increasing the value of companies before they reach the next stage of funding. This is confirmed by a study conducted by Wong, Ahlstrom, and Bruton (2021), which revealed that companies that received investment from angel investors had a higher survival rate compared to companies that only relied on internal capital or loans. They found that the guidance provided by angel investors contributed to better decision making and more effective risk mitigation, which ultimately had a positive impact on company stability and growth.

However, the research also highlights challenges in the relationship between angel investors and startup founders. For example, research by Harrison and Mason (2022) notes that although angel investors often provide great benefits in terms of mentorship and access to networks, their relationships with founders can be complicated, especially when there are differences in vision regarding growth strategies and investment return expectations. This tension can arise when founders feel pressured by high expectations from angel investors to achieve ambitious growth targets. In some cases, these conflicts can cause a rift between founders and investors, negatively impacting business development. Additionally, a study by Croce, Martí, and Murtinu (2021) shows that angel investment is often not enough to fund long-term capital needs, so startups still need to seek additional funding sources after the initial stage, such as venture capital or bank loans. The limited amount of investment that angel investors can provide is also a challenge, especially for startups that require large capital for further expansion.

Overall, the literature on angel investing reveals that their role in supporting startups is significant, especially in terms of strategic guidance, access to networks, and increased credibility in the eyes of other investors. However, the relationship between angel investors and startup founders is not always smooth, and the challenge of managing expectations and long-term funding needs is still an issue that needs to be faced by both parties. In this context, a deep understanding of the dynamics of these relationships and the potential challenges involved is critical for entrepreneurs to be able to make optimal use of angel investments.

3. Crowdfunding

Recent research by Kumar et al. (2024) regarding crowdfunding adoption shows that aspects such as performance expectations and supporting conditions greatly influence MSMEs' decisions to use this method. This study highlights the importance of digital infrastructure in supporting the use of crowdfunding, especially in developing countries. This research also identified that the biggest obstacles often stem from perceived risk and trust in crowdfunding platforms.

When compared with previous research, such as by Zhang et al. (2022), there is a greater emphasis on the psychological and social aspects of crowdfunding use. Zhang's research highlights how campaign success is often tied to the ability to maintain community engagement. Meanwhile, recent research focuses on more technical and structural factors, such as technology readiness and its impact on adoption intentions.

Current research on *crowdfunding* provides a more in-depth look at the factors that influence entrepreneurs' decisions to use this funding method, in particular the importance of digital infrastructure and trust in the platform. Kumar et al. (2024) said that aspects such as technological readiness and digital infrastructure support are the main determinants in the adoption of crowdfunding by MSMEs, especially in developing countries. This is different from previous research, such as that conducted by Zhang et al. (2022), which places more emphasis on psychological and social aspects, such as the ability to build and maintain community involvement during the campaign. These recent studies have begun to explore the role of technology in building user trust in crowdfunding platforms, ultimately influencing the overall success rate of campaigns. This new focus represents a shift from a traditional perspective that sees crowdfunding as simply a fundraising tool, to a more comprehensive view of the importance of creating a supportive digital ecosystem. These studies highlight that trust in the platform is a key aspect that can reduce the risk perception of potential backers, thereby increasing the likelihood of fundraising success. In addition, good integration of digital technology allows for a more transparent and secure transaction process, which in turn increases the platform's credibility in the eyes of both small and large investors. These studies also confirm that the success of crowdfunding depends not only on the quality of the project or product offered, but also on the ease of access, speed and reliability of the platform in running the campaign effectively. Through this new perspective, current research helps understand that a strong digital ecosystem, including the integration of advanced technologies and supportive regulations, can expand the reach and appeal of crowdfunding as a funding alternative. This is important in overcoming obstacles that often arise in crowdfunding campaigns, such as lack of trust from potential contributors and limited digital accessibility in some regions. These findings make it clear that to maximize the potential of crowdfunding as a source of funding, there needs to be a collaborative effort between business actors, platform developers and regulators to build an environment that supports the growth of a more inclusive and sustainable crowdfunding ecosystem. Thus, the current research underlines the strategic role that digital technologies can play in increasing public participation and engagement in crowdfunding campaigns, as well as strengthening trust in this alternative funding model.

4. CONCLUSIONS

Each financing method has its own advantages and challenges. Bank loans provide access to structured funding but require strict conditions, angel investments provide capital with guidance but are limited to the early stages, and *crowdfunding* allows broad participation but relies on technological infrastructure and public trust. Entrepreneurs need to consider these factors in choosing a financing source that suits their business needs and conditions.

5. SUGGESTION

Entrepreneurs should thoroughly evaluate financing sources that suit business needs, such as bank loans, angel investments, and *crowdfunding*. Bank loans require collateral and meet certain conditions. Angel investing offers capital, mentorship, and network access, but requires transparent communication relationships. *Crowdfunding* requires a strong marketing strategy to attract support and understanding of regulations and digital infrastructure. By paying attention to the advantages and challenges of each source of financing, entrepreneurs can choose the most suitable financing to support the growth of the business they will run.

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