Girls Just Wanna Have Funding: Addressing the Barriers to Finance for Female Founders

Part of Startup Coalition's Funding the Underfunded Campaign

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STARTUP COALITION

Authors

Bella Rhodes
Talent Policy Lead
Startup Coalition

Vinous Ali
Deputy Executive Director
Startup Coalition

Jordan Sullivan
Head of Economic Policy
Startup Coalition

About Startup Coalition

Startup Coalition, formerly Coadec, is the policy voice of UK tech startups and scaleups. Since 2010, we have worked to engage on behalf of tech startups in public policy debates in the UK across a range of critical priority issues including access to finance, immigration and skills, and technology regulation.

We fight for a policy environment that enables early-stage British tech companies to grow, scale and compete globally. We have over 4,000 startups and investors in our network and have been instrumental in building proactive coalitions of businesses and investors on issues integral to the health of the UK's startup ecosystem. We represent the startup community on the Government's Digital Economy Council, and the UK on the board of the international organisation Allied for Startups.

Acknowledgements

Our *Funding the Underfunded* campaign builds on the extensive efforts and insights of many individuals and organisations across the ecosystem. We recognise that the challenges faced by underrepresented groups in securing funding are deeply rooted and multifaceted. Addressing them requires acknowledging and learning from the lived experiences and perspectives of those directly impacted.

We are especially grateful to the founders, investors, and other stakeholders who contributed to this report. Ensuring that we reflect the diversity of experiences in starting and scaling innovative companies across the UK has been central to this work. We are committed to listening, amplifying their voices, and advocating for meaningful change. Special thanks to all those who shared their expertise and insights directly for this report but also to all those whose work we have drawn from.

Throughout this report, we've included direct quotes from founders who generously shared their experiences navigating the UK startup and investment landscape. These quotes have been anonymised. This was a conscious decision: several founders told us that being publicly critical of investors or the funding process could jeopardise their professional relationships, future fundraising efforts, or the

reputation of their businesses. Their insights are no less powerful for being anonymous and we are grateful for their honesty.

This is the second report in our *Funding the Underfunded* series. Other reports and more information can be found on our website.

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Introduction

In March 2025, PWC's *Women in Work Index* revealed a troubling reality: the UK had fallen to 18th place out of 33 OECD countries on making progress towards gender equality—its lowest ranking in over a decade. Despite marginal improvements in the gender pay gap, workforce participation has actually worsened, leaving the UK lagging behind its peers.[1] And if this paints a concerning picture for women in the general workforce, the situation for female founders is even more alarming.

According to UK Government data, women make up 25% of the STEM workforce,[2] but only 5% of women in STEM are in leadership roles.[3] Rates of female entrepreneurship are similarly dire: the *Women-Led High Growth Enterprise Taskforce Report* found rates of female entrepreneurship stood at around 18% for high-growth enterprises founded by a team of one or more women, and only 13% for all-female founding teams.[4]

Only 18 female entrepreneurs have founded or co-founded unicorns (companies with a valuation of over $1bn) in the UK – compared to 115 male unicorn founders.[5]

Do we really believe that women lack the talent, ideas, drive or ambition as their male counterparts? From our conversations with female founders, investors and leaders in our ecosystem this is clearly not the case.

Instead, much of this gender imbalance is the result of systemic barriers that have compounded over time and interact and intersect with each other. This creates a doom loop that leads only to a small number of women founding and growing tech companies. For the women who have overcome these barriers, new hurdles stand in their way. Not only do female founders receive less equity funding, but the funding they do receive is much smaller than the amount all-male teams raise.

It's also important to recognise that the data available is incomplete and often fails to capture the full picture of gender disparities in entrepreneurship. Most of the datasets cited in this report, like much of the wider research on this topic, focus exclusively on binary gender categories. With the exception of InnovateUK, few sources even attempt to disaggregate data for non-binary or gender non-conforming founders. This reflects how far the sector still has to go.

If the UK is serious about being a global leader in innovation, ensuring women-led startups get their fair share of investment and support isn't optional—it is essential.

There is growing evidence that women-led businesses deliver strong returns on investment. Yet despite consistently receiving a fraction of available capital, women are still founding high-growth, high-value companies. While relatively few women have founded British unicorns, it is a remarkable figure given the scale of the funding gap. It strongly suggests that if women-led businesses had equitable access to

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[1] PWC Women in Work 2025
[2] Department for Education Unit for Future Skills - Jobs and skills dashboard - STEM (Accessed 11 Feb 2025)
[3] Wilson, Amy. "The female-led tech start-ups who have raised £190m between them". The Times. (17 Jan 2025)
[4] UK.Gov. "Women-led high-growth enterprise taskforce report" (28 Feb 2024)
[5] Beauhurst. UK Unicorn Companies. (27 February 2025)

investment, many more could scale to unicorn status. The 2019 Rose Review, commissioned by HM Treasury, estimated that closing the gender gap in entrepreneurship could add £250 billion to the UK economy. The bottom line is clear: failing to invest in women isn't just bad for women—it's bad for growth, innovation, and the economy as a whole.

Failing to invest in women also means we lose out on innovation designed to reflect the needs of the entire population—creating market inefficiencies, and reducing competition and innovation overall. It reinforces and reproduces in technology the systemic biases that are faced by marginalised groups. Clear examples of this can be seen in the history of science, where the exclusion of women from clinical trials continues to have knock-on effects on women's health[6] and even the most basic car-safety features – seatbelts – weren't tested with crash-test dummies that factored in women's anatomy until 2011 in the United States.[7]

The Government sought to address this problem of access to finance for female founders when it commissioned the Rose Review and accepted all of its recommendations. One recommendation's adoption led directly to the creation of the British Business Bank's Investing in Women Code – a voluntary commitment for financial institutions to improve financial inclusion by addressing internal practices. Subsequent initiatives, such as the Women-Led High Growth Enterprise Taskforce have built on these efforts.

Government efforts have often been complimented–and surpassed–by community efforts to move the needle. Groups like the Female Founders Forum have done significant work highlighting the persistent gender disparity in funding for female entrepreneurs. At te same time, female founders have benefited from business support groups like Female Founders Rise and Mums Building Companies. Groups like Women in Cyber Wales provide business support in regional and sector specific areas and The Lifted Project is working to bring a data-focussed approach to increasing access to finance for regional female founders. Alma Angels and Angel Academe are key players in driving women's participation in early stage investment. Organisations like Rare Founders, VCs like Ada Ventures with its Inclusive Alpha investment approach, and Angel syndicates like HERmesa are reshaping the landscape to be more diverse. Groups like Tech She Can, InvestHer, Let's Fund More Women, Diversity VC, Unlock VC, and European Women in VC have undertaken substantial advocacy efforts on behalf of female founders and have claimed big wins against Government failures in this arena (some of which are highlighted later in this report).

We are not seeking to replicate the good work already being done by these and many more organisations who are building a path for change. Startup Coalition is laser-focused on policy changes that support startups. This report therefore is narrow in scope, targeted at what policy levers the Government can pull to support founders who are innovating *right now,* and ensure we build a more equitable future.

[6] Westervelt, Amy. "The medical research gender gap: how excluding women from clinical trials is hurting our health". The Guardian. (30 Apr 2015)
[7] Criado Perez, Caroline. "The deadly truth about a world built for men – from stab vests to car crashes". The Guardian (23 Feb 2019)

Summary of Recommendations

Recommendation 1: The Equality and Human Rights Commission should review its guidance on the Equality Act and update it to better reflect the relationship between investors and founders.

Recommendation 2: The British Business Bank, national development banks, and other relevant bodies like the Financial Conduct Authority should urgently issue guidance to firms clarifying that questions relating to protected characteristics should not be asked in investment discussions.

Recommendation 3: The British Business Bank and national development banks should develop a whistleblowing mechanism for founders to report on their experiences with investors delivering government funding.

Recommendation 4: Make the Investing in Women Code mandatory for all funds supported by the British Business Bank.

Recommendation 5: Government should explore further alignment with international diversity monitoring efforts like CA-SB 54 2023.

Recommendation 6: Review the definition of work qualifications to be an angel investor and expand the ability to qualify as a sophisticated investor.

Recommendation 7: HMRC should notify anyone who could be classified as a High Net Worth Individual that they are eligible, and provide next steps and information on tax incentives.

Recommendation 8: InnovateUK should explore ways it can reform its application process to be more entrepreneur-friendly, including making it less time consuming and ending overreliance on grant-writers.

Recommendation 9: Grant giving bodies should, alongside internal reviews of its practices, evaluate indirect discrimination in application criteria and processes, e.g. fund-matching requirements.

Recommendation 10: Government should take steps to de-risk starting a business as a parent by expanding access to childcare benefits and support, by:

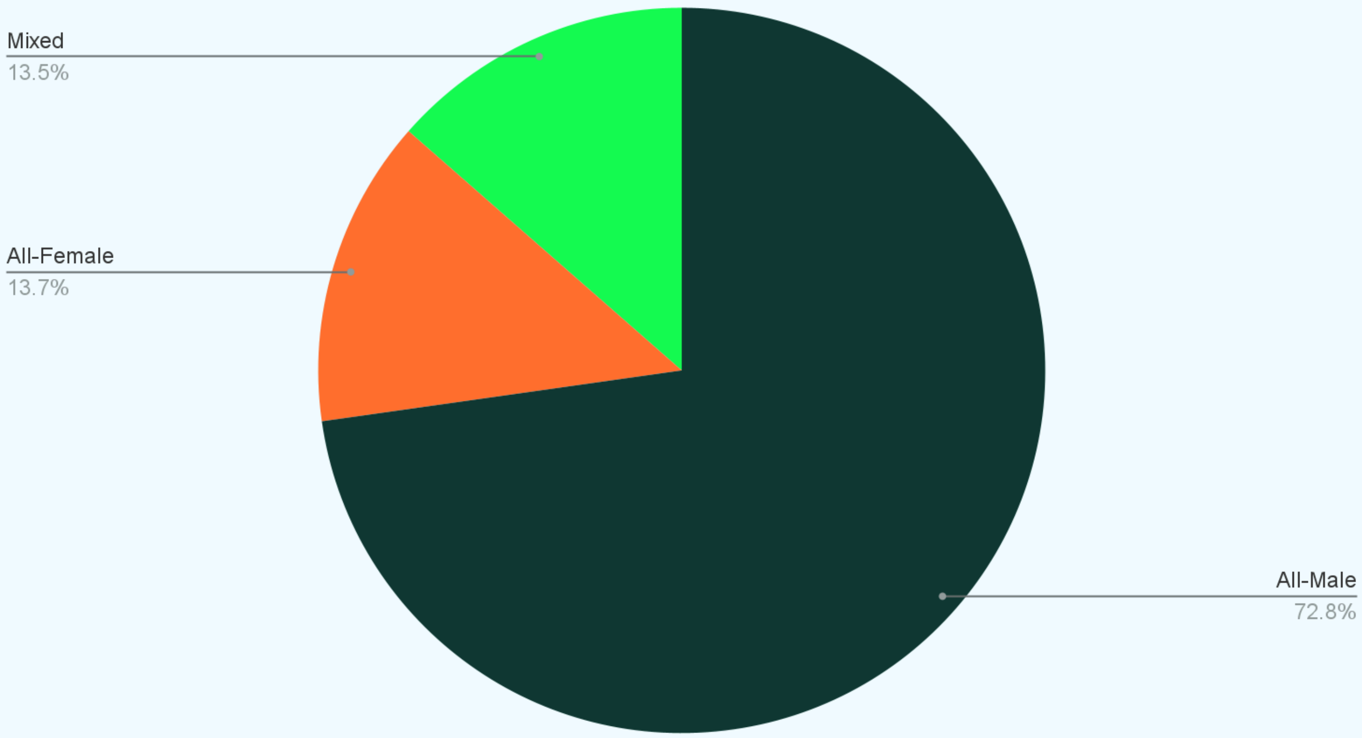
- Broadening eligible uses for the Tax-Free Childcare scheme to include more flexible childcare options beyond regulated providers.
- Reforming the £100k household income cliff on childcare benefits, which currently disincentives earnings growth and penalises dual-income households.
- Enabling mothers on maternity leave to explore entrepreneurship by founding a company while ensuring they retain their maternity benefits and financial security.

The Data

To set the scene, we've used data from Beauhurst[8] to look at the gender breakdown of founding teams. Our data confirmed what we already know: that there is a significant gender disparity in the UK startup ecosystem, one that widens dramatically as companies seek larger funding rounds.

A commonly cited statistic in the global startup discourse is that just 1.9% of venture capital funding goes to all-female founding teams. This figure, which originates from PitchBook's analysis of U.S. VC investment reflects a real and persistent inequity - but is specific to the U.S. market.[9] Our findings diverge from this figure because we have examined UK-specific data, including funds raised by startups across the equity investment landscape, not just traditional VC. While the scale and structure of the funding gap is different, the disparity remains deeply concerning.

Figure 1: Gender Balance of Founding Teams of British Startup and Scale-ups



First, we need to establish the baseline (which we define as those who have already established companies and are actively seeking capital in the market).

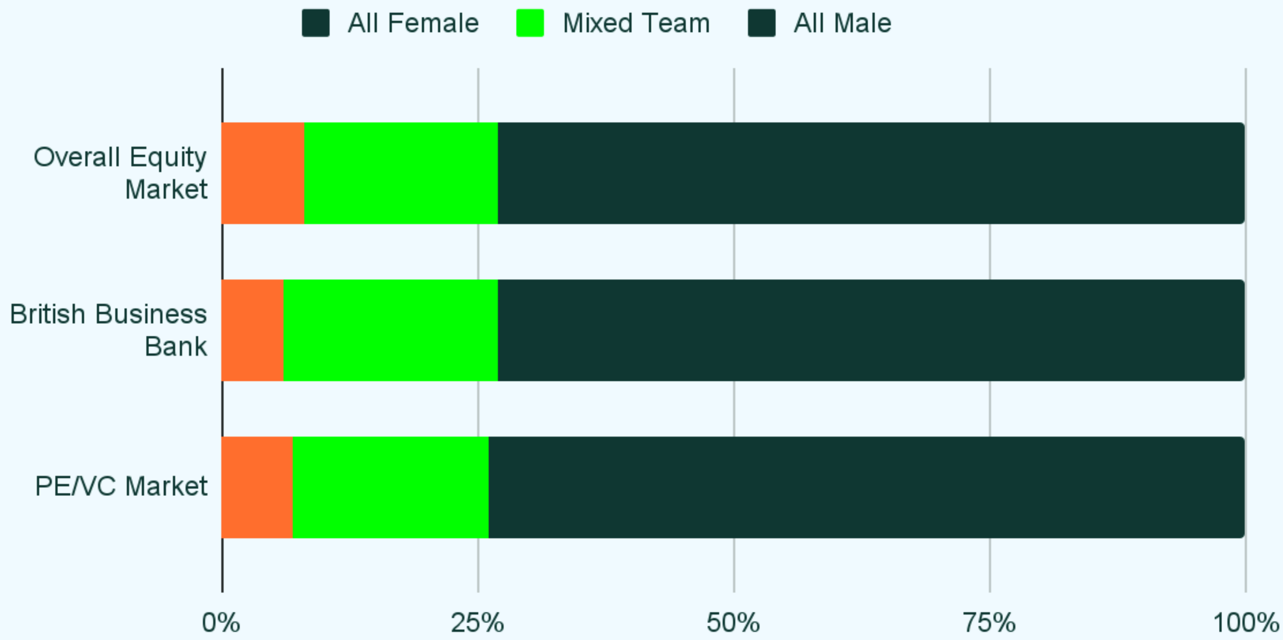
[8] Collected 12 Feb 2025
[9] Pitchbook. "US All In: Female Founders in the VC Ecosystem". 6 March 2024

The data shows that nearly three quarters of British startups and scale-ups[10] are founded by all-male founding teams. Beauhurst data showed that all-female founding teams make up just under 14% of startups and scale-ups, in line with the Women-led High-Growth Enterprise Taskforce's findings from 2023. There are roughly as many all-women founding teams as there are mixed gender founding teams (Figure 1).

Looking now at equity investment, a telling pattern begins to emerge. The British Business Bank's (BBB) analysis of Bank MI data and Beauhurst data, published in its *Small Business Equity Tracker 2024*,[11] shows that all male founding teams take in 72-73% of deals across markets (Figure 2), matching their proportional representation in the startup population. **However, while all-female teams make up nearly 14% of startups, they receive only 6-7% of deals. Instead, a disproportionate share of funding for female founders flows to mixed-gender teams, which receive 21% of BBB-supported deals and 19% of overall equity market and PE/VC market deals.**

The gap becomes especially stark when we examine progressively larger funding rounds. Among these companies that have raised over £1 million (Figure 3), all-female founded companies represent merely 6.6% of successful raises—less than half their representation in the overall startup population. **Put another way, for every all-female founded company securing £1 million or more, twelve all-male founded companies achieve the same milestone.**

Figure 2: British Business Bank Data on Gender Composition of Company Founders Receving an Equity Deal in 2021-2023



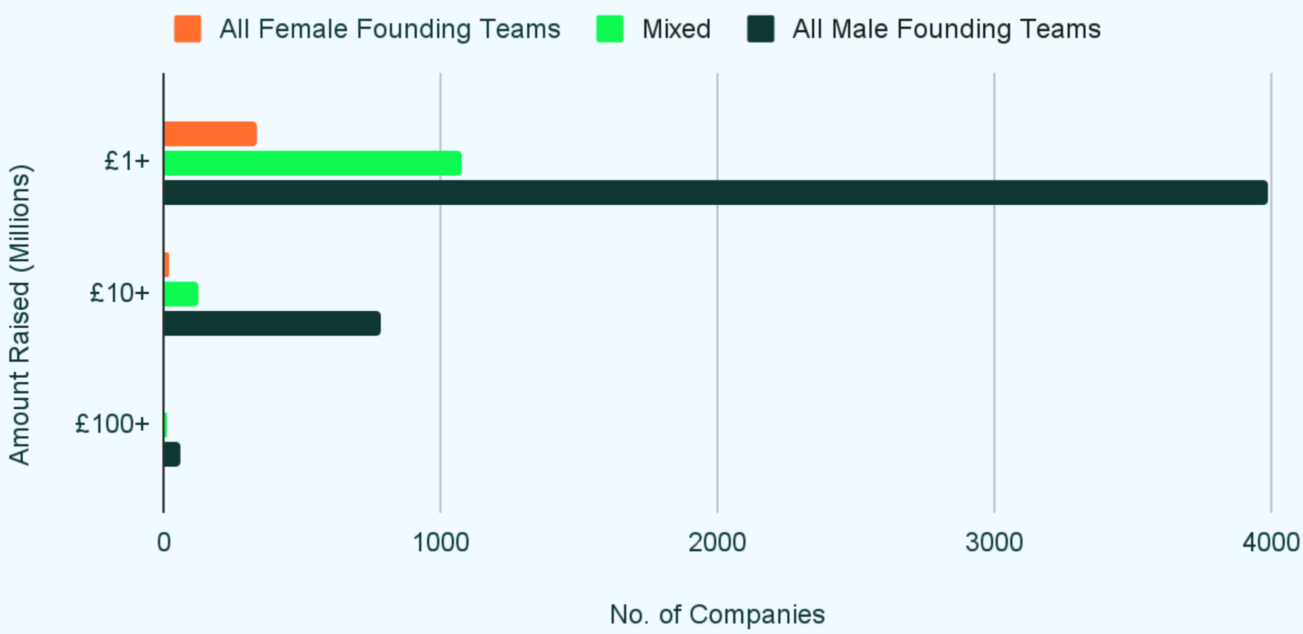
[10] Defined as companies that are at the growth stage or earlier, and have active Companies House status for the purpose of this data collection
[11] British Business Bank. "Small Business Equity Tracker 2024". Page 51. (11 July 2024)

The gulf widens at higher investment thresholds. In the £10 million+ category, all-female founded companies comprise just 2.4% of successful raises, with 36 times as many companies founded by all-male teams securing deals. Data from the BBB's 2024 report further illuminates this funding cliff: while all-female teams secured 8.2% of deals, they received only 2.8% of total investment value.[12]

In all cases, companies with mixed founding teams once again were over-represented compared to all-female founding teams: three times as many companies founded by mixed teams reached the £1 million level. At the £10 million+ level, the ratio was nearly 6:1. At the £100 million+ threshold, while the total number of companies shrinks considerably, the same pattern presents.

These disparities are even more pronounced when gender intersects with race, geography, or socioeconomic background. For example, Extend Ventures' 2020 report Diversity Beyond Gender found that Black female entrepreneurs received just 0.02% of total venture capital investment over the prior decade.[13]

Figure 3: British Startups and Scale-ups That Have Successfully Raised Funds Over £1m



The data reflects sentiments expressed by many female founders we spoke to who told us that the presence of male founders seemed to be an unofficial prerequisite for accessing capital.

[12] Ibid, Page 30-31
[13] Erika Brodnock, Erika. "Diversity Beyond Gender". Extend Ventures. (2020)

> "You have to play the game. VCs wouldn't give me the time of day until I hired a white man to be my CTO and suddenly they were interested."

The funding gap for women-led startups persists with clear evidence: women-only teams receive less investment while mixed-gender teams fare marginally better.

Until recently, the British Business Bank and other government-backed bodies avoided funding firms exclusively investing in women founders, citing the Equality Act 2010's anti-discrimination provisions. However, 2024 marked a turning point with the Invest in Women Taskforce securing over £250 million from the British Business Bank and others specifically to fund female founders. We want to build on this momentum to harness the full economic potential of women-led innovation - ensuring that no talent is left on the sidelines and the UK's startup ecosystem continues to thrive through diversity.

Barriers Across the Funding Journey

Tackling the gender disparity in funding means taking a holistic look at how female founders access funding and what possible policy levers are at our disposal. Specifically, we look at the unique barriers women face when trying to access funding through traditional routes and explore new avenues for addressing sexism and discrimination. We also look at how to improve angel investing and grant funding – critical sources of finance for female founders – to drive greater impact. Finally, we look at the wider issues around access to childcare and its role in addressing gender inequality in entrepreneurship.

Female-Focused Programmes

The growth of funds and support systems specifically for female founders is a hugely positive development. These initiatives provide critical capital, mentorship, and networks that many women wouldn't otherwise have access to. Many female founders also report that working with female investors is a more supportive and empowering experience.

But while these funds are valuable, they are often working within a system that still directs the largest pools of capital elsewhere. Female-focused investors tend to have smaller funds, which can have several knock-on effects. With less resources, the funds are often more risk averse, and have less firepower. They have less to give to startups – from financial support to wider resources – which means founders raising from them often need more rounds to achieve the same level of funding as they would from larger, male-dominated firms. This can lead to greater equity dilution, leaving founders with less control over their companies in the long run.

At the same time, bias against female-focused programmes can limit their effectiveness. One founder told us she was advised to avoid female-only accelerator programmes because they were seen as 'soft touch' - implying that participation could actually make it harder to raise money from traditional investors.

> "People think you've only gotten to where you are because you're a woman, and it can hurt your chances of getting investment longterm."

In other cases, well-intentioned initiatives designed to support female entrepreneurs can sometimes fall short, either due to design flaws or unanticipated policy decisions. When this happens, it presents an opportunity to examine where oversight might exist and to push for better solutions as well as wider reforms.

Case Study: Innovate UK Women in Innovation

In September 2024, Innovate UK came under fire for quietly halving the number of grants awarded through its flagship Women in Innovation programme. The initiative, which provides £75,000 grants to female entrepreneurs, had originally committed to funding 50 founders. Yet, despite receiving over 1,400 applications, only 25 grants were awarded—without prior warning or explanation.

The backlash from the industry was swift, with the campaign group Let's Fund More Women jumping into action. Cutting support for female-led startups at a time when all-female teams receive just 1.8% of equity investment was a decision that simply didn't stack up. Recognising the misstep, Innovate UK reversed course and reinstated the full 50 grants.

Other organisations and advocacy groups are already engaged with InnovateUK on addressing these challenges. However, this case study underscores how even well-meaning programmes can go awry, and it raises important questions about where else systemic issues might exist.

More broadly, founders have raised concerns that these women-focused spaces and programmes, while valuable, don't solve the deeper issue: male investors still just don't give money to female founders. The burden of fixing this imbalance shouldn't fall solely on women. Until the broader investment ecosystem changes, these programmes will remain a necessary - but incomplete - solution.

Investor Bias

In 2017, Harvard Business Review published a study looking at interactions between VCs and entrepreneurs at a funding competition in New York City. They found that the types of questions entrepreneurs were asked correlated with their gender, with men being asked "promotional" questions, while women were asked questions that put them on the defensive. Researchers undertook a second study that tied the types of questions asked to the funding outcomes. They found that those asked "promotional" questions raised 1.7x more in funds than those who were asked "prevention" questions.[14]

8 years on from that study, the female founders we spoke to cite similar experiences. Many told us that they were treated noticeably differently from their male counterparts in interactions with investors. They told us that they were probed about their competence, commitment, and the seriousness of their ideas while male founders were not. Some female founders reported that their male co-founders are regularly asked business and technical questions while they are given softballs, or that male investors wouldn't make eye contact with them or address them directly in meetings.

[14] "Male and Female Entrepreneurs Get Asked Different Questions by VCs — and It Affects How Much Funding They Get." Harvard Business Review. 27 June 2017.

> "My male co-founder always has to bounce questions back to me because they assume he's the technical one. He always has my back, but he shouldn't have to do that."

While women with male co-founders are often in a stronger position when it comes to securing funding, many told us this came with its own challenges. Several founders described how having a male co-founder made gender bias in investor interactions more obvious: investors would direct technical questions to their male counterpart, assume the woman's role was limited to operations or marketing, or even appear to take the business more seriously, simply because a man was in the room.

Some women in all-female founding teams actually felt they had an advantage in this regard. Without a male co-founder present, investors had no immediate comparison point, making the biases harder to spot. As a result, these founders said they were able to focus on their pitch rather than second-guessing how they were being perceived.

For others, particularly non-white founders, these dynamics were even more pronounced. Several told us they didn't feel taken seriously by investors until they brought a white man into the C-suite—or even just included a white male face on their pitch deck. They saw this as having a significant impact on their ability to secure funding.

Founders also thought that there was a built-in bias within firms who favoured investing in startups that are making products that the (largely white and male) investors would find useful themselves, while products designed for other demographic groups are undervalued. We've heard time and time again that female founders have been told by investors that their products - especially those designed to fill gaps in the market for women and/or diverse backgrounds - were not filling a need and would lack the demand necessary to become commercially viable.

> "If I had a pound for every time a VC said 'I don't think people will do that' I would be fully funded. The data is completely irrelevant to them"

We also heard several stories about female founders being asked questions regarding their reproductive choices, including whether a founder had children or was planning to in the future. In some cases they openly made assumptions about a woman's age in relation to their potential reproductive choices, and what their reproductive choices implied about their commitment to the business. The women we spoke to noted that these questions are only ever directed at them, and never at their male co-founders.

> "I had a VC ask me if I was thinking of having kids soon. Why would that stop me from having a business?"

Several of the women we spoke to told us that they felt that they couldn't speak out, and those that did were not taken seriously or were told not to rock the boat, even by their peers. Instead, female founders told us they relied on backchannels and places like Landscape VC, which operates a "Glassdoor for VCs" that allows founders to leave anonymous reviews of their experiences, to identify investors to avoid.

> "You can't 'out' people [for being discriminatory] as a female founder because you're then jeopardising your reputation."

These persistent dynamics mean that, instead of being given the opportunity to promote their vision and showcase their business potential, many female founders are forced to defend their credibility, personal choices, and even their right to lead their own businesses. Rather than enabling innovation, investor interactions too often become a proving ground for women; while their male peers are encouraged to talk about ambition and upside, female founders are pushed to explain away perceived risks. The result is not just unequal treatment, but a fundamental distortion of what the pitch process is meant to achieve.

The Equality Act at the Pitch

> "It feels like an employment situation but VCs are quite upfront about it. An angel [investor] asked me how committed I was to this business because I was just at that age [to have children].
>
> In an interview that would be illegal, but in an investment situation it's not."

The Equality Act 2010 (‘the Act’) provides an important legal framework for addressing systemic discrimination, including the barriers female founders face in accessing finance.[15] The Act clearly defines direct discrimination as occurring when someone is treated “less favourably” because of a protected characteristic.[16]. Guidance on how the Act applies is different in situations relating to employment and situations relating to provision of services. This distinction becomes particularly significant in the context of the founder–investor relationship. Founders are not employees of investors, nor are they receiving a service in the conventional consumer sense. However, the interaction often involves similar power imbalances, particularly for early-stage startups seeking funding.

According to the Equality Act 2010 Employment Statutory Code of Practice, ”it is particularly important to avoid irrelevant interview questions that relate to protected characteristics, as this could lead to discrimination under the Act. These could include, for example, questions about childcare arrangements, living arrangements or plans to get married or to have children”.[17] The Code of Practice for Services, Public Functions and Associations does not explicitly prohibit asking these types of questions.[18] While discrimination in the provision of services is still unlawful, the guidance lacks the same level of specificity or enforcement mechanisms, particularly where informal investor interactions are concerned.

We attempted to clarify this legal nuance with the relevant regulator but, despite multiple attempts, were unable to obtain a definitive answer on whether or how these types of investor behaviours might constitute a violation of the Act. This lack of clarity is deeply problematic; it leaves founders with few assurances and creates space for harmful practices to persist unchecked.

Proving discrimination is also extremely difficult. When gender is not the given reason for a rejection - which is typically the case - the burden of proof falls on the founder. But given the precedent set in the Code of Practice for Employment, the link between the protected characteristic (sex) and intent to discriminate via asking questions like those about reproductive plans should be obvious. That these types of questions are, from what we’ve heard, exclusively asked to women further proves the point.

In cases where discrimination is taking place – especially when the fund or investor is backed by the British Business Bank or national development banks – better systems should be in place to address this issue. Several founders expressed concern that the BBB's oversight mechanisms may not adequately address discriminatory practices by investors distributing government funding, potentially allowing problematic behavior to continue without consequences.

When approached for comment, the BBB stated that their complaints primarily focus on funding decisions rather than inappropriate investor behavior. This discrepancy may reflect limitations in the current complaint system, which doesn't specifically differentiate between funding rejections and complaints about discriminatory conduct. It's likely that founders who experience inappropriate behavior during the investment process may also report being denied funding as a consequence, as both issues are interconnected and there is no dedicated channel for reporting discrimination specifically.

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[15] Equality Act 2010
[16] Ibid., Part 2 Chapter 2.
[17] Equality and Human Rights Commission. Employment: Code of Practice. Chapter 16: Avoiding discrimination in recruitment, 16.62. 4 Sept 2015
[18] Equality and Human Rights Commission. Equality Act 2010 Code of Practice Services, public functions and associations Statutory Code of Practice (2011)

What we've heard from founders is that structural improvements are needed to tackle this issue. Creating a dedicated whistleblowing mechanism specifically for reporting discrimination would provide clearer data on the prevalence of discrimination and enable more targeted interventions. All stakeholders would benefit from this system by increasing transparency, protecting founders from discriminatory practices, and helping the BBB and other development banks ensure that government funding is not going to funds that discriminate.

It's evident that the Equality Act, while critical, does not always provide the level of protection its framework implies. Recent legal decisions have further exposed the limits of how the Act is being interpreted and enforced in practice. Ensuring robust, inclusive protections for all underrepresented founders will require not just better application of the current law, but a serious conversation about where it is falling short.

There is also a clear challenge to effectively bar this kind of questioning in investment settings. In principle, Financial Conduct Authority (FCA) regulated investment firms - such as venture capital funds - could be required to follow similar guidelines to those found in employment law, with relatively straightforward enforcement mechanisms. However, the situation becomes significantly more complex when dealing with individual or angel investors, who often operate informally and with less direct oversight.

Regardless, investors should not be given a pass for discriminatory behaviour simply because they are backing businesses rather than hiring employees. It is evident from our conversations - as well as the wealth of financial data - that investors have repeatedly failed to address sexism and discrimination within their own ranks. It is time for clear legal accountability. The same protections that apply in job interviews should also apply in investment pitches. Likewise, founders should have a clear and accessible way to report discrimination when they experience it. Investors and firms who regularly flout their obligations should be barred from receiving future Government funding.

Recommendation 1: The Equality and Human Rights Commission should review its guidance on the Equality Act and update it to better reflect the relationship between investors and founders.

Recommendation 2: The British Business Bank, national development banks, and other relevant bodies like the Financial Conduct Authority should urgently issue guidance to firms clarifying that questions relating to protected characteristics should not be asked in investment discussions.

Recommendation 3: The British Business Bank and national development banks should develop a whistleblowing mechanism for founders to report on their experiences with investors delivering government funding.

Better Data for Better Oversight

Given the severity of the problem, the BBB must take more concrete steps to deepen support for existing initiatives that identify barriers and solutions to problems experienced by traditionally underrepresented investors and founders (e.g. The Rose Review, Women-Led High-Growth Taskforce), and commit to meaningful implementation of proposed recommendations. The BBB currently has the Investing in Women Code, which is a commitment for any organisation that finances entrepreneurs to take steps to support access to finance for female entrepreneurs, including internal practices and data reporting. However, this is currently an optional commitment.

Case Study: California Senate Bill 54 2023

California has taken steps to enhance diversity data reporting obligations for investors. Senate Bill 54 2023 (CA-SB 54 2023) requires all VC funds that are based in California, do business within California, or take California public funds (e.g. through pensions) have to report the demographics of founders in their portfolio companies to the state. It is the first bill of its kind on diversity and dispersion of capital in the US.

Under this law, funds will be required to undertake diversity data collection, but reporting will be voluntary for recipients. The data will be de-identified and made public to paint a picture of how all funds are disseminating capital. It will provide the VC community the opportunity to identify where there are gaps and course correct their own behaviour, while also allowing the public to have a level of transparency around where their pension funds, for example, are being invested.

Sister bills are currently in progress in both New York State and Massachusetts.

California, New York and Massachusetts are home to the world's leading venture capital ecosystems.[19] Each is subject to, or likely to come under, new diversity reporting obligations for VC firms. These developments reflect a growing consensus that diversity in capital allocation is a public policy concern, not just a private market issue.

Many financial organisations already do some degree of data collection and reporting. For example, InnovateUK collects and publishes applicant diversity data showing percentages of total and successful applicants based on protected characteristics.[20] As part of their 2023 report *Finding What Works: Pathways to Improve Diversity in Venture Capital Investment*, the British Business Bank committed to better transparency on diversity of the finance providers they work with, including on "the diversity of their organisation and their funding recipients and applicants.[21]" They are currently in the process of rolling out this policy–which goes farther than CA-SB 54 2023 in terms of data collected.

Nonetheless, UK policy remains piecemeal. There is no uniform requirement for investment firms to report on diversity, nor is there a comprehensive dataset on how capital is distributed across founder demographics. As cross-border investment activity between UK and US funds continues to grow, there is a strong case for the UK government to consider aligning with emerging international standards. This could be explored not only in publicly funded venture capital but also in innovation-focused grants, as Lets Fund More Women have called for in their 2024-25 Impact Report.

A consistent UK-wide approach to diversity data collection would provide a holistic view of where capital is flowing and where it is not. It would ensure accountability and transparency around use of public funds. For firms, it would provide a clear picture of how diverse the founders in their portfolios are and course-correct where there have been blindspots. Lastly, it would reaffirm the UK's commitment to diversity and inclusion. Positioning the UK as a leader in this area - especially as the US is largely taking a step in the opposite direction - could act as a global beacon for women and other underfunded founders.

Recommendation 4: Make the Investing in Women Code mandatory for all funds supported by the British Business Bank.

Recommendation 5: Government should explore further alignment with international diversity monitoring efforts like CA-SB 54 2023.

[19] Patel, Nalin. Rubio Jordan. "The world's top startup cities". Pitchbook. 23 Sept, 2024
[20] UKRI "Diversity data"
[21] The British Business Bank. "Finding What Works: Pathways to Improve Diversity in Venture Capital Investment". 4 July 2023

Angel Investment

Early-stage funding is a crucial piece of the puzzle for female founders. According to data from the Gender Index, most of the investment in female-founded startups comes from Angel investors.[22] These are individual investors who often provide the first significant injection of capital that enables founders to develop their product, build a team, and gain early traction. Angel investors back startups at their most vulnerable stage: when there is little revenue, no proven market fit, and limited access to traditional financing. It is often the key determinant of whether a female-founded business can move from ideation to conception.

Angel investors must be self-certified as either a High Net Worth Individual (HNWI) or a Sophisticated Investor to qualify. A HNWI needs to have an annual income in excess of £100k or over £250k in assets. A Sophisticated Investor needs to have a certain amount of recent experience in investing or working as a director of a company turning over at least £1 million.[23]

The design of this criteria has a direct impact on how many women are able to become angel investors. Changes that inadvertently exclude female investors also have knock-on effects on the ecosystem.

Female investors are twice as likely to invest in women than male investors.[24] Given the outsized impact female Angel investors have on funding female founders, it is imperative to ensure women can continue to qualify as Angel investors, and that the number of female Angels continues to grow.

Case Study: Changes to the Angel Rules

In the 2023 Autumn Statement, the Government had announced plans to raise the thresholds to qualify as a ‘sophisticated investor’ in line with inflation, following a consultation in 2021, when the sector was booming. Under these plans, the criteria to qualify as a HNWI would change from having an annual income of £100,000 and net assets of £250,000, to an annual income of £170,000 and net assets of £430,000—huge increases on both fronts.

The rules for self-certifying as a ‘sophisticated investor’ also changed. Under the new criteria, it would no longer be possible to qualify by having made investments in more than one unlisted company in the last two years. In addition, the threshold for qualifying as a director of a company with an annual turnover of at least £1 million was raised to £1.6 million.

These changes would have disproportionately impacted female investors, who are already underrepresented in angel investing. With a 75% reduction in female HNWIs projected in parts of the UK, this was a major setback. However, after strong pushback from the startup community, including investors, founders, and industry groups, the Government reversed the decision.

[22] The Gender Index Report 2025
[23] UK Business Angels Association (UKBAA). Beauhurst. "Women Angel Insights" 2022
[24] Wood, Anna. "Female entrepreneurs 31% less likely to get funding." Startups Magazine. March 2025

As a next step, the Government should review Sophisticated Investor qualifying rules. Currently, a certified sophisticated investor is someone who meets at least one of the following criteria: recent company director of a £1m+ business, active angel network member, repeat unlisted investor, or experienced finance professional in private equity or SME funding. These requirements can be expanded to be more inclusive without lowering standards. Critically, requirements should be made more flexible to enable bigger gaps in their work life (e.g. to undertake caring responsibilities).

Recommendation 6: Review the definition of work qualifications to be an angel investor and expand the ability to qualify as a sophisticated investor.

For example, the ability to qualify as a sophisticated investor could be expanded to include:

- Having worked for at least 5 years at a SEIS/EIS eligible company;
- Having gone through an angel educational program; or
- Having been part of an angel group over the last 2 years

Similarly, the Government should proactively identify and inform individuals who meet the criteria to qualify as High Net Worth Individuals. HMRC should send tailored notifications to those who qualify, outlining their eligibility and providing clear, practical steps for becoming an angel investor. This communication should also include information about tax-advantaged investment schemes such as the Seed Enterprise Investment Scheme (SEIS) and the Enterprise Investment Scheme (EIS), which are designed to support investment in early-stage and high-growth businesses.

Founders regularly tell us that knowledge of these schemes is low, especially outside of London. Increasing awareness and ease of access to these schemes, especially to women who may qualify as angel investors, is a necessary step to improve gender diversity for angel investors. HMRC's own impact assessment anticipated that SEIS investors "will tend to be male, located in the south of England and have higher overall income levels".[25] To address this disparity, HMRC should prioritise raising awareness of these schemes beyond London and among underrepresented groups, particularly women.

Recommendation 7: HMRC should notify anyone who could be classified as a HNWI that they are eligible, and provide next steps and information on tax incentives.

[25] HMRC. "Making the Seed Enterprise Investment Scheme and the capital gains tax reinvestment relief permanent".19 March 2014.

Grants

Grants play a crucial role in early-stage startup financing, but they're especially important for many female founders. Systemic barriers in the venture capital ecosystem often make grants one of the few accessible funding options. For some, they represent the only viable route to early traction, R&D, or team growth—particularly when overlooked by investors who continue to favour all-male founding teams.

This makes it all the more important to interrogate what's working and what isn't when it comes to grant accessibility, administration and outcomes. From inconsistent eligibility criteria to opaque application processes, there is growing concern that some grant programmes inadvertently replicate the same barriers seen in the investment landscape. For grant funding to play its role in levelling the playing field, it must be designed and delivered with inclusion at its core.

One recurring challenge that female founders face is the requirement for matching funds—common practice in grant-giving but a significant disadvantage for those with less access to early-stage capital. Several founders have raised concerns that such policies disproportionately impact women, reinforcing existing funding gaps. Other challenges revolve around the application process itself. The extensive time it takes to complete the process can be a barrier for women, who often are more likely to be juggling a time intensive business with childcare than their male counterparts. There are also hidden costs. Founders regularly tell us that hiring a grant writer is considered a prerequisite for success.

Given their obligations under the Equality Act, Innovate UK and other national grant bodies, such as Scottish Enterprise, should re-evaluate whether their programme structures inadvertently create barriers rather than remove them. This means taking a hard look at programme design and application processes, and critically evaluating them for potential forms of indirect discrimination that may act as barriers to female founders.

Recommendation 8: InnovateUK should explore ways it can reform its application process to be more entrepreneur-friendly.

Recommendation 9: Grant giving bodies should, alongside internal reviews of its practices, evaluate indirect discrimination in application criteria and processes, e.g. fund-matching requirements.

Childcare

Access to networks is often a prerequisite for getting funding. A strong network can unlock resources, from talent to mentorship, and a direct line to investors. Attending in person events and building relationships can make or break funding opportunities. However, gendered structural barriers related to caregiving responsibilities make it significantly harder for female founders to participate in these networking activities.

Many networking events take place outside of standard work hours - and outside of nursery operating hours. While childcare responsibilities do not exclusively impact women, they disproportionately fall on them. A 2021 YouGov poll found that “two in five women who work full-time and have a partner (38%) say these tasks mostly fall on them, compared with only 9% of men in the same situation.” The UK is also one of the most expensive countries in the world for childcare. Many female founders report having to reduce nursery hours or work fewer days to save on childcare costs, reducing the time available to focus on their businesses, let alone networking opportunities.

> “I have two little kids, and I’m doing a huge amount of childcare alongside running my own business–which I can’t get funding for. Now I’m behind on my NICs and my pension is at risk.”

All of this makes starting a business incredibly risky for parents. Addressing this challenge will be critical to ensuring that female founders have the time and resources to build the necessary networks and build their businesses.

Expanding and making benefits schemes more flexible would also be a step in the right direction. For example, the Government’s Tax-Free Childcare scheme has suffered from low uptake due to lack of knowledge and limited scope. By broadening access and increasing flexibility in its use, more parents could benefit from the support they need to continue growing their businesses.

Additionally, reforms to parental leave could also help to move the dial. As the Employment Rights Bill moves through Parliament, potential changes to paternity leave, among other parental leave reforms, could provide additional support for mothers who are also entrepreneurs. The government could also go further: introducing protections for those on parental leave that enable them to found their own businesses while on leave without losing their statutory pay or facing other forms of retribution from their employers. Protections like these could play a significant role in encouraging more women to return to the workforce as entrepreneurs.

Recommendation 10: Government should take steps to de-risk starting a business as a parent by expanding access to childcare benefits and support, by:

- Broadening eligible uses for the Tax-Free Childcare scheme to include more flexible childcare options beyond regulated providers.
- Reforming the £100k household income cliff on childcare benefits, which currently disincentives earnings growth and penalises dual-income households.
- Enabling mothers on maternity leave to explore entrepreneurship by founding a company while ensuring they retain their maternity benefits and financial security.

Case Studies: Examples from the Ecosystem

We can learn from our successes as well as our shortcomings. Some organisations within the startup ecosystem have already taken proactive steps to support underrepresented groups, particularly those balancing entrepreneurship with caregiving responsibilities. We've heard from founders that initiatives by Rare Founders and Ada Ventures have made a meaningful difference in their ability to balance business and family life. Learning from and looking to scale these programmes has the potential to make a big impact.

Rare Founders organises events that are designed to be accessible to underrepresented groups, including working parents. To accommodate parents with childcare responsibilities, they host morning events that align with school drop-off times, and they have also arranged for free childcare services at demo days.

Ada Ventures offers 40 hours of backup and emergency childcare support for every founder in their portfolio for twelve months when they need it the most. They designed the support to cover the gaps created by childcare arrangements falling through after the Alison Rose Review identified childcare as a significant barrier to entrepreneurship. They provide this support through Bubble, an on-demand childcare platform.

These examples show that targeted, thoughtful interventions can help level the playing field for founders with caregiving responsibilities. By providing support to parents, we can begin to dismantle some of the structural barriers that hold diverse talent back. The challenge now is to ensure these kinds of initiatives are not the exception, but the norm.

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