

The Diversity Deficit

Unlocking the Potential of Ethnically
Diverse Founders

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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

We are thankful to the many organisations that, for many years, have gathered data and evidence on the barriers in funding for different groups of ethnically diverse founders. We have relied heavily on this important work. Our report aims to build on this foundational data on different ethnic groups, to come up with a set of recommendations that would benefit the greatest number of founders from these communities. We are also grateful for the great work of our former Talent Policy Lead, Bella Rhodes, who conducted the primary research for this report.

Executive Summary

Ethnically diverse founders are among the UK's most entrepreneurial groups, yet they remain persistently underrepresented in venture capital portfolios. **This is not simply a question of fairness. It represents a material growth deficit for the UK economy.**

The evidence is clear. Ethnically diverse individuals are around **1.6 - 1.8 times more likely to engage in early-stage entrepreneurship** than their white counterparts. Despite this, between 2013 and 2023 ethnically diverse founders received funding in **just 11% of venture capital rounds** and captured only around **9% of total investment value**, despite accounting for **18% of the UK population** and roughly **40% of London's population**, where most venture activity takes place. The funding gap widens as companies scale, with ethnically diverse-led businesses receiving **only 10% of capital at Series A, B and C stages**.

Disaggregated data reveals even sharper disparities. Black founders received only 1.6% of rounds and 0.9% of total investment value over the past decade, with Black women securing just 0.14% of total VC investment.

These outcomes are not explained by a lack of entrepreneurial activity, quality or ambition. Instead, they reflect structural features of how capital is allocated and who is perceived as “investable”.

This report synthesises quantitative evidence from leading industry and public-sector datasets alongside qualitative insights from ethnically diverse founders and investors. Together, they point to three mutually reinforcing barriers:

- 1) **Network exclusion:** warm introductions and informal sponsorship play a decisive role in venture funding, yet ethnically diverse founders are systematically locked out of these pathways.
- 2) **Bias and pattern-matching:** investor heuristics around “founder-market fit” and risk disproportionately disadvantage founders who do not conform to prevailing norms.
- 3) **Information asymmetries:** founders without inherited access to venture knowledge face gaps in fundraising mechanics, deal structuring and investor expectations, which compound early disadvantages.

Unlocking the potential of ethnically diverse founders requires structural change rather than surface-level initiatives. **This report sets out three practical recommendations:**

- 1) **Mandating consistent diversity reporting from large venture capital funds to improve transparency and accountability;**
- 2) **Strategically backing fund managers and ecosystem groups embedded in diaspora networks to harness global market links; and**
- 3) **Funding trusted delivery partners to deploy micro-grants and pre-seed support that convert entrepreneurial ambition into investable businesses.**

Taken together, these reforms would not only improve opportunities within the startup ecosystem but materially strengthen the UK's growth pipeline. Ethnically diverse founders do not lack ambition or

capability. They lack fair access to capital, networks and risk-sharing. Addressing this is both an economic necessity and a strategic opportunity for the UK.

Introduction

Diverse founders over-index on entrepreneurship yet under-index on access to capital. This is not only a symptom of inequality but also a growth deficit for the UK.

At a time when Britain is searching for new engines of productivity, innovation and global competitiveness – failing to back ethnically diverse founders means overlooking some of the country's most entrepreneurial communities.

This report examines the systemic barriers that founders from ethnically diverse backgrounds face when accessing finance within the UK's entrepreneurial ecosystem.

Drawing on lived experiences, demographic data and policy analysis, it identifies:

- the structural challenges from institutional bias;
- geographic concentration effects to network exclusion; and
- information asymmetries that combine to create persistent disadvantages for diverse entrepreneurs.

The findings reveal a complex landscape. London is both the UK's most diverse city and its startup capital. Proximity to capital and talent should, in theory, benefit diverse founders, yet the reality is mixed. Ethnically diverse individuals are around 1.6–1.8x more likely to be early-stage entrepreneurs than white individuals.¹ Additionally, the Prince's Trust research showed that 63% of young black people surveyed wanted to be an entrepreneur.² Despite being more entrepreneurial on average than their white counterparts, ethnically diverse founders remain significantly underrepresented in venture capital portfolios. This gap between entrepreneurial ambition and access to finance is where the UK's growth deficit becomes most visible.

Any discussion of underrepresentation requires a careful balance. It is important to highlight systemic issues without inadvertently discouraging potential entrepreneurs from diverse backgrounds. Several founders told us they worry that focusing too much on the barriers might create a self-fulfilling prophecy of reduced participation. Our intention is the opposite. We show that the barriers are structural rather than personal, and that removing them would unlock a pool of entrepreneurial talent that is already active, ambitious and ready to scale.

¹https://www.enterpriseresearch.ac.uk/wp-content/uploads/2023/07/105637_GEM_Report_UK_2023_FINAL.pdf

²https://assets.ctfassets.net/qq0roodynp09/5ibnFh68KwmnBQntDXsBAI/d667829aed80ee6b17caf6eaa9fe0104/The_Young_Entrepreneurship_Review_2019-2021.pdf

Defining the Problem

The question of who receives venture capital funding – and under what conditions – has become a critical focus for researchers, policymakers, and industry practitioners seeking to understand persistent inequalities in the UK's innovation economy. There is a lot of really good data out there, so rather than reinventing the wheel, we wanted to put it together and draw analysis from the combined data to examine not only the quantitative disparities in investment but also the qualitative mechanisms that produce and perpetuate them. This literature review synthesises findings from recent empirical studies and industry reports to examine patterns of venture capital allocation to ethnically diverse founders in the UK.

Drawing primarily on data from Extend Ventures' comprehensive Diversity Beyond Gender report (2023)³, alongside insights from Diversity VC's equity tracking studies (2019, 2023, 2024)⁴, the British Business Bank's equity and diversity research (2023, 2024)⁵, and complementary analyses from Cornerstone Partners (2021)⁶, the Global Entrepreneurship Monitor (2024)⁷, and Novel Design Ltd. (2024)⁸, this review examines how capital flows (or fails to flow) to ethnically diverse founders across the UK venture landscape.

In addition, we have undertaken qualitative research through roundtables, small groups and 1:1 discussions with founders and investors from ethnically diverse backgrounds to better understand their experiences at a more granular level. When we look at the data and experiences of ethnically diverse founders, we found disparities that reflect deeper structural challenges in how capital flows and who is deemed 'investable.'

A Review of the Data

Between 2013 and 2023, ethnically diverse founders received funding in just 11% of investment rounds – despite making up 18% of the UK population and 40% of London's population, where most venture activity happens. Data showed that when ethnically diverse founders do secure funding, they're getting smaller amounts. Over that same decade, they captured just over 9% of total investment value. This disparity grows as companies try to scale up through Series A, B, and C rounds – those crucial mid-stage investments that help businesses expand and compete – ethnically diverse-led businesses raised just over 10% of the capital.

³<https://info.lse.ac.uk/staff/divisions/equity-diversity-and-inclusion/Staff-networks/EMBRACE/assets/documents/Diversity-Beyond-Gender-Nov-20-1.pdf>

⁴ <https://diversity.vc/diversity-vc-report-2023-uk/>

⁵<https://www.british-business-bank.co.uk/sites/g/files/sovrnj166/files/2024-02/report-investing-in-ethnic-minority-entrepreneurs.pdf>

⁶ <https://sifted.eu/articles/uk-founders-socioeconomic-privilege>

⁷ <https://www.gemconsortium.org/report>

⁸ <https://assets.publishing.service.gov.uk/media/6853ec1fa3a28280485814fc/diversity-in-uk-tech.pdf>

Several points can be drawn from this data. First, representation alone isn't enough. It's not just about getting a foot in the door – it's about the quality and depth of support once you're inside. Second, there seem to be multiple barriers: one to get started, and then another set that kicks in just when businesses need substantial capital to grow. Ethnically diverse founders find themselves constantly having to prove themselves at every stage.

The aggregated data, whilst useful, can obscure how different communities navigate these barriers. When we look at specific communities, the picture becomes sharper – and in many ways, more stark. Different groups face different barriers, shaped by distinct stereotypes, network access, and historical relationships with capital.

Between 2013 and 2023:

- Black founders received funding in 1.6% of rounds, worth 0.9% of investment value
- East Asian founders received funding in 2.9% of rounds, worth 2.9% of investment value
- South Asian founders received funding in 2.6% of rounds, worth 2.6% of investment value
- Middle Eastern founders received funding in 4.2% of rounds, worth 2.9% of investment value

Black founders face particularly acute barriers in accessing equity investment. The proportion of investment value directed towards Black founders peaked at just 1.13% in 2021, before declining to 0.95%, and retreating further in 2023. Investment into Black founders has only surpassed 1% of total value in those two years. It's a stark reminder that even well-intentioned commitments can be fragile without sustained structural change.

Intersectionality

When we look at the intersection of race and gender, the barriers become even steeper. Black female founders raised just 0.14% of investment between 2013 and 2023. Yes, that's growth from the 0.02% they received in the previous decade, but it underscores how gender and race combine to create particularly narrow pathways to capital. Across all ethnically diverse groups, women founders collectively raised only 0.76% of VC investment over the decade.

This reflects something fundamental about how investors assess credibility and risk. When founders don't match the prevailing template of what successful entrepreneurs are supposed to look like, they face different and often harsher scrutiny.

One of the most revealing findings relates to socioeconomic status, proxied largely by education. Founding teams that include Black and ethnically diverse members who successfully secure VC funding are notably more likely (82%) to include members with prestigious university backgrounds. That's 10% higher than the rate for all-white teams receiving investment.

These patterns reflect how class often operates as a filtering mechanism. Elite educational credentials function as proxies for 'cultural fit,' professional networks, and social capital – the same resources that smooth access to investors' attention and trust. For ethnically diverse founders, these credentials appear mandatory, rather than nice to have. We will be addressing questions specifically around class in our next Funding the Underfunded report, which will be published early in 2026.

This creates a vicious cycle. Talented entrepreneurs without access to elite educational pathways – often those from working-class backgrounds or communities historically excluded from such institutions – face compounded disadvantages. This is a core reason why we conducted our Funding the Underfunded work as a series, covering different aspects of intersectionality.

The disparities become even more pronounced when we look at where VC activity happens. London accounts for the lion's share of UK venture capital – 72% of all deals historically, and 63% of investment value in 2023. It's the UK's primary entrepreneurial hub as well as the UK's most diverse city. It also shows the most severe ethnic disparities when comparing the population to the funded founders. Remember that 11% of rounds are going to ethnically diverse founders? That's drastically out of proportion to their 40% representation in London's population. In 2019, only 2.9% of funded founders identified as Black and 7.3% as Asian – compared to Greater London Authority estimates of 16% Black and 24% Asian in the population.

The investors themselves, who are the gatekeepers of these funds, similarly fail to reflect London's diversity. In a 2023 study, 77% of VC firms had their head office in London or the South East. Yet in 2019, 76% of surveyed VCs identified as “white”, whilst London's population was estimated to be only 59% white. Even in the UK's most diverse city, the people controlling access to capital remain demographically disconnected from the entrepreneurial communities around them.

These disparities also do not correlate with the entrepreneurship rates across ethnic groups. The Total Early-stage Entrepreneurial Activity (TEA) rate for the ethnically diverse ethnic population in the UK in 2023 was 18.7% – more than double the 9% rate for the white population. Asian, Caribbean, and African communities show particularly strong entrepreneurial drive.

So the problem isn't a lack of entrepreneurial ambition or activity. Ethnically diverse communities are starting businesses at higher rates than their white counterparts. The gap is in access to the capital that could help those ventures scale. This indicates a clear misalignment between actual business viability and the systems designed to recognise and fund it.

Public Sector Paradox

Ethnically diverse founders have had more success receiving funding outside of VCs.

For example, Government-backed funding programmes show a broader reach than private VC:

- 21% of the British Business Bank's Start Up Loans have gone to founders from Black, Asian, or other ethnically diverse backgrounds
- Community Development Finance Institutions (CDFIs) provided 24% of their small business loans in 2023 to Black, Asian, or other ethnically diverse entrepreneurs

Ultimately, this says something about the risk appetite of capital allocators towards these communities. Loans must be repaid regardless of whether your business succeeds or fails, putting entrepreneurs at personal financial risk. This is particularly concerning given that most startups don't make it. Equity investment, by contrast, distributes risk to investors who can afford it – and provides not just capital but networks, mentorship, and credibility.

Additionally, this shows that when a conscious effort is made to reduce bias within the funding process, a more equitable outcome is reached.

The UK needs to harness the entrepreneurial inclinations of diverse groups and channel them towards the faster-growing parts of the economy. That can only be achieved if venture capital is easier to raise for ethnically diverse founders.

Lived Experience: What Founders Are Telling Us

The Network Imperative

“Having a champion inside the network often matters more than the pitch itself, and diverse founders are systematically locked out of those informal routes in.”

From our qualitative research, founders have told us that the outsized role informal networks can play in determining what startups get funded acts as a fundamental structural barrier for many ethnically diverse founders who lack access to the informal knowledge networks through which crucial information flows – from fundraising strategies and investor preferences to market timing and deal structuring best practices. Both existing data and our conversations with founders demonstrate how the relationship between race and social capital has significant implications for ethnically diverse founders and their access to equity investment.

This exclusion operates at multiple levels simultaneously. At the informational level, ethnically diverse founders may possess strong technical and market expertise yet lack exposure to venture capital mechanics – the specific skills required for successful fundraising, from financial modelling to pitch deck construction. These gaps often stem from educational and professional backgrounds with limited VC exposure, creating an information asymmetry that can result in poorly structured deals, missed opportunities, and fundamental misunderstandings about investor expectations.

At the access level, the informal networks that facilitate warm introductions (university alumni associations, professional organisations, social clubs) often have limited ethnically diverse representation, particularly in senior positions. Without these introductions, founders face significantly lower response rates to cold outreach. Even when meetings are secured, the absence of someone ‘vouching’ for the founder can impact investment decisions.

Data Points: The Warm Intro

Research consistently demonstrates that warm introductions and established networks are not merely helpful but critical factors in securing venture capital and angel investment.

The Department for Business and Trade (DBT)'s Investing in Women Code Annual Report 2024 found that 'warm introductions' continue to be the most successful in securing funding for all teams. A 'warm approach' is defined as a founder introduced through a pre-existing relationship with the fund manager or investor, potentially via personal networks, social clubs, or university contacts. The report found that while only 37% of received pitch decks come from 'warm' approaches, they accounted for a disproportionately large share of success further down the pipeline.

- A significant 76% of decks presented at the investment committee (IC) stage and 81% of funded deals originated from warm sources.
- Conversely, pitches from cold sources account for approximately 50% of pitch decks but only 11% of the funded deals.

Warm introductions have also been found to be the most successful for securing Angel funding. For Angel group signatories of the Investing in Women Code, nearly half (45%) of all decks that came with warm introductions passed initial screening. In contrast, only 17% of the decks received through cold approaches passed initial screening.

Ethnically diverse founders face compounded disadvantages in the way that the intersection between race and class can act as a barrier to the social capital networks that play a pivotal role in fundraising. Research from Cornerstone Partners found that teams with members from Black and other ethnically diverse groups are 10% less likely to have a friend or family contact they can reach out to for an introduction than all-white teams. Founders who attended a fee-paying school were more likely to have found their VC role through a referral from their network (35%) compared with those who attended a state-funded school (25%).⁹

Many founders told us that they viewed networking events as a key way to get that warm intro. Getting in the right room with the right people has the potential to give an unknown founder airtime with a key investor and build connections that can propel their business to the next level.

Ethnically diverse founders also raised concerns around the prevalence of 'Friends and Family Rounds'. Often, the first round of funding for many startups is where founders raise capital from their personal network. Findings from Cornerstone Partners indicated that founding teams that included ethnically diverse founders were more likely to rely on funding from friends and family, personal savings, and other forms of bootstrapping than all-white teams.

⁹ The Equity Record UK 2023

Many founders expressed that more diversity among VC investors would put them on a more level playing field. But the assumption that increased diversity will automatically translate to more diverse founders being funded oversimplifies a more complex dynamic. While this correlation can hold true, it can also create perverse pressures: ethnically diverse investors may feel heightened scrutiny around their investment decisions, leading some to avoid appearing to prioritise diverse founders exclusively. The surface-level diversity in VC firms alone won't automatically dismantle the barriers that ethnically diverse founders face.

Bias

“The system claims to be neutral, but bias enters long before the investment committee - through gatekeeping, pattern-matching, and who ‘feels’ investable.”

Founders report experiencing both explicit and implicit bias in investor interactions. Explicit bias manifests in direct questioning about market size for diverse customers or scepticism about scaling beyond 'ethnic markets' – even when those markets aren't the target audience. Implicit bias appears in pattern-matching behaviours, where investors unconsciously favour founders who resemble previous successes.

The venture capital industry's emphasis on 'founder-market fit' becomes particularly problematic in this context. When investors recognise diverse founders' deep understanding of underserved markets, they may simultaneously dismiss the opportunity as niche despite significant market potential and limited competition. Conversely, founders targeting mainstream markets may find themselves boxed into assumptions about serving only ethnic communities - a damaging misreading that underestimates both the founder's ambition and market opportunity. Founders we spoke to said that these biases create an exhausting burden of perception management that ethnically diverse founders must shoulder in every investor interaction.

Case Study: The Transatlantic Divide in Venture Capital Access

Several founders told us about their experiences pitching their businesses in the US. They told us that, despite the US venture capital ecosystem's own well-documented diversity challenges, it often feels more accessible than the UK market. In their experience, these differences in investment cultures affect diverse founders' access to capital.

Though relationship and network effects matter across venture capital everywhere, the UK's structural characteristics - smaller fund sizes, greater regional concentration of capital in London, and distinct institutional frameworks - make personal relationships especially influential in investment decisions. This relationship-driven approach, while offering potential advantages in terms of long-term partnership and founder support, inadvertently amplifies the impact of network exclusion and cultural bias. In this way, the very characteristics that make UK venture capital potentially more founder-friendly can become mechanisms that entrench inequality when those relationships systematically exclude diverse founders.

There is also a perception among founders that British VCs are quick to back founders who are ex-McKinsey and ex-Google – not so much because they feel like they are perceived as less risky investments, but because VCs in the UK are overly pally and more comfortable with people and paths that they 'recognise'.

Comparatively, the US market's greater emphasis on aggressive risk-taking and rapid scaling creates more weight on market opportunity. While networks and warm introductions remain important, a good idea alone can open up doors. Especially in early-stage investment conversations, founders told us they faced fewer bias-laden questions and less scepticism about their ability to understand or scale their target markets from American investors. They were more willing to back a compelling idea and strong founding team without requiring exhaustive proof of business viability, understanding that at the earliest stages, much of this data simply doesn't exist yet.

UK investors, conversely, are more likely to expect information like detailed financial projections and comprehensive market validation data, which early-stage founders cannot reasonably possess before actually building and operating the business. These are legitimate questions for later-stage companies, but premature at the pre-seed or seed stage when the product may barely exist. These premature demands for "proof" create more space for subjective judgment and personal bias while appearing more rigorous. Ultimately, this can instead function as gatekeeping that disproportionately impacts ethnically diverse founders.

The Support Gap

“Founders don’t need another panel; they need power, trust, and routes into the system.”

Support programmes for early-stage founders, like accelerators and incubators, should theoretically level the playing field for founders who lack inherited networks and the tacit knowledge that comes with certain socioeconomic backgrounds. For ethnically diverse founders without access to informal mentorship from family friends in finance or alumni networks stacked with venture capitalists, these structured programmes can provide critical education about startup mechanics, fundraising processes, and investor expectations.

Many ethnically diverse founders told us they find accelerator programmes genuinely helpful. Yet several told us that, while accelerators excel at generating enthusiasm about entrepreneurship, many fail to prepare founders for the harsh realities of actually securing investment and scaling businesses.

Founders reported a disconnect between what many accelerator programmes taught them and what investors actually expected or required. Programmes often emphasised the excitement of building startups – the innovation, the disruption, the founder identity – without providing sufficient clarity. Fundamental questions – around what type of funding is most appropriate for this specific business model; what concrete milestones and metrics do different types of investors require; and how founders should structure cap tables, manage runway, and make strategic financial decisions once funding is secured – were frequently left unaddressed. This view was reflected in the conversations we had with ethnically diverse investors, who felt that many founders they met with, including those who came out of accelerator programmes, were ill-prepared.

Too often, diversity programmes function as ESG theatre, optimised for investor reporting and corporate optics, not founder outcomes. They create visibility without capital, mentorship without access, and engagement that flatters the system while leaving the underlying barriers intact.

While these programmes can help open doors for ethnically diverse founders, many expressed scepticism about their practical impact. Many felt that being shunted into an ESG (Environmental, Social, and Governance) accelerator or accelerator targeting ethnically diverse founders further silos them.

What Does Good Look Like?

Foundervine x Lloyds – The Immerse Programme

Foundervine's partnership with Lloyds Bank on the Immerse Programme demonstrates how targeted, culturally grounded support can dismantle structural barriers for Black founders. Instead of one-off training or generic accelerators, Immerse delivers a full end-to-end pipeline: expert-led workshops, commercial introductions, pitch opportunities, regional cohorts in London and Birmingham, and online learning for national reach. A defining feature is its non-dilutive micro-grants (up to £21,000 per cohort), which let founders turn capability into execution - funding product development, certification, marketing and working capital at the make-or-break stage before investment readiness.

In 2024, the programme supported 975 Black-led businesses, 58% women-led and 42% outside London, unlocking £2m+ in funding, £3m+ in revenue, 62 jobs, and 88 investor relationships. This approach rebuilds trust between founders and mainstream finance, operating not as a discrete diversity scheme but as a conversion engine feeding underrepresented talent into the UK's growth economy. Foundervine illustrates how tailored support, early capital and warm networks combine to create successful founders.

Colorintech

Colorintech has built one of Europe's most active ecosystems for underrepresented founders by focusing on the structural realities that determine investment outcomes, not on branding or performative diversity. Serving a community of 60,000+ people and a pipeline of 2,000+ entrepreneurs, its programmes - from the Accelerator and Build for the Future to Traction Club and the Meta Ideas Programme - close the "last-mile gap": giving founders practical investor literacy, clarity on funding pathways, cap-table and revenue-model design, and candid insight into the informal norms and networks that shape real-world investor decisions.

This model has produced a series of high-growth companies: Robin AI (≈\$50m Series A/B), MOONHUB (£4m+), Sprive (£5.5m), Manje Health, and &facts, among many others. Founders consistently cite culturally literate peer networks, honest guidance, and direct access to operators and investors as decisive factors. Colorintech shows that underrepresented founders do not lack capability - they lack infrastructure, information symmetry and network access. When these gaps are intentionally closed, founder ambition reliably converts into investment, hiring and scale.

Policy Recommendations

Recommendation 1: Align data gathering across the largest venture capital funds

As part of its broader review of data, the BBB is looking at how and what data to gather from venture capital firms it gives money to. These requirements should align across different metrics, including ethnic diversity. Publishing this data annually would create industry accountability and take advantage of the long-standing management practice which states: you can only improve upon what you measure.

The reporting framework should align with existing financial services diversity reporting to minimise administrative burden while ensuring meaningful data collection.

There are already efforts within the ecosystem to address the lack of consistent diversity data in venture capital. [The UK Diversity Data Alliance White Paper \(2025\)](#), led by Diversity VC with support from funds, industry bodies and academics, sets out a standardised framework for collecting and reporting demographic information across the UK startup and investment landscape. While not the only initiative, it is a strong example of how the sector can use data more effectively to benchmark progress, uncover barriers, and design interventions that build a more inclusive ecosystem.

Recommendation 2: Fund groups and VCs that invest in and support founders from diaspora communities to boost investment and trade opportunities for British diaspora founders

The UK is one of the most culturally diverse tech hubs in the world, yet government programmes significantly under-utilise the knowledge, networks, capital and soft-power advantages of diaspora founders who are building “in the UK for the world.”

Diaspora communities are natural bridges between the UK and high-growth global markets (India, Nigeria, Poland, SE Asia). Networks already operate informally (meetups, WhatsApp groups, talent networks), but there is a lack of a formal platform for partnership with the government.

Given the large and varied groups of these communities across the UK, and the network effects that supporting them would facilitate, the government could catalyse investment, expansion and market opportunities for UK startup founders.

Whilst a spattering of programmes exist (Innovate UK missions, FCDO tech hubs, trade missions), the government could more strategically plan and coordinate these networks to support diaspora communities building tech companies in the UK.

They should take a two-pronged approach to this to maximise impact:

- A. The BBB should look for opportunities to invest in fund managers with a thesis that looks to invest in diaspora funding, especially where it aligns with sectoral strengths of the relevant region. Funds like Blue Lake VC have made it their thesis to invest in aspiring founders from these communities because, as they put it, there is a level of ambition and mindset that these individuals have to lead venture-backed technology companies.
- B. The government should convene Diaspora Innovation Councils led by Trade Ambassadors and Envoys. These could be sector-specific with a regional focus (e.g. India Tech Council, Nigeria Tech Council, Polish Tech Council) composed of UK-based entrepreneurs, investors, researchers and ecosystem builders with ties to those markets.

Our research shows that ethnically diverse founders often face limited access to knowledge and self-reinforcing networks in the tech community. Instead of building artificial networks or mentoring schemes that can feel stale and low-impact, there is a clear opportunity to harness the strength of existing diaspora communities, whose organic networks already operate at scale.

Recommendation 3: Back established delivery partners to deliver micro-grant and pre-seed funding support to harness entrepreneurship across the UK

One of the most significant barriers facing underrepresented founders is the leap from idea to actual startup. A recurring theme in our evidence is the absence of small amounts of “micro-capital” typically £1,000–£10,000, needed for early validation, prototype development, and basic technical support. To close this gap, the Government should introduce a Micro-Grant & Pre-Seed Support Fund, delivered exclusively through trusted ecosystem organisations with a proven ability to reach diverse and underrepresented founders.

Rather than creating new, administratively heavy schemes, the government should channel flexible, non-dilutive micro-grants (e.g. £2,000–£10,000) through existing partners who already have reach, trust, and distribution capacity. This would accelerate proof-of-concept development, support early market discovery, and strengthen pipelines into Innovate UK, British Business Bank programmes, angel networks, and early-stage VC.

Founders and ecosystem leaders consistently highlighted that this micro-capital gap is too small for private investors, yet too early and too operationally intensive for Innovate UK’s current processes. Delivery partners such as Foundervine and Colorintech already operate high-performing programmes in these communities and could deploy micro-grants far more efficiently than central government. The model is proven: a similar partner-led approach was successfully used via the UK Tech Cluster Group’s Regional Tech Booster programmes. Therefore, whilst we see this having huge benefits to ethnically diverse founders, it is a delivery method that could be deployed to de-risk entrepreneurship across the economy.

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