

A woman with dark curly hair, wearing a light-colored blazer over a button-down shirt and blue jeans, is smiling while riding a black kick scooter. She is positioned in front of a modern building with large glass windows. To her right, the front wheel and frame of an orange bicycle are visible. The overall scene is bright and urban.

Women in business: Funding the gender gap

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These days, starting a business is touted as being an achievable feat for anyone, no matter your circumstances, as professionals, books, and training can coach you how to offer a product or service that most people need, and brand it accordingly.

Raising money to set up and grow your business can be a different story altogether – especially if you're a woman. According to City A.M., **businesses led by females on average received a staggering 96 per cent less funding than their male counterparts** last year despite growing pressure for gender parity. For example, while fintech start-up Starling Bank received £686 million, the highest amount of funding for a female-led UK business in 2021, the male-led company with the highest funding took five times as much. Clearly, the funding gap is real.

Reports show that businesses founded by women across the globe are delivering higher revenue than male-founded businesses, yet, **female-founded companies continue to receive less funding at all rounds**. A key finding of NatWest Group's **The Alison Rose Review of Female Entrepreneurship** was that the single biggest issue holding female entrepreneurs back is lack of funding – which is why there are **twice as many male entrepreneurs as females**, even though women make up 51% of the population in the UK. The British bank also highlighted in its landmark review that female founded companies received less than 1% of total UK venture capital, while male founded companies got a full 89%.

So, what are the main barriers preventing female entrepreneurs from accessing funding? And what support is available to help level the playing field?



Uneven playing field

Whilst some statistics suggest that things are slowly improving, with an increase of women on boards and occupying more top jobs, there is still much work to be done when it comes to funding female-led start-ups.

Women are less likely to pursue entrepreneurship, and in the UK, women found fewer businesses than their counterparts in other economically comparable countries, such as Australia and the Netherlands. One major reason for this is a lack of funding to begin with.

According to a Female Founders report, women are less likely to take out loans or use personal savings for their business which means they start out with about half the capital that men do.

The most popular way to raise capital is through equity funding. However, women are again at a disadvantage as statistically, female entrepreneurs are much less likely to receive large sums of equity finance.

- Start-ups with at least one female founder receive less than half of the average raise for start-ups with all-male founders. In 2020, just 13% of total equity investment went to female-founded start-ups and those that were successful, tended to receive smaller amounts.
- Female business founders raise only 15% of all equity finance, which is a shortfall of £1.6 billion.
- Research from the British Business Bank shows that all-female founding start-up teams get just 1p for every £1 of investment.

This gap in equality not only prevents women from growing their business ideas, but also creates a barrier to the UK's overall economic growth. The Rose Review stated that up to £250 billion of new value could be added to the UK economy if women started and scaled new businesses at the same rate as men.

Impact of COVID-19

The pandemic has added an extra obstacle to tackle. The Progress Report of the Rose Review stated that over three quarters (77%) of female business owners found managing their business in the pandemic stressful, compared to only 55% of male entrepreneurs. Women are also 17% more likely than men to struggle balancing business demands with family life.

A Female Founders report looked into the reasons why female entrepreneurs have been disproportionately impacted by the COVID-19 pandemic:

- Women have often had to take on greater childcare or unpaid work burdens during lockdown.
- Women are more likely to start businesses in sectors which have been worse affected by the pandemic, such as retail, hospitality, and leisure.
- Women are less likely to seek external finance.

The stresses of the pandemic are evident with over half (55%) of female business leaders stating they would not recommend starting a business in their sector in 2021.

“It is a myth that it is much harder to obtain grant funding versus VC funding. The truth is that in both cases, the founders need to do their homework and follow the rules.”

Lilia Stoyanov
Chief Executive Officer &
Angel Investor, Transformify



Recommendations for change

In response to the additional pressure that the pandemic provided for female entrepreneurs, some measures have been brought in to help remove these barriers and as of September 2020, less than 2% of female-founded businesses tracked were reported to be in a critical condition.

Support measures include:

- Aimed at UK start-ups, the Future Fund convertible loan scheme has helped to address disparities in equity funding. Companies with all-female or mixed-leadership teams have received the vast majority share of funding (83%). The eight companies that were led by all-female teams, received an average of £900,000.
- HM Treasury's Investing in Women Code has helped to address the gender funding gap. This scheme commits investors to support the advancement of female entrepreneurship in the UK by improving female entrepreneurs' access to tools, resources, and finance from the financial services sector. Since the launch of the Future Fund, more than 30 venture capital firms and angel groups have become signatories to initiative.

There is a noted finance gap in some sectors more than others. A Female Founders report found that in FinTech, female entrepreneurs receive a proportionate amount of equity funding and in GreenTech, female entrepreneurs raise more than their male counterparts. However, AI, Life Sciences and E-Commerce are lagging behind with women receiving only 1.9%, 4.5%, and 3.1% of equity finance in each of these sectors respectively. Female Founders urge the venture capital industry to learn best practice from other sectors that have overcome their bias, further suggesting developing female talent at both junior and senior levels.

Other recommendations for change include:

- Increase mentorship for women to provide role models who can offer advice and guidance
- Widen access to more networking opportunities
- Attract more female investors

Funding and business support available

Grants are the only form of business finance that women tend to use more than men. Lilia Stoyanov, Chief Executive Officer and Angel Investor at Transformify says that grants can be better than venture capital (VC) investment as they don't lead to "dilution". She says: "It is a myth that it is much harder to obtain grant funding versus VC funding. The truth is that in both cases, the founders need to do their homework and follow the rules."

There are over 1,000 business support funds on GrantFinder – a leading funding database in the UK covering local, national, and international sources of funding, and over 50 of these are specifically targeted to female entrepreneurs. These funds include:

- Investing Women which offers business support (seed capital of up to £250,000) and mentoring to female entrepreneurs in Scotland seeking to start or grow a business.
- Enterprise Nation Female Start-up of the Year, an annual competition designed to showcase and reward early-stage women start-up entrepreneurs from across the UK who are excelling in their industry.
- Women Entrepreneurs Finance Initiative (We-Fi), a global fund for female entrepreneurs. We-Fi supports women-led businesses at earlier stages of growth and unlocks access to equity and insurance services.
- Diverse Supply Chains Grants are available to support minority-led SMEs in the West Midlands. One or more of the directors of the company must be from a 'diverse' group i.e., businesses owned and managed by women (particularly, women with children), people with limiting disabilities, people who are lesbian, gay, bisexual, transgender (LGBT+), ethnic minorities and young entrepreneurs (16-25 years).
- Financial Support for Businesses (Highlands and Islands), available to high growth businesses based in the Highlands and Islands Enterprise (HIE) area of Scotland to assist small enterprises newly created by female entrepreneurs.
- Yes You Can – £20K Pitching Competition which provides an opportunity for female-owned businesses in Northern Ireland to pitch and potentially, win part of a £20,000 prize to boost their enterprise.
- Cartier Women's Initiative Awards, an annual international business plan competition with aims to identify, support and encourage projects by women entrepreneurs.

Many business support funds are updating their eligibility criteria to stipulate that applications from businesses led by women are particularly encouraged. For example, the Welsh Government's new Barriers to Start Up Grant will help 400 individuals who have faced barriers to starting up a business by offering grants of up to £2,000 – with applications from women particularly encouraged.

Other funds also offer female advisers to assist women who are already in business or wish to become self-employed – the First Enterprise Agency (East Midlands and South East Midlands) is an example of this. Also, through the Female Founders Grant Competition, female entrepreneurs from across Northern Ireland are invited to submit innovative business ideas for a chance to access grants of up to £35,000 as well as access to a business mentor through the Women in Business mentoring programme.





To make the allocation of funding fairer, some funders are choosing to use quotas for shortlisted applications from female-led businesses. For example, in the latest funding round of the TechX Clean Energy Accelerator, the application guidance stated: "Aligning with the Net Zero Technology Centre's core values, the Clean Energy Accelerator facilitates an inclusive environment which thrives on diversity of thought. For the accelerator's fourth cohort in 2022, TechX's aim is for 30% of shortlisted start-ups to be led by females (either by a female CEO or by another senior female leader with an equity stake in the company)."

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