BEYOND THE HEADLINE

The UK Women’s Funding Gap Is Real - **But Poorly Measured**

A White Paper on Gender, Capital and the Measurement Problem in UK Entrepreneurship

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Executive Summary

The UK's women's funding gap is frequently summarised in a single statistic: female founders receive 2p for every £1 of venture capital investment.

The figure is widely cited and directionally accurate. It has become the dominant framing of inequality in entrepreneurial finance.

It is also analytically incomplete.

This paper argues that the headline statistic collapses multiple distinct dynamics into a single measure, obscuring the mechanisms that produce the observed disparity. As a result, it risks directing attention and intervention toward an oversimplified diagnosis.

The funding gap is not a singular phenomenon. It reflects the interaction of at least three structural factors: a participation gap in the venture capital pipeline, a sector distribution effect between where women build businesses and where venture capital is deployed, and a capital access gap within venture-relevant sectors.

These dynamics are related but not interchangeable. Each operates differently and requires a distinct response.

At the same time, outcome data complicates prevailing assumptions. Female-led businesses in the UK generate higher average revenues and exhibit lower insolvency rates than male-led firms, yet receive a disproportionately small share of capital. This suggests that funding outcomes are shaped not only by performance, but by the types of businesses the investment ecosystem is structured to support.

> **The data is not wrong. The question we're asking of it is.**

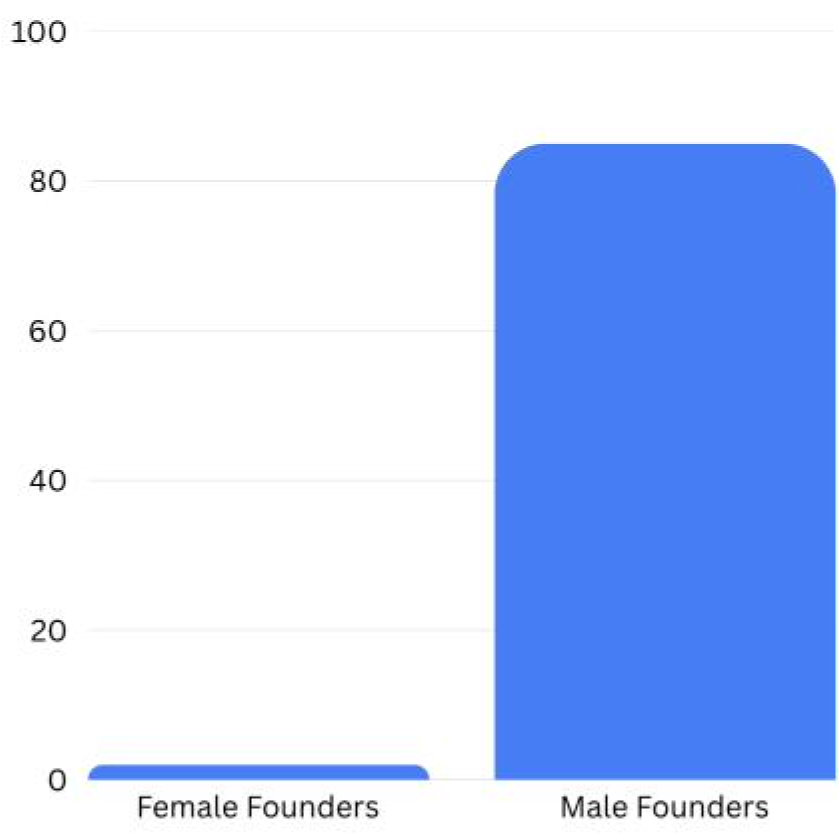
The central argument of this paper is that better measurement is a prerequisite for effective reform. Without a more complete understanding of how capital flows through the system; from initial contact to follow-on funding, policy responses will remain partial.

This paper draws on British Business Bank data, the Rose Review, the Women-Led High Growth Enterprise Taskforce report, and academic research from the UK and US to examine what the numbers actually show — and what they cannot show without better measurement.

The Problem With The Headline

Every year, a new report lands, confirming what we already know: women-led businesses in the UK receive a fraction of the investment that flows to their male counterparts. The numbers are alarming. They generate coverage. They prompt taskforces and commitments and pledges. And then, broadly speaking, the gap persists.

Female founders receive 2p for every £1 of UK venture capital. Male-founded businesses receive 85p.



It would be easy to conclude from this pattern that the problem is intractable, that despite awareness and good intentions, structural bias in the investment ecosystem is simply too entrenched to shift at a meaningful scale. That may be partly true. But there is another possibility that receives far less attention: we are measuring the wrong thing.

The canonical statistic that female founders receive 2p for every £1 of UK venture capital is derived from **total investment amounts across all founder gender categories**. It does not control for sector. It does not control for funding stage. It does not adjust for how many women are actually seeking VC in the first place. It compares all women-led businesses against all male-led businesses as if they were competing for the same pool of capital under equivalent conditions. They are not.

This is not an argument for complacency. The gap is real and the barriers are real. But if we misidentify the mechanism, we will continue designing interventions that make good press without shifting the underlying dynamics. This white paper is an attempt to look behind the statistics, to ask not just what the numbers show, but what they are actually measuring.

SECTION ONE

The Pipeline Problem: Is There Simply a Smaller Pool?

The most fundamental question rarely asked in coverage of the funding gap is: what proportion of women-led businesses are actually seeking the kind of investment that the statistics track?

~20%	5%
of UK active companies are female-led (2024)	of all pitch decks come from all-female teams

Only around one in five active UK companies is female-led - a figure that has remained stubbornly stable for years. Of those, the proportion seeking venture capital is substantially smaller still. The British Business Bank's own data shows that only 5% of pitch decks submitted to UK VCs come from all-female founding teams. All-male teams account for 75%.

This creates a logical puzzle that the headline statistic sidesteps entirely. If women make up 20% of business owners but 5% of those pitching to VCs, then the funding gap is partly, though not entirely, a participation gap. Before asking why women receive less investment, we need to ask why they are less likely to seek it.

Why Women May Not Show Up

The reasons are likely layered. Some are structural: research consistently shows that women have significantly less access to the informal networks through which VC relationships are formed. British Business Bank pipeline data reveals that all-female founding teams are far less likely to have a 'warm introduction' to investors than mixed-gender or all-male teams and warm introductions are the single strongest predictor of a pitch progressing to the investment committee. If the front door of the funding system operates primarily through personal referral, then women are disadvantaged before they submit a slide deck.

Some reasons are motivational: survey evidence suggests women are more likely to fund growth through revenue and debt than through equity, and less likely to target the scale of exit that VC requires. This is not a character flaw — it reflects rational calculation based on experience of the system, different risk appetite, and different business models. But it means the funding statistics capture only those women who have opted into an equity-seeking growth path, which is itself a self-selected minority.

> **"Only 5% of pitch decks come from all-female teams. Before asking why women receive less investment, we need to ask why so few are seeking it."**

Some reasons are psychological in origin but systemic in cause: only **5% of women entrepreneurs have a mentor, compared to 12% of men**. A third of female business owners report feelings of low self-confidence. A quarter say they struggle with not being taken seriously as a business owner. These are not individual failings, but are predictable outputs of a system in which female entrepreneurial role models are scarce, female investor networks are thin, and the entire cultural architecture of high-growth entrepreneurship has been built around a male archetype.

The policy implication is significant: if the pipeline into VC consideration is the primary bottleneck, then incentivising investors to 'do better' with the applications they receive will only partially address the problem. Equally critical is building the infrastructure; networks, mentorship, visibility of female-led investment success stories, that fills that pipeline in the first place.

SECTION TWO

The Sector Distortion: Comparing Unlike With Unlike

Even among women who are actively seeking external funding, the headline statistics conceal a critical variable: sector. The businesses that venture capital funds are predominantly in technology, fintech, life sciences, and advanced manufacturing. The businesses that women disproportionately lead are in health and social care, education, and personal services. These are not competing for the same investment pool.

39.9%

of health & social care companies are female-led

1 in 10

SET-sector companies are female-owned

Nearly 40% of UK health, wellbeing, and social care companies have a dominance of female directors. Education is the second most female-led sector at 36%. Meanwhile, across science, engineering and technology (the sectors most attractive to venture investors) there are approximately ten times as many male-owned as female-owned companies.

This is not incidental. It means that a substantial portion of the funding gap is, in statistical terms, a sector gap wearing the costume of a gender gap. When we aggregate all female-led businesses and compare their investment receipts against all male-led businesses, we are comparing populations that have fundamentally different capital needs, capital-seeking behaviours, and relationships with equity investment.

Are Care-Economy Businesses Being Systematically Undervalued?

This raises a question that goes beyond measurement: why are care-economy sectors, in which women are concentrated, so structurally removed from equity capital? Part of the answer is historical. Venture capital evolved to fund scalable technology, and the returns profile of a social care provider or tutoring business simply does not fit a standard VC model.

But part of the answer may be a valuation problem. There is a growing body of evidence that businesses in sectors associated with women, namely care, education, and wellbeing, are systematically undervalued relative to their economic contribution. UK female-led companies generate an average annual revenue of £10.4 million, compared to £6.1 million for male-led companies. The insolvency rate is up to 70% higher in male-run businesses. By outcome metrics, women-led businesses perform better and yet they receive a fraction of the capital. This disconnect suggests the issue is not simply risk assessment but the type of businesses that the investment ecosystem has decided to value.

> **"Female-led companies generate average revenues of £10.4m, versus £6.1m for male-led firms. By outcomes, women-led businesses *outperform*. The capital doesn't follow."**

The Women-Led High Growth Enterprise Taskforce, reporting in 2024, acknowledged this directly: the definition of 'high-growth' is shifting, and businesses in health, care, and the environment where women are well-represented are likely to be central to Industry 5.0's emphasis on societal value. If this is true, the funding gap is not only a justice issue but an economic misallocation. We are not funding the businesses most likely to generate the next generation of growth.

The measurement implication is clear: any meaningful comparison of male and female funding outcomes must control for sector. Without this adjustment, we are not measuring the gender funding gap. We are measuring the combined effect of gender concentration across sectors and the differential relationship those sectors have with capital markets.

The Investor Bias Question: Real, But Mislocated

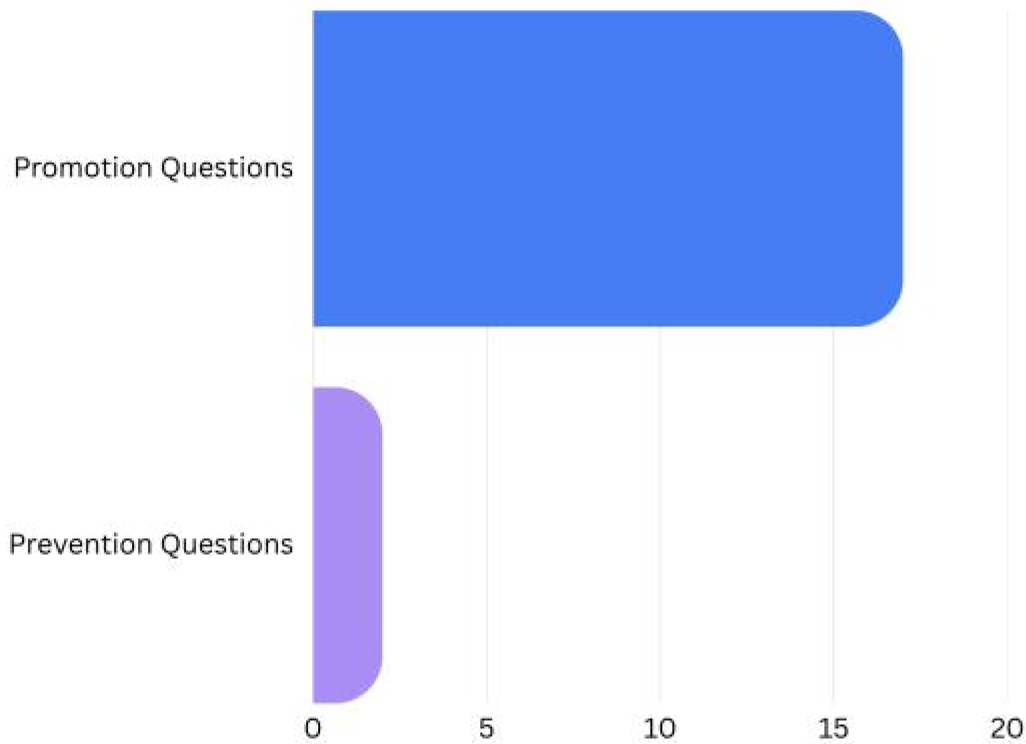
Having established that the headline gap reflects pipeline and sector effects, it is important to be unequivocal: there is also genuine bias in how investors evaluate female founders. The evidence is robust, well-replicated, and troubling. But it operates differently from how it is usually characterised.

Most coverage of investor bias focuses on decision outcomes, the fact that female founders receive fewer and smaller investments. This is accurate. But the mechanism through which bias operates appears to work earlier and more subtly in the process than a simple 'investors reject women' narrative suggests.

The Questions That Determine the Outcome

A landmark study by researchers at London Business School and Columbia University analysed Q&A sessions between venture capitalists and founders at TechCrunch Disrupt New York, one of the most prestigious startup competitions in the world, across 189 startups over six years. What they found was striking: **67% of the questions posed to male entrepreneurs were 'promotion-oriented'**, that is, focused on growth, gains, ambition, and potential. **66% of questions posed to female entrepreneurs were 'prevention-oriented'**, focused on risk, loss, safety, and retention.

Investor Bias and Financial Consequences: Average funding raised.



This asymmetry has direct financial consequences. Entrepreneurs asked promotion questions raised an average of $16.8 million. Those asked prevention questions raised an average of $2.3 million. Every additional prevention question was associated with $3.8 million less in funding raised. Critically, this bias was present among both male and female investors, which means that simply increasing the number of female VCs does not, by itself, close the gap.

The research also contains an important finding about agency: founders who responded to prevention questions with promotion-oriented answers (refusing to play the defensive role the question implied) raised significantly more than those who answered in kind. This does not excuse the bias. But it points to a possible intervention: training female founders in pitch dynamics has measurable effect, even without changing investor behaviour.

Pattern-Matching and the Prototype Problem

A related mechanism is the well-documented tendency of investors to fund against a mental prototype of a successful founder. That prototype, shaped by decades of tech investment history, is predominantly male, often technical, and frequently located in London. Harvard Kennedy School research found that VCs consistently evaluate male founders more positively and that the pitch process itself is structurally designed around masculine norms - from the aggressive growth projections expected to the adversarial Q&A dynamic.

> **"Male and female investors both ask women prevention questions. Increasing female representation in VC, while important, does not by itself close the gap."**

Investor body of evidence also shows that identical pitches narrated by a male voice are rated as more persuasive, more logical, and more fact-based than when narrated by a female voice. This is not a marginal effect. It represents a systematic re-evaluation of the same content based solely on the gender of the narrator.

When Bias Has Been Partially Corrected

It is worth noting where structural commitments **are** shifting behaviour. Signatories to the Investing in Women Code have increased their share of funding to female founders from 32% to 38% over three years. Angel groups where more than 15% of investors are women make 57% of their investments into teams with at least one female founder. The Start Up Loans programme, a government-backed debt facility, achieves 41% female recipient rates, more than double the 20% female-led share of the wider business population. These exceptions are instructive: they suggest that where the selection process is more transparent, criteria more standardised, and networks more deliberately inclusive, the gap narrows.

The lesson is not that the VC market is irredeemably biased. It is that the VC market, left to operate through informal networks and pattern-matching, will systematically underselect women. Structural change to the process, for example, standardised questions, blind pitch evaluation, diverse investment committees, produces different outcomes. This is the terrain on which investor-side intervention should be focused.

SECTION FOUR

What Is Actually Getting Funded: The Invisible Winners

The funding gap statistics rarely distinguish between the types of female-led businesses that are securing investment. This omission matters because it distorts both the severity and the location of the problem.

Among female-led UK tech startups in 2024, FinTech companies secured over $1.3 billion, representing a 60% increase from the previous year. Enterprise Applications and Retail were also among the top-funded segments. These figures suggest that women-led businesses operating in traditional VC-attractive sectors, with technology-led growth models, are broadly able to compete for capital, though still at lower rates and valuations than equivalent male-led ventures.

What is far less visible in the data is what happens to female founders in sectors where VC funding is rare or structurally unsuitable: social enterprises, care businesses, education technology with community rather than scale focus, wellbeing, and local service businesses. These represent the majority of female-led businesses by volume, but they are essentially absent from the equity funding statistics. This is not because they have been rejected, but because the capital infrastructure to fund them at growth stage simply does not exist in the same form.

The Double Disadvantage of Femtech and Care-Economy Innovation

There is a category of businesses that faces a compound disadvantage: female-led businesses operating in female-oriented sectors. Femtech (businesses focused on women's health) is the clearest example. Despite serving a market of roughly half the global population, femtech has historically received a fraction of health technology investment. The explanation offered by investors, namely unfamiliarity with the market, uncertainty about scale, is itself a product of who is making investment decisions.

This creates a structural irony: the women most likely to build businesses addressing women's problems are least likely to be funded to do so, because they are operating in sectors that predominantly male investment committees find difficult to evaluate. The pipeline problem and the bias problem converge here in a particularly acute form.

> **"The women most likely to build businesses addressing women's problems are least likely to be funded to do so."**

Mapping what is and is not getting funded, disaggregated by sector, stage, and founder demographics, would allow the UK to understand whether the problem is uniform across all female-led businesses or concentrated in specific sector-stage combinations. Currently, we do not have sufficient data to make that distinction with confidence.

SECTION FIVE

The Measurement Problem: What We Need to Know That We Don't

If the preceding sections establish anything, it is that the headline statistic - 2p per £1 - is a starting point for inquiry, not a conclusion. It is the aggregate output of several distinct phenomena, each of which requires a different policy response. And yet, because our data collection is not designed to disaggregate them, we continue to debate and respond to them as one.

The British Business Bank has made important strides: their pipeline study which tracked gender composition at each stage from initial contact through investment committee to funding decision, revealed that women are underrepresented at every stage, not just at the point of final investment. This is far more valuable than a simple outcome comparison. But it covered 45 firms on a voluntary basis. It is a proof of concept, not a systemic dataset.

Five Questions the Current Data Cannot Answer

- What proportion of women-led businesses in each sector are actively seeking external equity, and how does this compare to male-led businesses in the same sectors?
  - Without a denominator, the numerator is meaningless. This is the foundational data gap.
- At what stage of the pipeline do women-led businesses disproportionately drop out; initial contact, pitch, due diligence, or investment committee?
  - The British Business Bank's pipeline study points toward early-stage drop-off. This needs to be confirmed at scale.
- What is the funding outcome for female founders in VC-attractive sectors, controlling for business quality metrics?
  - This is the cleanest test of investor bias. Currently, we cannot answer it definitively.
- How do funding outcomes vary for women in care-economy and social-value sectors — and what alternative capital infrastructure exists for them?
  - The equity funding statistics are silent on this because these businesses rarely seek equity.
- What is the compounded effect of intersectionality for women who are also from ethnic minority backgrounds, outside London, or without higher education?
  - The data here is particularly sparse. Ethnic minority female founders face substantially worse outcomes, but the mechanisms are poorly understood.

A Proposal: The Gender Finance Transparency Standard

The UK should move toward a mandatory, standardised reporting framework for gender disaggregation of investment data, not just at the point of investment decision, but across the full pipeline from initial contact to follow-on funding. This would require participation from all regulated investment firms above a threshold size, not on the voluntary basis that characterises current initiatives.

Such a framework should capture: sector of the applicant business, stage of business, funding amount sought versus offered, outcome at each pipeline stage, and the gender composition of the decision-making team. Published annually and standardised across providers, this would transform our ability to identify where in the system intervention is most needed, and to measure whether interventions are working.

This is not a radical ask. The UK already requires gender pay gap reporting from large employers. The principle that transparency of data is a prerequisite for meaningful progress applies equally here.

Stop Citing the Gap. Start Mapping It.

The 2p statistic is not wrong. But it has become a substitute for analysis rather than a prompt for it. By treating a composite output as a single, legible problem, we have produced a decade of awareness without commensurate structural change.

The UK's women's funding gap is, in fact, at least three overlapping problems. The first is a participation and pipeline problem: not enough women are entering the equity funding process, and the network infrastructure that would bring them there is underdeveloped. The second is a structural market problem: the sectors in which women are concentrated are systematically underserved by equity capital, which may itself reflect a valuation failure as much as a sector-fit issue. The third is a genuine investor bias problem: women who do enter the funding process face asymmetric treatment, from the questions they are asked to the patterns their pitch is matched against.

Each of these requires a different response. Pipeline problems require investment in networks, mentorship, and visible success stories. Market structure problems require the development of appropriate capital vehicles for care-economy and social-value businesses (patient capital, revenue-based financing, hybrid instruments) and possibly a reassessment of what sectors are considered 'investment-grade'. Investor bias requires structural process change: standardised evaluation criteria, diverse decision-making teams, and accountability for outcomes.

> **"The gap is real. The measurement is blunt. Better data is not an academic exercise — it is the precondition for effective intervention."**

None of this can be achieved without better data. The voluntary, outcome-focused reporting that currently characterises the field is insufficient. The UK Government's Invest in Women Taskforce, the British Business Bank's ongoing commitment to equity tracking, and the FCA's diversity and inclusion consultation represent the architecture of a solution. What is missing is the political will to make pipeline-level, sector-disaggregated gender reporting mandatory, and the honest acknowledgement that until we know precisely where the gap operates, we are, at best, guessing.

The businesses that women are building, in care, in education, in wellbeing, in the social infrastructure of communities, are not peripheral to the UK economy. They employ millions of people and generate substantial economic value. The cost of continued misdiagnosis is not just one of equity. It is one of growth.

Key Sources & Further Reading

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