

Female-led businesses are facing an investment slump

Angel investors are key to the early growth of a business, providing not only significant financial backing but also advice and guidance. But data provider mnAI has recently revealed that the number of women employed in investment has dropped dramatically over the past five years, meaning that female-led businesses have also seen an investment slump.

Leading business data platform mnAI has revealed that the number of female angel investors in the UK has fallen in the last five years.

The report was commissioned to assess how gender dynamics influence investor support among angel investors and disclosed that the number of women employed in investment began to fall significantly after 2019. The total number fell by over 20,000 from 66,444 in 2016 to 42,797 in 2021.

How does this impact investor support?

The plunge in female investors has also had an impact on female-led businesses. The report revealed that the amount of money poured into female-led innovations has dropped significantly in the same period, not only from male investors but also the existing pool of women.

The number of women investing in female-led businesses dropped by 6.05 per cent, while the number of men investing in those same businesses dropped by 11.76 per cent across the same period.

As of June 29th, only 22.50 per cent of male investors were funding female-led businesses, while a significant 77.50 per cent backed other innovations. In the same period, 26.40 per cent of female investors backed female-led businesses, while 76.30 per cent invested elsewhere.

The drop in the overall percentage of angels investing in female-led businesses and the result that such innovations are often overlooked has been growing over the last number of years. Investment in female businesses has been decreasing year-on-year since 2016/17 and shows no signs of stopping.

This fall in female-backed investment brings with it questions about the future of female-led businesses and how they can achieve the necessary funding to get their business off the ground.

Where does mnAI come in?

Despite the clear difficulties for female-led businesses seeking investment, mnAI's report also revealed clear economic reasons for investing in such innovations.

In addition to the responsibility of investors to ensure diversity in the investment landscape, mnAI's report revealed that the growth of female-founded companies in the same period outstripped that of male-only companies

According to the *Rose Review of Female Entrepreneurship*, up to £250B of value could be added to the UK economy if women started and scaled businesses at the same rate as men across the UK.

The persisting gender gap when it comes to securing investment, despite the economic reasons for backing female-founded companies, continues to hold back these startups. The lack of accessible information and evidence on the

funding gap continues to obscure the problem.

mnAI is now seeking to use machine learning algorithms to track the gender diversity of every company across the UK, at every level, so that female-founded businesses can be easily identified and supported.

The company is currently collaborating with Jill Pay to launch *The Gender Index*, a report which will set a benchmark of the current level of activity undertaken by SMEs across the UK, owned and led by female founders.

Understanding both the existence and consequences of the gender investment gap for both female founders, as well as the startup ecosystem in its entirety is needed to ensure greater support is provided for female founders.

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