



# Why are female entrepreneurs missing out on funding?

## Reflections and considerations

Executive summary



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# Executive summary

***Empowering women remains a common denominator and a global imperative for all those who care about fairness and diversity, but also productivity and growth of societies and economies that are more inclusive. If we can achieve this, we all gain.***

Christine Lagarde, Managing Director, IMF

Pick any of these indicators: potential increase of 26% of global annual GDP and of \$160 tn of human capital wealth; 15% likelier better business performance; \$5.9 tn estimated additional global market cap<sup>1</sup>. What could we do in order to attain these indicators? The answer lies in addressing the gender employment gaps and the lack of gender-diverse decision making among the financial and business community globally. The world over, one of its best assets is underrepresented, undervalued and unevenly treated. All this, despite the evidence and data points confirming that supporting women's economic empowerment makes not only ethical and social but also economic and business sense.

With this report, we attempt to contribute to the existing body of evidence by assessing the access-to-risk-capital conditions for women-driven companies. In particular, we analyse the trends of venture capital funding for women-led and women-founded companies in the EU and, by comparison, in the US and Israel to contextualise emergent cross-country and regional barriers and gaps. Data from PitchBook has been complemented by interviews with market practitioners of the European venture community and other stakeholders.

We find that disparities persist, with women-led companies still accounting for a small portion of deal flow and overall volume invested. That said, the rate of growth has increased across every region examined in this study, with a key contributor being the unprecedented increase in late-stage investment.

However, structural inequities and persistent biases in terms of both the supply of and demand for finance still hinder the transition to a more balanced, more accessible and ultimately better functioning funding environment. For this reason we put forth and analyse a number of options and considerations – both financial and policy-related – that could help accelerate this transition.

<sup>1</sup> [https://www.mckinsey.com/~media/mckinsey/business%20functions/organization/our%20insights/delivering%20through%20diversity/delivering-through-diversity\\_full-report.aspx](https://www.mckinsey.com/~media/mckinsey/business%20functions/organization/our%20insights/delivering%20through%20diversity/delivering-through-diversity_full-report.aspx)  
<https://openknowledge.worldbank.org/bitstream/handle/10986/29865/126579-Public-on-5-30-18-WorldBank-GenderInequality-Brief-v13.pdf?sequence=1&isAllowed=y>  
[https://www.spglobal.com/\\_Assets/documents/corporate/Adding-More-Women-To-The-US-Workforce.pdf](https://www.spglobal.com/_Assets/documents/corporate/Adding-More-Women-To-The-US-Workforce.pdf)

**A growing number of investors from diverse backgrounds have come to realise the benefits of actively promoting women's empowerment. And we have seen that as a result of this global step change, European institutions, EU Member States, FTSE 100 and other blue-chip companies, international financial institutions, and we here at the EIB, are stepping up to the plate on gender equality.**

Alexander Stubb, Vice-President, EIB

**Improving gender equality could create 10.5 million jobs by 2050 and boost the EU economy by between €1.95 and €3.15 trillion**  
- European Commission

**From 2007 to 2018, total revenue of women-owned businesses climbed by 46%**  
- American Express

**The gap in employment between men and women is estimated to cost the EU economy €370 billion per year**  
- European Commission

**Only around 2% of wealth managers treat and service women as an individual client segment**  
- UBS

**Worldwide, women represent only 35% of students pursuing STEM subjects in higher education**  
- UNESCO

**With women holding as much as 40% of the world's total wealth, it seems clear that fund and asset managers' increasing focus on environmental, social and corporate governance issues is here to stay**  
- Crédit Suisse

**The annual productivity loss for the European economy of women leaving their ICT/digital jobs to become inactive is ca. €16.2 billion**  
- European Commission

**The more gender diversity is normatively accepted the more it impacts companies' performance (market valuation & revenue) positively**  
- Harvard Business School

# An overview of venture capital investment into women-led companies<sup>2</sup>

Our approach is to gain a sound market overview of the funding landscape for women-driven companies and to embed this in a qualitative analysis of access-to-funding conditions for this constituency. We also analyse the state of play of women in the investor community and the role of female investors as a potential key driver to mobilise more capital for women-driven companies.

Specifically, this report collates the latest research on venture capital (VC) funding from the perspective of women-led start-ups in the 28 Member States of the EU. It performs a comparative breakdown of investment activity in the US and Israel to contextualise emergent cross-country and regional barriers to finance in the EU. The period of study spans a decade. We provide an assessment of the challenges to securing external funding from institutional investors encountered by women-led companies across industry and sector, using quantitative and qualitative analyses of the VC financing landscape, based on criteria such as company size, funding stage, and transaction type. The findings are supported by interviews with market participants in the European venture investment scene to identify potential solutions to the funding gap between men- and women-led companies, both public and private.

**Glossary:** Venture capital funding is defined as equity investments in start-up companies from an outside source. Investment does not necessarily have to be from an institutional investor. It can be sourced from individual angel investors, angel groups, seed funds, VC firms, corporate venture firms, and corporate investors. Investments received as part of an accelerator programme are excluded, but further financing is included if the accelerator continues to invest in follow-on rounds.

<sup>2</sup> Women-led throughout the document is defined as companies having “at least one female executive” i.e., at least one woman currently holding a C-level, founder/founding partner, president, and/or chairperson position. Whenever women-driven is used, it is a direct substitute for women-led and follows this definition.

## Why are female entrepreneurs missing out on funding?

Despite significant structural disparities, we find substantial evidence in support of an optimistic outlook for women entrepreneurs in all three territories, and notably in Europe. Overall, the data suggest that the investment climate for women entrepreneurs in the EU is slowly improving. However, differences in the overall proportions still exist; that is, women-led start-ups are not funded on an equivalent basis to men-led start-ups, owing to structural inequalities<sup>3</sup> in the population of entrepreneurs and investors as well as persistent biases.

<sup>3</sup> Since 2006, the World Economic Forum (WEF) has issued the Global Gender Gap Report, which includes the Global Gender Gap Index. This Index examines the gap between men and women across four fundamental categories (sub-indexes): Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment. At the current rate of progress, it will take another 108 years to reach gender parity according to the 2018 Report: [http://www3.weforum.org/docs/WEF\\_GGGR\\_2018.pdf](http://www3.weforum.org/docs/WEF_GGGR_2018.pdf). Likewise, the World Bank recently released its Women, Business and the Law report measuring gender discrimination in 187 countries. It found that only Belgium, Denmark, France, Latvia, Luxembourg and Sweden scored full marks on eight indicators – from receiving a pension to freedom of movement – influencing economic decisions women make during their careers: <https://wbl.worldbank.org/#>. It can safely be assumed that structural inequalities between men and women as investigated in the above-mentioned reports translate into the domains of women entrepreneurs and investors examined by this report.



# Key findings

## Promising trends...

Overall increase in VC funding for women-led companies in absolute and relative terms (volume and value); Europe is outperforming other regions

Women-led companies attract more investment at later stages

Women-led companies outperform the market in terms of median revenues at later stages

Enabling ecosystem contributes to higher investment in women-driven companies: spotlight on selected EU destinations

## ...but more needs to be done to overcome hurdles and biases

The European pool of women-led companies and female entrepreneurs is still limited

Persistent lack of women in investment decision-making roles, compounding the finance gap > *investors typically invest in teams that look like them*

Evidence of higher risk aversion of women-led companies

> Need actions by female entrepreneurs and the investor community to break the cycle and reduce the knowledge gap

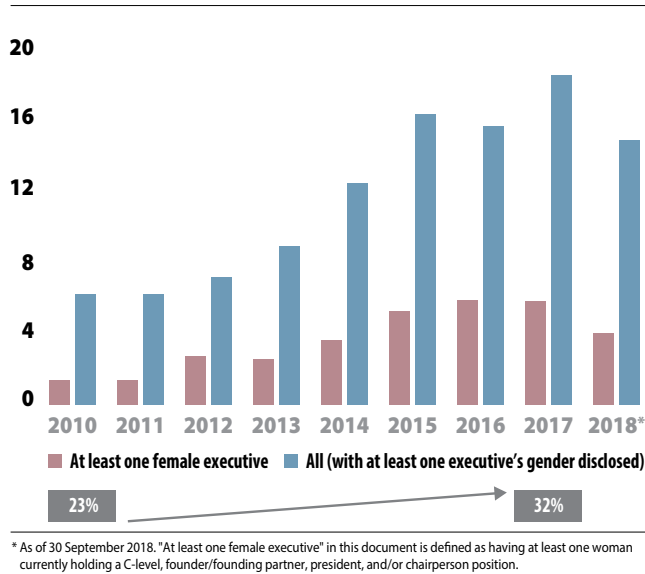
## Promising trends...

### Women-led companies are raising record levels of finance, with Europe outperforming other regions

- In every region compared within this study, since approximately 2006 the rate of **funding for women-led and women-founded companies has gradually improved**. Moreover, the number of women involved as lead partners in venture funding has increased, albeit marginally, across every region except Israel.
- Comparing regions, proportionally **the EU has seen slightly improved compound annual growth rates (CAGR)** for venture investment in women-led companies relative to the US and Israel.
- **Women-driven companies in the EU received a record €5 bn in VC funding** in the first three quarters of 2018 (up from €1.1 bn in 2010). While this is a fraction of the €34.2 bn (€7.2 bn) that women-driven companies in the US received for the same period, the EU is catching up. Its **growth rates in terms of deal value (27%) and deal volume (23%) exceed those of the US (20% and 16%, respectively) for 2006–2017**.
- Nonetheless, **the overall publicised disparity in funding between female and male founders still persists**. In 2017, US-based start-ups founded exclusively by women entrepreneurs received roughly 2% of overall venture investment by value. This figure was 11% in the EU, whereas in Israel women-led companies secured 28.3% of overall VC invested that year, and 21.6% of all volume.

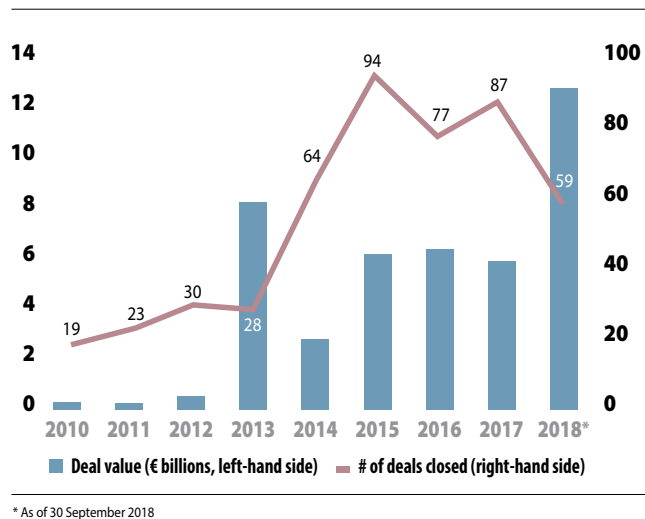
The chart below illustrates the increase in VC deal value to women-driven companies in the EU. While in 2010 23% of VC funding (of companies that disclosed at least one executive's gender) went to companies with at least one female executive, in 2017 the percentage attained was 32%.

**Figure 1. EU venture capital value, in € billions (2010-2018)**



Aside from higher funding rates, EU women-led companies that are venture-backed enjoy higher exit rates in terms of deal value and volume as illustrated by the chart below. This implies there is potential for more capital reflows into the ecosystem.

**Figure 2. EU VC-backed exit flow for companies with at least one female executive**



## Women-led companies attract more investment at later stages but the EU market is still maturing

- A key contributor to that rate of growth has been the **unprecedented increase in late-stage investment**, with private capital largely replacing public markets as more funds became available; this is largely thanks to institutional investors increasing relative allocations to private equity in general. Mature private companies tended to hire more women in general simply due to their size, which contributes to the increase in funding for businesses that tended to have women in executive roles, or as founders.
- The European venture community has invested in women-led companies at a greater rate on an annual basis compared to the region's overall growth of capital invested. However, investment activity for women-led companies varies across financing stages. Since 2006, completed funding rounds for women-led companies in the EU at the early stage have accounted for the greatest share of activity at 2,915 deals, followed by angel/seed investments at 2,543 in total. Late-stage deals trail these figures at 1,396 funding rounds, a development in line with overall trends for VC activity over the same period, as the European venture ecosystem continues to mature at a slower pace relative to the US.

### Spotlight on selected EU investment destinations<sup>4</sup>

We looked at data for women-led companies having completed series C funding, which typically targets, after the proven viability of the business model sustained through earlier funding rounds, the company scale-up.

In the EU, out of 522 companies funded<sup>5</sup> at series C<sup>6</sup> (2006-2018<sup>7</sup>), 110 have at least one female executive. The UK has the highest total number of companies funded (158) as well as the most women-led companies (48), while Spain, France, Sweden, and Germany are other top locations for numbers of women-led companies funded. Ireland ranks sixth.

<sup>4</sup> Companies that are accounted for in these data are those that disclose at least one executive's gender.

<sup>5</sup> Companies that are accounted for in these data are those that disclose at least one executive's gender.

<sup>6</sup> We looked at women-led companies funded at series C to identify success stories of women-led businesses. Typically, only companies with a proven business model go beyond early-stage financing rounds (series A or B) and complete series C (part of late-stage financing including series D or later) funding rounds. Series C funding typically supports the scale-up of a company.

<sup>7</sup> As of 30 September 2018.

We have identified the top five countries among the EU Member States **in terms of total series C funding value to women-led companies** (2006-2018<sup>8</sup>):

- The UK leads with €4.7 bn to women-led companies out of €10.6 bn total series C funding (44% of total series C funding to women-led companies). The top sectors in terms of funding to women-driven companies are IT (34% of deal value to women-driven companies), B2C (24%), Healthcare (17%) and Financial Services (15%).
- Sweden ranks second with series C funding provided to women-led companies amounting to €2.3 bn (87%). IT is the leading sector in terms of deal value to women-led companies (92%).
- Germany follows with €1.9 bn out of €8.3 bn total series C funding to women-driven companies (24%). The top sectors in terms of funding to women-driven companies are Healthcare (52% of deal value to women-driven companies), B2C (23%) and IT (16%).
- In France, €1.1 bn out of €3.2 bn of series C funding went to women-driven companies (35%). The top sectors in terms of funding to women-driven companies are Healthcare (53% of deal value to women-driven companies), IT (24%) and B2C (19%).
- Spain occupies the fifth place with €0.6 bn out of a total of €1.0 bn series C funding to women-driven companies (68%). B2C is the leading sector amounting to 78% of total deal value to women-driven companies.

We have also identified the top five countries among the EU Member States **in terms of total series C funding rounds for women-led companies**:

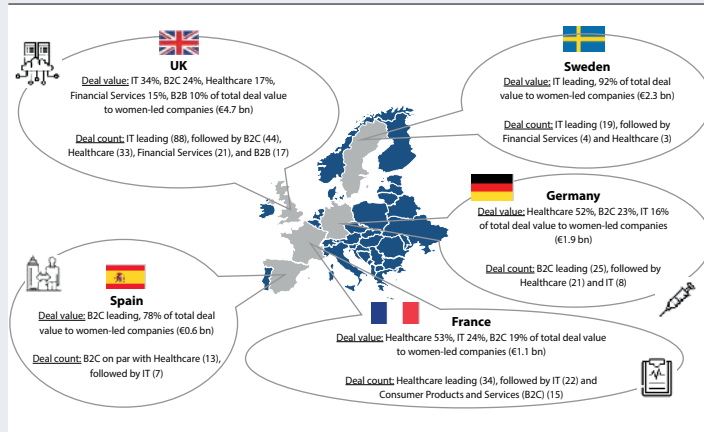
- The UK ranks first with 48 women-led out of a total of 158 companies funded at series C (30%).
- France follows, counting 25 women-led out of a total of 66 companies that have received series C funding (38%).
- In Germany, 12 women-led companies out of a total of 86 companies that received series C funding (14%).
- Spain occupies the fourth place with 8 women-led out of 15 companies having received series C funding (53%).
- Sweden ranks fifth with 5 women-led out of a total of 15 companies funded at series C (33%).

Please refer to the section on *“Enabling ecosystem contributes to higher investment in women-driven companies”* for a closer look at what likely made these hotspots attractive for investment in women-driven companies.

<sup>8</sup> As of 30 September 2018.

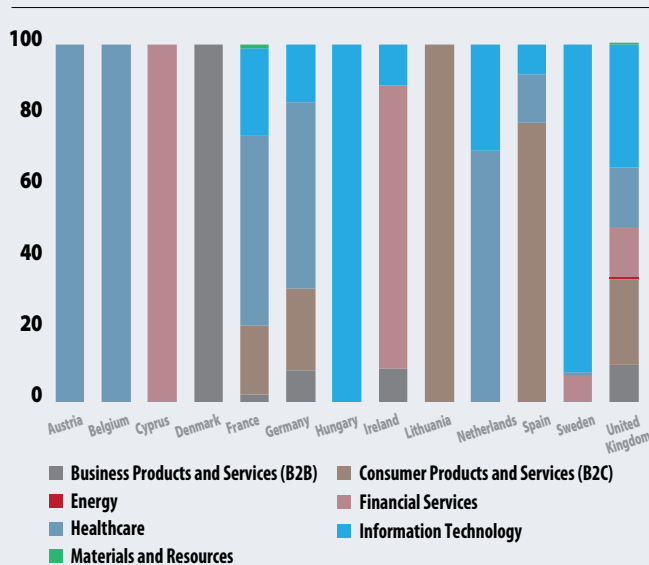
Why are female entrepreneurs missing out on funding?

**Figure 3. Series C funding to women-led companies (2006-2018) – top sectors within five leading countries**

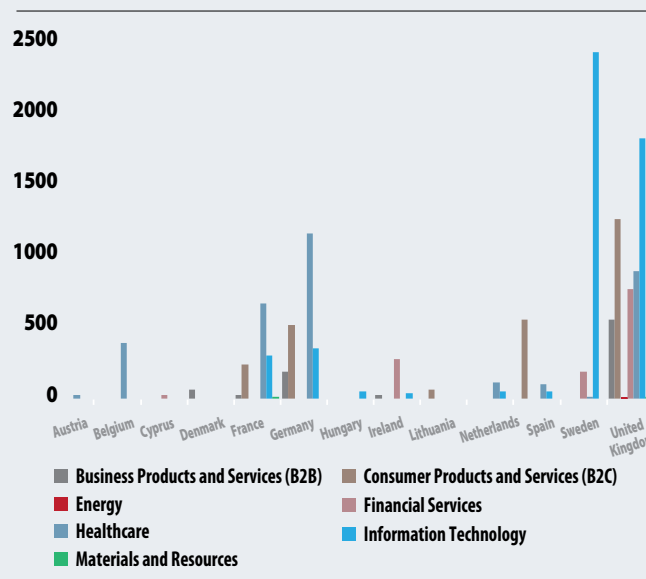


Below we present the distribution by industry and EU country of Series C funding volumes over the period 2006-2018 for companies with at least one female executive.

**Figure 4. % distribution by industry of Series C funding to women-led companies (2006-2018), EU countries**



**Figure 5. Distribution by industry of Series C funding (€ millions) to women-led companies (2006-2018), EU countries**



### Women-led companies outperform the market in terms of median revenues at later stages

- Across every region, there was either **outperformance or at least equivalency in the median revenues for women-led companies** compared to the broader population. Much of that can be attributed to the rising incidence of late-stage venture investment, but the more important takeaway is that there is no disparity between the performance of women-led and male-led start-ups; if anything, quite the contrary.
- Reviewing global performance per median revenues by stage, it is even clearer that **companies with at least one female executive begin to outperform as the stage progresses**; for example, late-stage companies with at least one female executive outperform the entire population by increasing margins. Again, this is partially due to the maturation of private companies with a greater probability of female executives as they grow larger and larger while remaining private, but that trend simply underlines how such executives and diversity in talent base help support growth.

## Enabling ecosystem contributes to higher investment in women-driven companies

Enabling the ecosystem is key to sustainably improve funding conditions to women-led companies and create a sound network of female investors. At supranational level, the EU has implemented several policy-driven initiatives designed to put female entrepreneurs on a more equal footing through a number of support tools and networks. These have emerged over the past decade from the European Commission's (EC) efforts to back women's business activities via the Small Business Act for Europe<sup>9</sup> and the Entrepreneurship 2020 Action Plan<sup>10</sup>:

**Figure 6. EU-wide support tools and networks for women**



The European Commission further contributes to promoting women-driven companies. Under the European Innovation Council (EIC) pilot the Commission aims to support top-class innovators, entrepreneurs and small companies that aim to scale up, including women innovators. The Commission supports female entrepreneurs through giving them visibility and the opportunity to network among each other and meet with investors thanks to, for instance, organising an Investor Day dedicated to "Empowering Women Innovators". At the occasion of this event in 2019, the finalists of the EU Prize for Women Innovators were announced, two of which will receive EIC funding.

The European Investment Bank (EIB), the EU bank, and its subsidiary, the European Investment Fund (EIF), have also adopted a strategy for embedding gender equality within its investment activities in order to empower women's economic standing both inside and outside the EU.

<sup>9</sup> [https://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act\\_en](https://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act_en)

<sup>10</sup> [https://ec.europa.eu/growth/smes/promoting-entrepreneurship/action-plan\\_en](https://ec.europa.eu/growth/smes/promoting-entrepreneurship/action-plan_en)



The framework, outlined in *Protect, Impact, Invest: The EIB Group Strategy on Gender Equality and Women's Economic Empowerment*,<sup>11</sup> reflects a number of recent policy developments to improve gender equality, such as the 2030 Agenda for Sustainable Development, the European Commission's Strategic Engagement for Gender Equality 2016–2020, and the EC/EEAS Gender Action Plan.

The EIB Group has also taken up the challenge of improving funding to women-led companies. Some examples of its interventions in the EU are presented below.

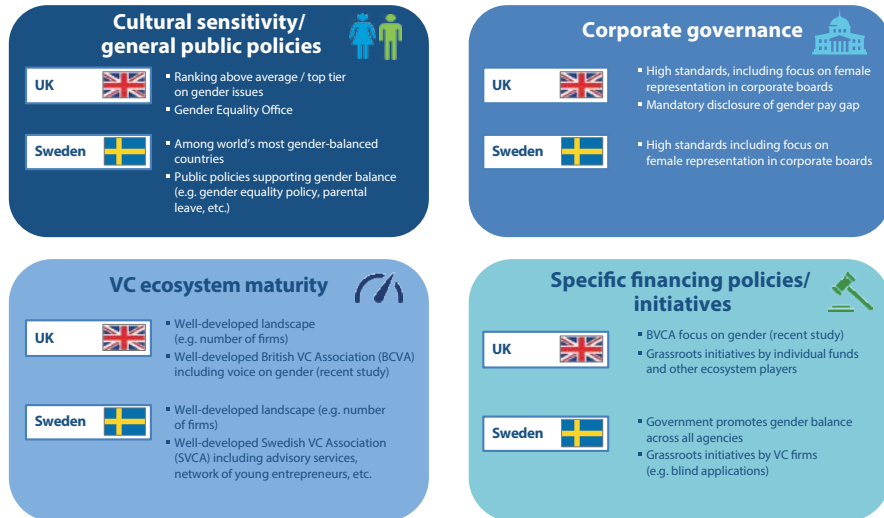
**Figure 7. Examples of EIB Group operations in support of women-driven businesses**

<p><b>InnovFin SME Guarantee</b></p>	<p><b>Caixa (Cross-sector, Spain)</b></p> <p>€250m credit line focused on providing financing for projects led by female entrepreneurs wishing to develop innovation-based investments. €125m of the credit line guaranteed by EIF, supplemented with €125m by Caixa.</p>
<p><b>EGFF (European Growth Finance Facility) Operation</b></p>	<p><b>Nuritas (Biotech, Ireland)</b></p> <p>EIB loan of €30m to further increase and accelerate the development of artificial intelligence and DNA analysis to improve global healthcare. Nuritas is the first company in the world to use artificial intelligence, DNA analysis, and deep learning to identify health-benefitting molecules, peptides, from natural sources.</p> <p>Dr Nora Khaldi, the recipient of the “Woman of the Decade in Business and Leadership Award” at the Women Economic Forum EU event in January 2017, founded Nuritas in 2014 and acts as CSO of the company.</p>
<p><b>Bank intermediated loans</b></p>	<p><b>Garanti Bank (Cross-sector, Romania)</b></p> <p>EIB loan of €22.3m to Garanti Bank of which a €5m tranche is devoted to female entrepreneurs, matched by €5m from Garanti.</p> <p><b>Unicredit and Unicredit leasing (Cross-sector, Italy)</b></p> <p>EIB loan of €200, matched by €200m from Unicredit and Unicredit Leasing, to fund Italian SMEs that are innovative or managed and/or controlled by women. At least 25% of the credit line will fund women-led businesses.</p>

To understand to what extent an enabling ecosystem might contribute to higher levels of investment in women-driven companies, we took a closer look at the UK and Sweden. Both countries rank high in terms of total late-stage funding to women-led companies as we have seen above. We were able to identify certain success factors that are likely to contribute to improved levels of funding for women-driven companies.

<sup>11</sup> [https://www.eib.org/attachments/strategies/eib\\_group\\_strategy\\_on\\_gender\\_equality\\_en.pdf](https://www.eib.org/attachments/strategies/eib_group_strategy_on_gender_equality_en.pdf). The strategy consists of the three pillars: protect, impact, invest. It will support the protection of women's and girls' rights, enable the EIB to increase its positive impact on gender equality, and help focus support on projects that increase the participation of women in the labour market and economy.

**Figure 8. Success factors of an ecosystem empowering female entrepreneurs – examples of UK and Sweden**



While the above-listed success factors are important components of an ecosystem that over time are likely to enhance the funding conditions for women-driven companies, the table above does not represent by any means an exhaustive list of ingredients that with certainty guarantee higher funding of women-driven companies but are usefully illustrative. It is worth noting that, while the UK and Sweden ranked highly among the EU countries in terms of series C funding to women-led companies, they still start from a relatively low base of investment in such companies.

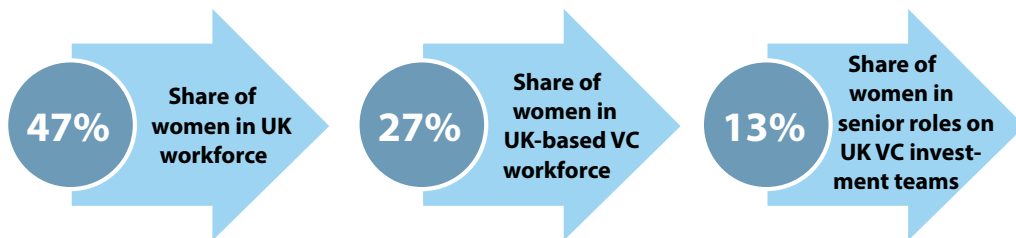
Despite the success stories presented above, problems more generally persist. For example, investors in the EU show interest in or familiarity with funding women-led companies mainly in a restricted range of industries or vertical markets, like retail and consumer packaged goods (CPG) or social sectors, such as education and healthcare. CPG and the recreation industry account for a large proportion of money invested in women-driven enterprises (€1.3 bn in aggregate deal value in 2017). However, the software and pharmaceuticals & biotechnology industries stand out in terms of overall investment attracted, suggesting there is more to the story that investors favour certain sectors that are identified more with stereotypically female enterprises. Our findings on other hurdles and biases are presented in the following section.

## ...but more needs to be done to overcome hurdles and biases

A combination of **risk aversion, gender investment bias, and lack of female representation among investors and founders** creates a vicious circle that is difficult to break.

### The European pool of female-led companies and female entrepreneurs is still limited

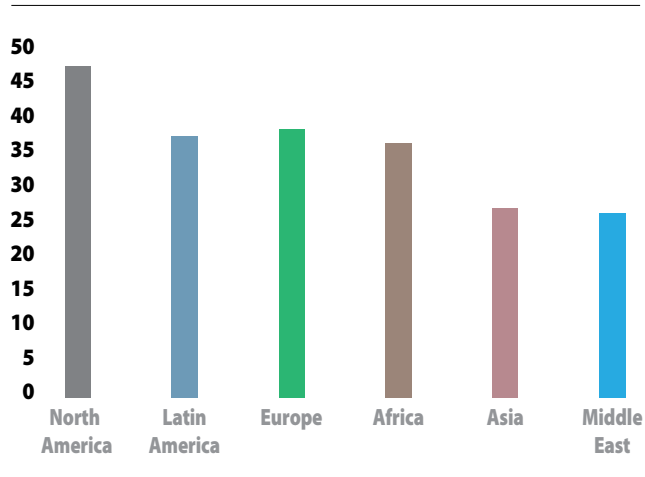
*Figure 9. A breakdown of women's participation in the UK workforce and venture capital industry*



In the US, recent research has found that roughly 4 out of 5 VC firms have never employed a woman in a senior investment role, just 1 in 10 new hires are women, and less than 9% of venture capitalists are women (Gompers et al. 2014; Gompers and Wang 2017). In the UK, women represent 27% of VC workforce, and 18% of investment roles at UK-based VC firms are held by women (Diversity VC, British Venture Capital Association, and Craft.co, 2017).

Even if the US VC ecosystem overall is at a more mature stage than the EU VC ecosystem, more needs to be done in the US, where only 2% of investment into start-ups goes to women even though 38% of start-up founders are women. Another outcome of the lack of female investors and the lack of funding for female-founded companies is the gender imbalance among shareholders. For example, women comprise 35% of start-up equity-holding employees in Silicon Valley yet own only 20% of the equity. Worse, women account for 13% of start-up founders but only 6% of founder equity. Even when they are on founding teams and assigned equity, it is far less than their male counterparts.

**Figure 10. Female entrepreneurs as a % of total number of entrepreneurs per region**

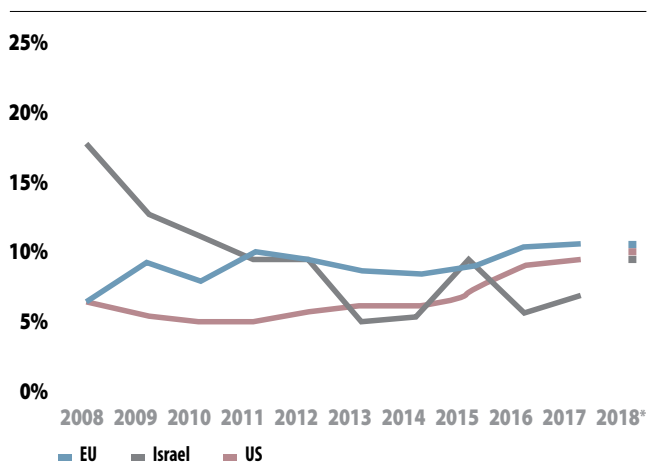


**Persistent lack of women in investment decision-making roles, which compounds the finance gap > investors typically invest in teams that look like them**

- The **underrepresentation of women in charge of investment decisions at VC firms** represents a significant driver of the funding gap. According to research on the US venture ecosystem, investment firms with women partners are more than twice as likely to invest in women-led enterprises and more than three times as likely to invest in enterprises with women CEOs.<sup>12</sup>
- Underlying biases include investors' beliefs/biases about what a founder's ideal background should be, whether in terms of academic achievement, professional or business experience, and technical expertise. All this has a documented impact on the funding gap that may stem from male investors believing that a women-driven venture represents a riskier bet or simply that entrepreneurship itself is more of a male than female sphere.<sup>13</sup>

<sup>12</sup> As stated previously, women-led throughout the document is defined as companies having at least one woman currently holding a C-level, founder/founding partner, president, and/or chairperson position whereas enterprises with women CEOs are defined as companies having a woman holding the title of CEO.

<sup>13</sup> Bosse and Taylor (2012) identify 'gender bias that obstructs women-owned small firms from accessing the financial capital required to start new firms and fuel the growth of existing firms' and call this phenomenon a 'second glass ceiling' (p. 52).

**Figure 11. % female lead partner involvement in global VC**

### Higher risk aversion of female-led companies?

On the demand side, interviews and anecdotal evidence suggest that women-led companies may be less inclined to pursue external financing solutions, displaying some degree of risk aversion.

The relative lack of female to male entrepreneurs across Europe, combined with women's self-reported preference for sources of self-funding, or 'bootstrapping', their businesses, would therefore appear to contribute to a smaller demand for external financing at the outset of establishing a new enterprise. As several studies indicate<sup>14</sup>, even when aware of their opportunities to secure external funding to jump-start their nascent enterprises, many women in the EU would still prefer to provide a significant level of start-up capital by themselves.

### Need actions to break the cycle and encourage a VC market that better reflects society

To achieve greater parity of external funding between men- and women-led ventures in the EU, no single set of policies will alter the status quo in the near term while preserving the need to drive innovation across industries on a competitive basis. However, several measures could further mitigate access-to-finance challenges, chiefly, investment strategies that favour companies with more robust gender diversity policies, and encouraging women to embark on and sustain a study of STEM subjects from an earlier age through university.

The case studies below exemplify potential actions that could be more broadly embraced by market participants, in this case, investors, to further improve funding conditions for women-founded companies.

<sup>14</sup> Relevant studies include: Facebook, OECD and The World Bank. "Financing and women-owned businesses: The role of size, age and industry;" The Future of Business Survey (2018); Eddleston, Kimberly. "Being Female Affects Business Loans from Family and Friends;" Entrepreneur & Innovation Exchange (2018), pp. 1-10.

## Case studies



### Female Founders Fund

- Launched in 2014, the Female Founders Fund focuses on making seed and early-stage investments in women-led startups.
- In May 2019, F3 closed its second vehicle on \$27 million in commitments, representing more than a 5x increase on its inaugural fund.
- F3 has backed women-led enterprises based in New York City as well as San Francisco and London.

*"We are incredibly excited to continue building on our thesis that it is possible to achieve outsized returns by investing in women. With the support of our remarkable and successful base of investors, both institutional and strategic, we will continue to build a brand that invests in and champions female founders, while underscoring the larger conversation about the shift in dynamics within venture capital,"*

*Anu Duggal, founding partner of F3*



### RED Capital Partners

- RED Ventures Fund I was launched in 2018 by RED Capital Partners as a vehicle focused on investing in female-(co)founded businesses in Europe and Israel.
- The fund has a target size of €50 million, which will be used to back up companies in the technology space, including agri- and food-tech, AI and digital health.



### Launch with GS

- Announced in June 2018, the Launch with GS fund represents a commitment from Goldman Sachs to backing "private, late-stage, women-founded, women-owned or women-led companies."
- The firm has, along with its clients, raised \$500 million not only to lead institutional funding rounds for women-driven companies, but also to seed female investment managers launching their own funds.
- At that size, Launch with GS would sit somewhere in the middle of the pack for first-time funds raised in the US in 2018, were it raised by a standalone firm. It would also surpass the roughly \$101.5 million average raised last year by these 52 vehicles, which combined to raise some \$5.28 billion.

*Whether these dismal numbers are due to poor sourcing, lack of supply or outright bias (or some combination thereof), the end result is clear: picture a founder or CEO in your mind, and it's probably a man. Investing in women entrepreneurs with great ideas will help, but it's going to take a lot more than just smartly directed dollars.*

*Stephanie Cohen, Chief Strategy Officer, Goldman Sachs*

The above-mentioned examples might only mark the beginning of broader initiatives to improve the funding conditions for women-led companies and they undoubtedly ease the access to funding for women-driven companies. However, as the next section shows, private and public actors need to do more to better mainstream investment in women-driven companies and to enhance access-to-market opportunities for female investors.

# Recommendations and way forward

Based on the analysis and market consultation carried out as part of this study, a set of potential actions for Europe – both financial and policy-related – have been developed for further consideration by the European institutions and the wider investor community. Given the high priority of addressing the gender-related finance gaps, the proposed actions should not be seen in isolation, but rather complementary and synergetic when designing an implementation plan, in order to tackle the issue from multiple angles. Ideally, the proposed actions could play an important role in creating an enabling ecosystem to replicate and further improve the showcased hotspots for investment in women-led companies.

It goes without saying that the European institutions are well placed to pave the way and accelerate the transition to a more balanced, more accessible and ultimately better functioning funding environment. The EIB Group is already engaged in a number of actions to facilitate funding for female entrepreneurs and female-led companies and the European Commission has put equality in access to finance high on the policy agenda, but more can be done across the board.

Figure 12. Potential actions





Figure 10 highlights the possible lines of action which include the following:

- **Policy** remains the area where most impact can be achieved. The existing body of research in female funding barriers and gaps already points to a number of initiatives, such as tax breaks, employment protection, childcare, and STEM education, all conducive to a more balanced work and investment environment. On the back of the existing research, evidence-based guidelines from best practices and already successfully implemented policy initiatives across the globe could be developed and made available to policymakers. A “carrot and stick” policy mix combining rewards for empowering women entrepreneurs and investors in return for concessions is likely to be most successful. Within EU programmes, specific gender metrics and eligibility criteria could be introduced to put the support and financing of women-founded and women-led companies high on the agenda. The negotiations on the new EU Framework Programme (MFF) can help further put the topic under the spotlight.
- Continue to **inform and raise awareness** among a wide community of stakeholders and investors in particular, of the persisting gaps and barriers, but even more so of the **opportunities and prospects** of a more inclusive and balanced financing environment vis-à-vis female entrepreneurs and women-led companies. In the medium term, the systematic tracking and monitoring of gender-related data and metrics could be established across all EU and national funding programmes. This can serve as a basis for more informed policy decisions going forward.
- Design and **implement a set of ‘soft measures’**, such as advisory and technical assistance programmes **to support and improve the financing of female entrepreneurs and women-led companies**. This could include fundraising support, mentoring and corporate finance advisory functions to individual companies, as well as targeted assistance to intermediaries (funds and banks) for the speedy implementation of gender-related EU financing facilities. On the supply side, a network of gender-conscious investors could be established and made available to female founders and women-led companies to provide them with relevant connections, network and funding opportunities.
- On the financing side, it is paramount to **increase the quantum of financing** available to female entrepreneurs and women-led companies. With this objective in mind, the EIB Group has started deploying gender-related credit and guarantee facilities with selected partner banks. More is in the pipeline.

On the early-stage financing side, **priority avenues for women-led venture funds or funds with a female investment focus could be established** among the pipeline of private equity funds potentially backed by EU programmes (subject, of course, to all the financial and operational due diligence criteria and metrics). Another option would be to set up **dedicated envelopes** for Fund-of-Funds investments into women-led venture funds or funds with a female investment focus to facilitate and accelerate access to finance for women-founded and women-led companies.







# Why are female entrepreneurs missing out on funding?

Reflections and considerations

Executive summary



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