



Global
Entrepreneurship
Monitor

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NatWest

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The State of UK Entrepreneurship 2025/26

Beyond the Unicorns: Everyday Ambition, Uneven Support

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We are pleased once again to have NatWest sponsor the 2025 Global Entrepreneurship Monitor UK Report. As the UK's biggest supporter of small businesses, they understand the important role that start-ups, scale-ups and high-growth businesses play in a strong and prosperous UK economy.

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Foreword

DARREN PIRIE, HEAD OF NATWEST ACCELERATOR

At NatWest, we are proud to once again support the UK edition of the Global Entrepreneurship Monitor (GEM). This year's findings paint a compelling picture of a nation rich in entrepreneurial ambition and potential, with more people than ever starting or running a business.

Throughout the report we see evidence of founders with the ideas, determination and resilience needed to succeed. The message is clear: the UK does not have an ambition problem. The challenge is translating that ambition into sustainable businesses that can survive and grow.

As the UK's biggest bank for business, we know there is no shortage of entrepreneurial talent. The opportunity lies in helping more founders survive, scale and realise their potential. And this requires more than funding alone. Businesses need access to expertise, connections, confidence and the right support at the right stage of their journey.

This understanding sits at the heart of our NatWest Accelerator, where we support founders across the UK through our 18 hubs, digital app, university partnerships and growing community.

I am particularly encouraged by the report's findings on young entrepreneurship. Young people are among the UK's most entrepreneurial age groups, with record levels of activity and ambition. The challenge is not inspiring entrepreneurship but helping young founders succeed, something we are committing to through our Accelerator's Young Founders Community.

But there is still much to do to ensure businesses survive and scale – and working together across the entrepreneurial ecosystem is crucial. We are playing our part by helping to build the conditions and connections locally to enable ideas to scale into sustainable businesses, ultimately creating jobs, opportunities and economic growth across every nation and region of the UK.

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Executive summary

INTRODUCTION

- The policy emphasis in the UK in recent years continues to be on fast-growth, high-growth and scaling as the watch-words of business support policy. Yet these ‘high-growth’ firms represent a tiny proportion of the total number of people who successfully set up businesses or are self-employed or who expand existing businesses. It is this mass of “everyday entrepreneurs” who generate the employment, the productivity, the innovation and the economic growth and regeneration of their communities, their regions and their countries. Any commitment by governments to supporting this group of people simply reflects the vital role that these people play in the competitive future of any country.
- This is exactly the constituency that Andy Burnham’s own framing of “good growth in every postcode” implicitly recognises. If growth is to be felt in every community, and not just concentrated in a small number of high-growth outliers, then policy attention must extend beyond the scale-up cohort to the much larger population of everyday entrepreneurs whose collective activity underpins local economies across the country.
- This is precisely where GEM UK earns its place in the policy landscape. By tracking the full population of nascent, new and established entrepreneurs – not just the small cohort destined for hyper-growth – GEM UK provides the evidence base that policymakers need to design support around the realities of everyday entrepreneurship, rather than a narrow and unrepresentative “unicorn” narrative. It is this granular, population-level intelligence that allows government to see who is starting businesses, why, and what holds them back, and to calibrate policy accordingly.

STRUCTURE OF THE REPORT

- This year's report examines UK entrepreneurship across ten chapters, moving from the aggregate picture of over a quarter-century of metrics on entrepreneurial attitudes, motivations, and activity (Chapter 2) to the populations driving it – young people, solo entrepreneurs, and the growth-ambitious segment specifically (Chapters 3-5).
- It then turns to two cross-cutting issues, the finance gap for women entrepreneurs and a year-on update on AI adoption (Chapters 6-7), before assessing the health of the UK's entrepreneurial ecosystem (Chapter 8) and the structural barriers facing nascent ethnic minority entrepreneurs (Chapter 9).
- It closes by examining the choice between franchising and independent ownership (Chapter 10) – together offering a rounded picture of UK entrepreneurship's scale, diversity, and the barriers and choices shaping who participates.

ENTREPRENEURIAL ATTITUDES, ACTIVITY & MOTIVATIONS

- **UK entrepreneurial activity surged in 2025**, with Total early-stage Entrepreneurial Activity (TEA) rising sharply from 12.0% to 16.8% and established business ownership climbing from 9.8% to 15.0% – evidence of population-level growth in entrepreneurship not yet fully captured by official statistics such as those of the ONS or Companies House data.
- **UK entrepreneurial attitudes strengthened on balance**: fear of failure fell substantially (58.2% to 51.1%) and perceived capability reached a series high (48%), even as perceived local opportunities softened slightly (43.2% to 41.5%) – pointing to growing self-belief among would-be entrepreneurs despite a marginally less favourable external environment.
- **The UK's trajectory diverged sharply from the US in 2025**: while UK, French and German opportunity perceptions and TEA rates rose, US TEA fell (19.3% to 17.7%), perceived ease of starting a business declined to 54.3%, and established business ownership nearly halved since 2019 (10.6% to 5.5%) – framed by some as US entrepreneurship running on “cultural fumes”, with strong self-image but weakening structural support (MacBride, 2026).
- **Business exits in the UK reached record levels** (4.6% to 6.7%), the highest of the four international comparator countries, reflecting an entrepreneurial ecosystem with greater churn in both directions – a pattern consistent with, rather than contradictory to, the overall picture of a more dynamic UK entrepreneurial landscape.

YOUTH ENTREPRENEURSHIP

- **Youth entrepreneurship is at a record high, even as NEET figures pass one million.** 19.6% of 18–24-year-olds were engaged in early-stage entrepreneurial activity in 2025 – the highest rate on record for this age group – while ONS data shows NEET numbers exceeded one million for the first time since 2014.
- **The two figures are not contradictory: they point to a mismatch between ambition and opportunity, not a lack of it.** 84% of those classed as NEET say they want to work, and GEM evidence shows 18–30-year-olds among the most entrepreneurially active and intentioned age groups in the UK population.
- **Access to finance for youth entrepreneurs remains heavily dependent on personal and family resources.** Close family (43.1%) and self-funding (41.2%) are the most common expected finance sources, ahead of banks, government programmes, or private investment – a pattern that risks disadvantaging those without existing family wealth or networks.
- **The binding constraint is post-start-up support, not entrepreneurial interest.** Read alongside GEM UK’s survival findings (Chapter 9), the evidence suggests policy should focus less on stimulating entrepreneurial intent among young people – which is already at record levels – and more on the infrastructure needed to convert that intent into sustainable businesses.

SOLO ENTREPRENEURS

- **Solo start-up is the default, not a limitation.** Four in five nascent entrepreneurs start alone, but this reflects a deliberate mode of entering entrepreneurship rather than a lack of ambition – 42% of solo nascents report high-growth expectations (10+ jobs, 50%+ growth), outstripping the 28% average across all nascent entrepreneurs.
- **A small, stable “solopreneur” segment exists alongside high-growth solo starters.** A modest, stable “solopreneur” segment exists alongside high-growth solo starters. 18.9% of new business owners have zero employees, and around 70% of these expect to remain solo in five years. This indicates that a notable proportion of entrepreneurs pursue and intend to stay in self-employment on their own terms rather than as a stepping stone to hiring.
- **Motivation, gender and age profiles diverge by employment status at the nascent stage but converge by the new business stage.** Solo nascents are more wealth-driven and less family tradition-driven than employer nascents, and skew slightly more male and older – differences that largely disappear once ventures reach the new business phase.
- **AI adoption follows opposite trajectories for solo and employer entrepreneurs.** Solo entrepreneurs are more likely to rate AI as “very important” at the nascent stage (42.8% vs. 39.0% for employers), but employers overtake them decisively by the new business stage (58.1% vs. 23.8% – suggesting solo entrepreneurs’ early AI enthusiasm may not translate into strategic reliance as ventures mature.

GROWTH AMBITION

- **Growth ambition among early-stage entrepreneurs has more than doubled in three years**, rising from 16% in 2022 to a record 35% in 2025, alongside a record low (13%) planning to shrink or exit – signalling a marked shift in entrepreneurial optimism.
- **Realised growth now outpaces stated ambition, a reversal of the pre-2020 pattern.** 47% of established businesses employ at least ten people, compared with 35% of early-stage entrepreneurs with high-growth ambition – raising an open question of whether this reflects post-Covid survivorship among resilient firms or genuine broad-based growth.
- **High-growth ambition is driven more by a desire to make a difference than by wealth-building alone.** 87% of high-growth entrepreneurs cite “making a difference in the world” as a motivation, notably above the 70% rate in the general early-stage population – a distinctly different profile from ambition tied purely to financial gain.
- **Sectoral concentration of growth ambition is shifting.** The consumers, culture & society sector remains the leading source of high-growth ambition (31% in 2025) but has eased from 37% in 2024, while business services – one of the UK’s largest entrepreneurial sectors – has grown its share from 17% to 19%.

FEMALE ENTREPRENEURSHIP & THE FINANCE GAP

- **UK Female TEA reached a record high** of nearly 15% in 2025, nearly converging with the US after the UK gained ~5 points and US female activity dropped 2 points – though the four home nations diverged sharply (England up strongly, Wales and Northern Ireland down).
- **Gender gaps persist across most start-up funding sources** – women lean more on close family (44% vs 36% men) while men hold the edge in banks (37% vs 32%), grants (25% vs 22%) and private equity – though equity-stage gaps are narrower than the widely cited 2%-of-value statistic suggests.
- **Informal investors show strong gender homophily:** 86% of male investors fund male entrepreneurs, versus 82% of female investors funding women, producing a system-wide bias toward male-led ventures even though demand-side confidence in funding availability is similar by gender (57% women, 59% men).
- **Perceived funding barriers carry a heavier growth penalty for women:** only 19% of women who perceive funding challenges retain high-growth aspirations, compared with 24% overall – pointing to a substantial and addressable drag on productive entrepreneurship and UK growth.

ARTIFICIAL INTELLIGENCE

- **AI adoption has accelerated faster than entrepreneurs themselves predicted.** The share of TEA entrepreneurs rating AI “very important” to day-to-day operations jumped from 29% to 45% in just one year (2024–2025), outpacing the more gradual path anticipated in last year’s three-year outlook.
- **The benefits case for AI has strengthened while concerns have stayed flat.** Perceived positive impacts rose across every category measured (e.g., productivity/efficiency “high impact” ratings up from 55% to 64%), while negative perceptions were largely unchanged or eased – widening the gap between AI’s perceived upside and downside.
- **The gender gap in AI confidence has closed and reversed.** Male entrepreneurs led in 2024 (33% vs. 24% rating AI “very important” to operations), but by 2025 female entrepreneurs matched or exceeded male entrepreneurs on both current importance and future strategic relevance.
- **Ambition, not adoption stage, is the strongest predictor of AI confidence.** High job-expectation entrepreneurs pulled further ahead of the general TEA population in 2025 (61% vs. 41% rating AI “very important” to future strategy), with the gap widening rather than narrowing as AI adoption has become more mainstream.

UK’S ENTREPRENEURIAL ECOSYSTEM

- **The UK’s entrepreneurial environment has deteriorated for five consecutive years,** with the NECI falling from 5.0 in 2020 to 4.21 in 2025 – the largest year-on-year decline since 2018 – dropping the UK from 29th to 37th in the international rankings and now well below the GEM and OECD averages.
- **The decline is broad-based, not confined to familiar weak spots.** Twelve of thirteen Entrepreneurial Framework Conditions fell in 2025, and eleven recorded their lowest-ever score in the eight-year series; only two conditions now meet the sufficiency threshold, down from three in 2024.
- **Finance and support infrastructure are the clearest areas of concern.** Access to entrepreneurial finance fell to its lowest level since being introduced in 2021, government entrepreneurship programmes declined sharply, and physical infrastructure saw the single largest year-on-year fall – with the UK scoring significantly below Germany, France and the US on this measure.
- **Market dynamism remains a genuine UK strength amid the wider decline.** Internal market dynamics reached its highest-ever score in 2025 and is the UK’s strongest framework condition, outperforming all three benchmark economies – suggesting the constraint is not opportunity but the ecosystem needed to convert it into sustained entrepreneurial activity.

PANEL STUDY OF ENTREPRENEURIAL DYNAMICS (PSED)

- **It's not who starts, but who survives.** Ethnic minority and immigrant populations remain the UK's most entrepreneurially active groups at start-up, but the UK's first longitudinal tracking study (PSED 2023–25) shows this advantage does not carry through to survival: by year two, 81% of White entrepreneurs remained in business compared with 67% of non-White entrepreneurs.
- **Funding constraints, not lack of ambition, drive the widening gap.** Non-White entrepreneurs cite funding as a barrier to continuing far more often than White entrepreneurs (45% vs 17%), while those who do exit are disproportionately more likely to move to conventional employment over continuing to pursue venturing.
- **Early confidence predicts survival.** Entrepreneurs who continued their venture were consistently more likely to report having had the requisite knowledge and skills at the outset (96%) than those who dropped out (81%) – suggesting self-belief at the point of start is itself a predictor of resilience, not just a byproduct of it.
- **The policy gap is post-start-up support, not entry-level encouragement.** The evidence points to a need for smaller, more flexible finance products bundled with mentoring, and better social/care infrastructure – targeting the specific first-year barriers (funding, then time/personal constraints) that disproportionately push ethnic minority and women-led ventures toward delay or exit.

FRANCHISING

- **Franchising is a low-failure, high-resilience route into business ownership,** with a twenty-year failure rate below 6% and a £19.1bn contribution to UK turnover – yet it remains underused as a policy lever for entrepreneurship support.
- **GEM data contradicts the industry's own narrative on youth participation.** While the BFA reports under-30 franchisees collapsing from 27% to 7% since 2018, GEM UK's representative population survey shows 18–24-year-olds are the most engaged age group in franchising of any cohort – suggesting the real barrier is rising entry cost (up from £56k to £85k since 2018), not declining interest.
- **Women and ethnic minority entrepreneurs are over-represented in franchising relative to independent start-ups,** with women showing higher franchisor and franchisee rates than men across most measures – a pattern the chapter argues merits more policy attention than it currently receives.
- **No regulatory model – light-touch (UK) or heavily regulated (Australia) – eliminates franchisor–franchisee conflict;** relational trust is the more consistent predictor of relationship quality, informing recommendations including statutory pre-disclosure, a duty of good faith, and better access to capital for young and first-time franchisees.

POLICY CONCLUSIONS

- **The core policy challenge is retention, not generation.** Across youth, ethnic minority, growth-ambition, solo entrepreneurship, and AI-adoption evidence, entrepreneurial appetite and early-stage activity are strong or rising – the binding constraint is the infrastructure needed to convert that activity into sustained or scaled businesses.
- **UK entrepreneurial finance is both insufficient and inequitably accessed,** with youth entrepreneurs relying overwhelmingly on family and self-funding (84.3% combined), ethnic minority founders citing funding constraints as a barrier to continuing nearly three times as often as White founders (45% vs 17%), and both finance-related framework conditions in sustained decline.
- **Support should shift from encouraging entry to sustaining survival and growth.** With ambition already at record levels across multiple cohorts, and most early exits driven by a mismatch between initial confidence and the lived difficulty of sustaining a venture, the priority is realistic pre-start expectation-setting and mentoring through the critical one-to-three-year survival window.
- **Structural barriers and a weakening ecosystem compound each other.** Women and ethnic minority founders face disproportionate time and caring constraints on continuation, while the UK's entrepreneurial framework conditions have deteriorated broadly even as market dynamism strengthens – pointing to targeted investment in physical infrastructure, government programmes and post-school education as the most policy-addressable levers.
- **Solo entrepreneurship is a growth pathway, not a consolation prize.** 80% of nascent entrepreneurs start solo, yet 42% of these hold high-growth expectations – exceeding the 28% average across all nascent entrepreneurs – while a separate, stable segment of zero-employee new business owners (around 70%) intend to remain solo; support eligibility should track demonstrated ambition rather than employment structure.
- **AI adoption is accelerating fastest among the most ambitious.** The share of TEA entrepreneurs rating AI “very important” to day-to-day operations nearly doubled in a year (29% to 45%), and high job-expectation entrepreneurs are pulling further ahead of the general TEA population (61% vs. 41%) – with solo entrepreneurs registering early AI enthusiasm at the nascent stage but not consistently carrying through to the new business stage, pointing to ambition-targeted rather than uniform AI business support.
- **Finance gap for women.** The finance gap facing women entrepreneurs is structural, not transitional – it persists across sources, cycles, and the wider international evidence base, and cannot be explained away by sector, size or ambition differences. There is a need to diversify the informal investor base and policy and industry bodies should actively recruit and support more women as informal investors and expand mixed-gender investment syndicates, not just target more women as founders.

KEY GEM DEFINITIONS AND ABBREVIATIONS

Adult Population Survey (APS)	The APS is a comprehensive interview questionnaire, administered to a minimum of 2,000 adults in each GEM economy, designed to collect detailed information on the entrepreneurial activities, attitudes and aspirations of respondents.
National Expert Survey (NES)	The NES is completed by selected experts in each GEM economy and collects views on the context in which entrepreneurship takes place in that economy. It provides information about the aspects of a country's socio-economic characteristics that, according to research, have a significant impact on national entrepreneurship: referred to as the Entrepreneurship Framework Conditions (EFCs).
Total early-stage Entrepreneurial Activity (TEA)	The percentage of adults (aged 18–64) who are starting or running a new business, i.e., one that has not yet paid wages or salaries for 42 months or more.
Established Business Ownership (EBO)	The percentage of adults (aged 18–64) who are currently the owner-manager of an established business, i.e., owning and managing a business that has paid salaries, wages or any other payments to the owners, for more than 42 months.
Entrepreneurial Framework Conditions (EFCs)	The conditions identified by GEM that enhance (or hinder) new business creation in a given economy and form the framework for the NES. The conditions are: A1. Entrepreneurial Finance Are there sufficient funds for new start-ups? A2. Ease of Access to Entrepreneurial Finance And are those funds easy to access? B1. Government Policy: Support and Relevance Do they promote and support start-ups? B2. Government Policy: Taxes and Bureaucracy Or are new businesses burdened? C. Government Entrepreneurial Programmes Are quality support programmes available? D1. Entrepreneurial Education at School Do schools introduce entrepreneurship ideas? D2. Entrepreneurial Education Post-School Do colleges offer courses in starting a business? E. Research and Development Transfers Can research be translated into new businesses? F. Commercial and Professional Infrastructure Are these sufficient and affordable? G1. Ease of Entry: Market Dynamics Are markets free, open and growing? G2. Ease of Entry: Burdens and Regulation Do regulations encourage or restrict entry? H. Physical Infrastructure Is this sufficient and affordable? I. Social and Cultural Norms Does culture encourage and celebrate entrepreneurship?
National Entrepreneurial Context Index (NECI)	This summarises in one figure the average state of 13 national EFCs selected by GEM researchers as the most reliable determinants of a favourable environment for entrepreneurship. It is calculated as the simple average of 13 variables that represent the EFCs, and which have been measured through a block of items evaluated by an 11-point Likert scale and summarised by applying factorial analyses (principal component method).

1. Introduction

1.1 UNDERSTANDING THE MANY FACES OF UK ENTREPRENEURSHIP

The policy emphasis in the UK in recent years continues to be on fast-growth, high-growth and scaling as the watch-words of business support policy. Yet these ‘high-growth’ firms represent a tiny proportion of the total number of people who successfully set up businesses, are self-employed, or who expand existing businesses. It is this mass of “everyday entrepreneurs” who generate the employment, the productivity, the innovation and the economic growth and regeneration of their communities, their regions and their countries. Any commitment by governments to supporting this group of people simply reflects the vital role that these people play in the competitive future of any country.

This is exactly the constituency that Andy Burnham’s own framing of “good growth in every postcode” implicitly recognises. If growth is to be felt in every community, and not just concentrated in a small number of high-growth outliers, then policy attention must extend beyond the scale-up cohort to the much larger population of everyday entrepreneurs whose collective activity underpins local economies across the country.

This is precisely where GEM UK earns its place in the policy landscape. By tracking the full population of nascent, new and established entrepreneurs – not just the small cohort destined for hyper-growth – GEM UK provides the evidence base that policymakers need to design support around the realities of everyday entrepreneurship, rather than a narrow and unrepresentative “unicorn” narrative. It is this granular, population-level intelligence that allows government to see who is starting businesses, why, and what holds them back, and to calibrate policy accordingly.

1.2 BACKGROUND TO GEM

Established by Babson College and London Business School, and with the UK being one of the founding participating national teams, the Global Entrepreneurship Monitor (GEM) research consortium has been measuring the entrepreneurial activity of working-age adults across a wide range of countries in a comparable way since 1999. GEM's primary focus is on the study of three areas:

- To measure differences in the level of entrepreneurial activity between countries
- To uncover factors leading to appropriate levels of entrepreneurship
- To suggest policies that may enhance the national level of entrepreneurial activity

The Global Entrepreneurship Monitor (GEM) research consortium measured rates of entrepreneurship across multiple phases in 53 economies in 2025, making it the world's most authoritative comparative study of entrepreneurial activity in the general adult population. The 2025 GEM global study was based on an analysis of adult population survey (APS) results from over 150,000 interviews

across 53 different economies which cover around two-thirds of the world's population, as well as more than 77% of global GDP. The core of the APS is identical in each country and asks respondents about their attitudes towards entrepreneurship, whether they are involved in some form of entrepreneurial activity and, if so, their aspirations for their business. The global GEM Executive 2025/26 Report was published in February and can be downloaded from www.gemconsortium.org.

In the UK in 2025, 8,513 adults aged 18 to 80 participated in the GEM survey. Once again, 2025 provided a volatile backdrop against which to undertake the GEM APS in the UK, with geo-political events creating economic uncertainty manifested in a cost-of-living crisis, record-high inflation in a slow-growth economy. The resilience of small businesses over recent years is both inspiring and important. As the economy faces significant turbulence in the year ahead, it is critical that the UK has a thriving ecosystem to support the historically high levels of entrepreneurship, which will be central to future economic stability and growth.

1.3 STRUCTURE OF THE REPORT

This year's report is structured around ten chapters that move from the aggregate picture of UK entrepreneurship to the specific populations and structural questions shaping it. Chapter 2 opens with a quarter-century view of Total Entrepreneurial Activity (TEA), tracking the UK's trajectory from 1999/2002 to today against last year's record 36% participation rate.

Chapters 3 to 5 then turn to who is driving this activity and why: young people's rising engagement with entrepreneurship (Chapter 3), the contribution of solo entrepreneurs (Chapter 4), and the demographic and motivational profile of the UK's growth-ambitious entrepreneurs specifically (Chapter 5).

Chapters 6 and 7 examine two cross-cutting issues shaping entrepreneurial experience: the persistent finance gap facing women entrepreneurs (Chapter 6) and a one-year update on AI adoption and attitudes among UK entrepreneurs (Chapter 7). Chapter 8 assesses the health of the UK's entrepreneurial ecosystem through the NECI/EFC framework, benchmarked internationally and against the latest SME finance data. Chapter 9 examines the structural barriers underlying the participation gap in ethnic minority entrepreneurship, drawing on a Panel Study of Entrepreneurial Dynamics (PSED) methodology.

The report closes by considering two under-explored dimensions of entrepreneurial activity: the drivers and profile of business exit (Chapter 10), and the structural choice between franchising and independent business ownership (Chapter 11). Together, these chapters offer a rounded picture of UK entrepreneurship in 2025/26 – its scale, its diversity, and the barriers and choices that shape who participates and how.

Throughout the report, we will use data from the GEM Global report for international comparisons with the UK – in particular with the US, France and Germany – as well as data from the home nations¹ of Scotland, Wales and Northern Ireland and the English regions.

¹ Additional reports for Scotland, Northern Ireland and Wales will be published separately to provide more contextualised analysis and discussion for each of these nations who fund boosted samples to the main UK survey.

2. GEM's CORE ENTREPRENEURIAL METRICS

2.1 INTRODUCTION

Entrepreneurship is shaped not only by economic conditions and opportunities, but also by how individuals perceive entrepreneurship and their own ability to pursue it. Attitudes towards entrepreneurship provide important insights into the environment from which new entrepreneurial activity emerges. We focus here on three main attitudes – perception of good opportunities in the local area for start-ups; possession of the skills, knowledge and experience to start a business, and whether the fear of failure would prevent individuals from starting a business². Examining these attitudes across UK population groups and in an international context provides insight into the potential enablers of, and barriers to, entrepreneurship.

These attitudes are considered alongside actual participation in entrepreneurship, captured through GEM's measure of Total early-stage Entrepreneurial Activity (TEA), which reflects the prevalence of individuals actively starting or running a new business. However, levels of activity alone do not reveal why people choose to become entrepreneurs. Understanding the motivations behind entrepreneurial activity provides further insight into its nature and potential contribution to the economy and society.

Understanding business closure complements measures of entrepreneurial activity by providing a fuller picture of the dynamics of entrepreneurship, including both entry into and exit from business ownership. Thus, this chapter examines entrepreneurial attitudes, TEA and the motivations of early-stage entrepreneurs and business exits, highlighting how these dimensions have evolved over time and how they compare across different groups and economies.

² The GEM Global and UK APS datasets contain other attitudinal variables which are not reported here and these are: entrepreneurship as a good career choice; successful entrepreneurs have a high status in society; personally know an entrepreneur and perception of the media regularly carrying stories about successful entrepreneurs. Data on these attitudes for the UK is available online.

2.2 TRENDS IN ATTITUDES TO ENTREPRENEURSHIP IN THE UK

The long-run trends illustrate how perceptions of entrepreneurship have shifted in response to changing economic conditions for the non-entrepreneurial population (Figure 2.1). The share of the non-entrepreneurial adult population identifying good opportunities to start a business has tended to weaken during periods of economic disruption, notably following the Global Financial Crisis (GFC) and the COVID-19 pandemic. In 2025, 41.5% of individuals reported that there were good opportunities to start a business in their local area, down slightly from 43.2% in 2024.

In contrast, the other attitudinal indicators moved in a more promising direction in 2025. Fear of failure which would prevent individuals

from starting a business fell substantially, from 58.2% in 2024 to 51.1%, reversing some of the increase seen since the Brexit referendum. At the same time, perceived entrepreneurial capability reached its highest level, with 48% of individuals reporting that they had the skills, knowledge and experience required to start a business. This represents a notable recovery in perceived capability from the lower levels recorded in the period following the GFC. The latest results present a mixed but increasingly positive picture of entrepreneurial attitudes: while perceptions of external start-up opportunities have weakened slightly, individuals appear more confident in their own ability to start a business and less likely to view fear of failure as a constraint.

FIGURE 2.1:
Attitudes to
entrepreneurship,
2002–2025
(Source: GEM UK
APS 2002–2025)

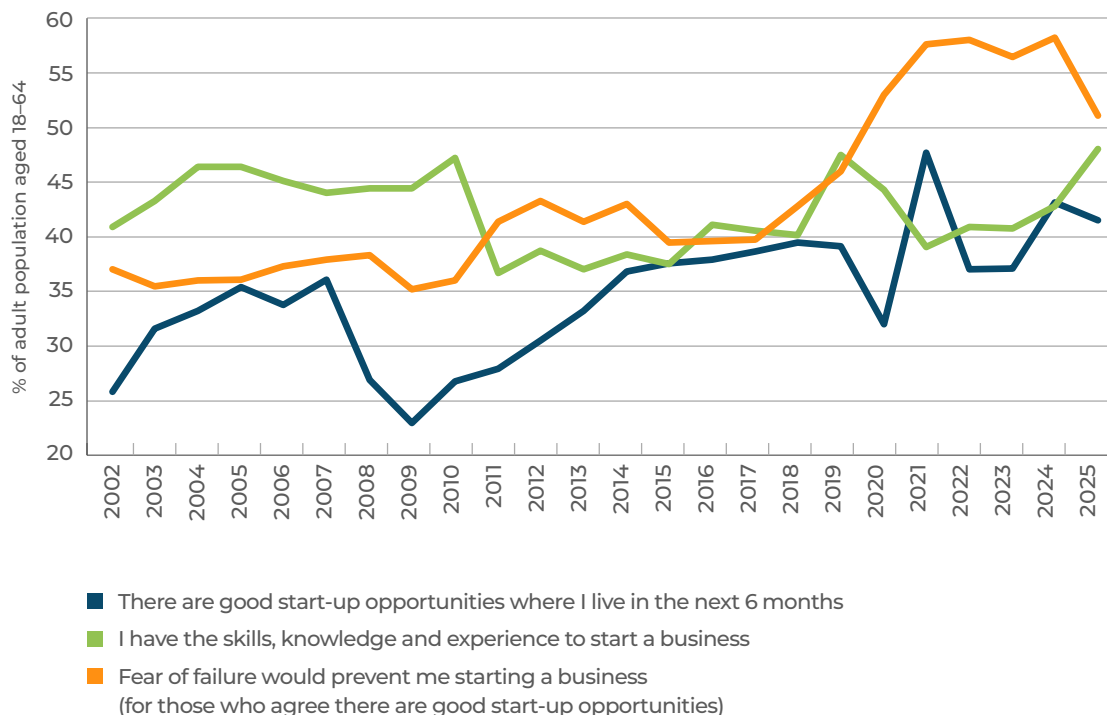


Figure 2.2 highlights persistent gender differences in perceptions of the environment for starting a business. Over the period since 2002, the proportion identifying good start-up opportunities in their local area has generally moved in a similar direction for men and women, reflecting common responses to changes in the wider economic environment. However, a clear gender gap has remained throughout, with men consistently more likely than women to perceive favourable opportunities for starting a business. Opportunity perceptions strengthened among both groups in 2024, rising above the levels recorded immediately before the pandemic.

In 2024, the gender gap in fear of failure narrowed to its lowest level in the series, with 58.0% of men and 58.4% of women reporting that fear of failure would deter them from starting a business. This convergence was reversed in 2025, when the proportion fell to 46.8% among men compared with 55.9% among women. Although fear of failure declined for both groups, the substantially larger reduction among men resulted in the re-emergence of a pronounced gender gap, highlighting a continuing difference in the perceived barriers to entrepreneurial activity faced by men and women.

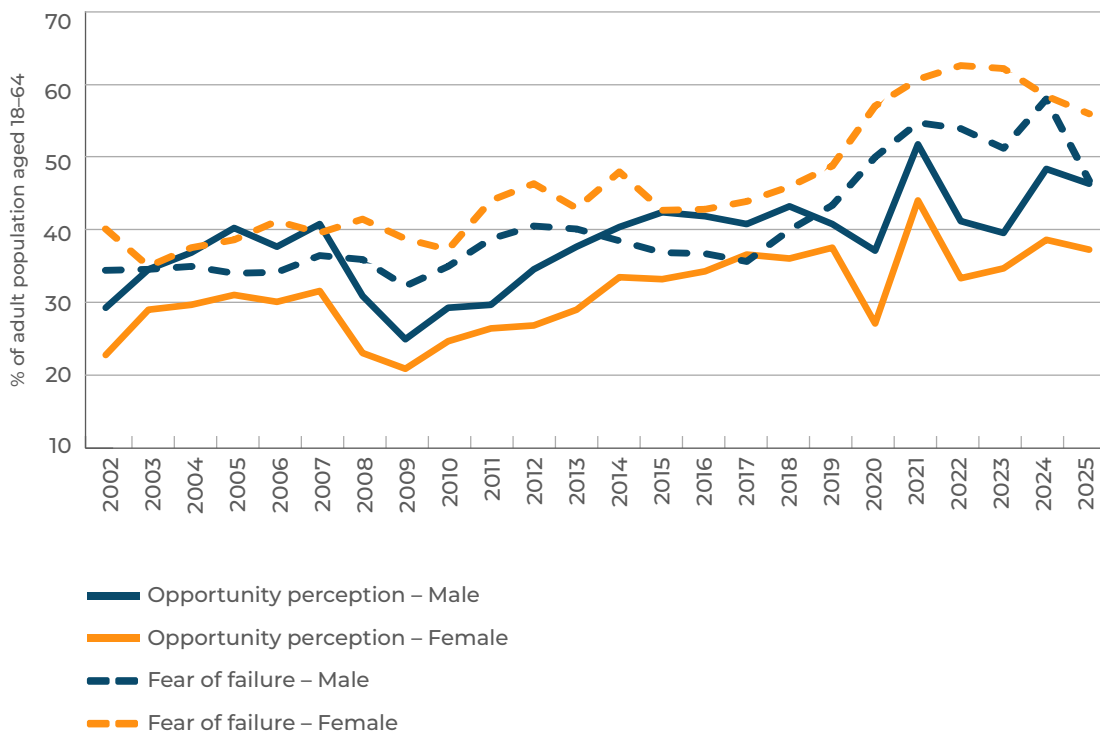


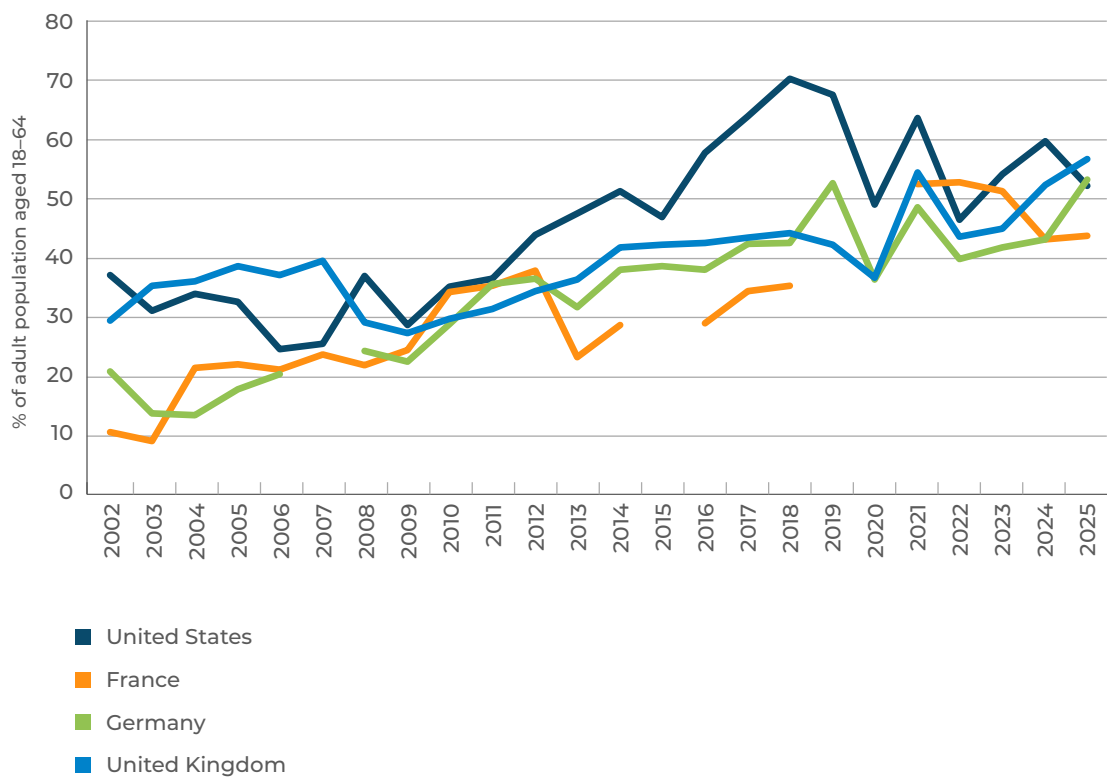
FIGURE 2.2:
Perceived opportunities and fear of failure by gender 2002–2025
(Source: GEM UK APS 2002–2025)

2.3 ATTITUDES TO ENTREPRENEURSHIP – INTERNATIONAL COMPARISONS

Figure 2.3 presents the longer-term evolution of perceived start-up opportunities across the UK, US, France and Germany. While the series has fluctuated in response to periods of economic and wider global uncertainty, perceptions of opportunities have generally strengthened over the longer term. The latest 2025 data reveal a divergence between the US and the three European economies. The proportion of the US adult population perceiving good opportunities

to start a business fell from 59.3% to 51.8%. By contrast, opportunity perceptions increased in France, Germany and the UK. The rise was particularly marked in Germany, from 42.7% in 2024 to 52.9% in 2025, while the UK recorded an increase from 51.9% to 56.3%. These movements suggest that perceptions of the environment for new business formation became more favourable across the European economies shown in 2025, while weakening in the US.

FIGURE 2.3:
Opportunity
perception:
international
comparisons
(Source: GEM Global
APS 2002–2025)³



³ France was unable to participate in GEM in 2015 and between 2019–20, as neither was Germany in 2007.

A similar picture emerges when looking at Figure 2.4 on whether individuals feel they have the skills, knowledge and experience to start a business. The US experienced a slight decrease, while there was an increase in France, Germany and the UK, the latter of which saw the largest increase from 53.5% to 62.4%. This suggests a strengthening of perceived entrepreneurial capability across the European economies in 2025, with the improvement particularly pronounced in the UK.

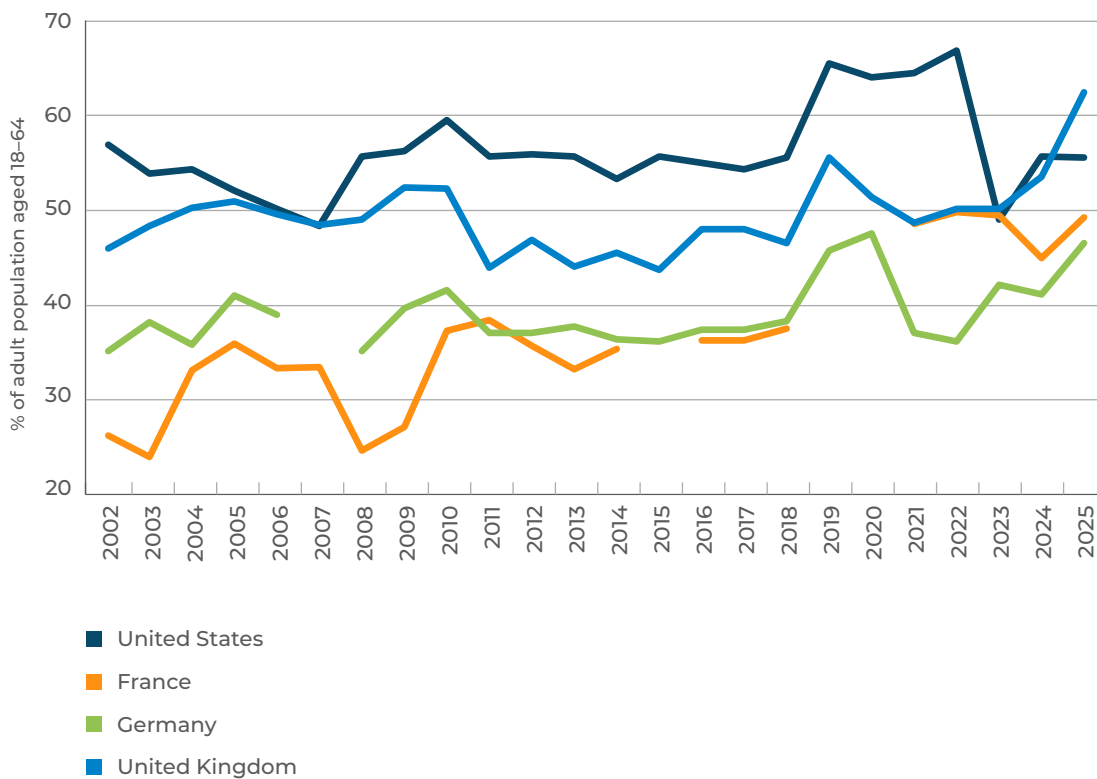
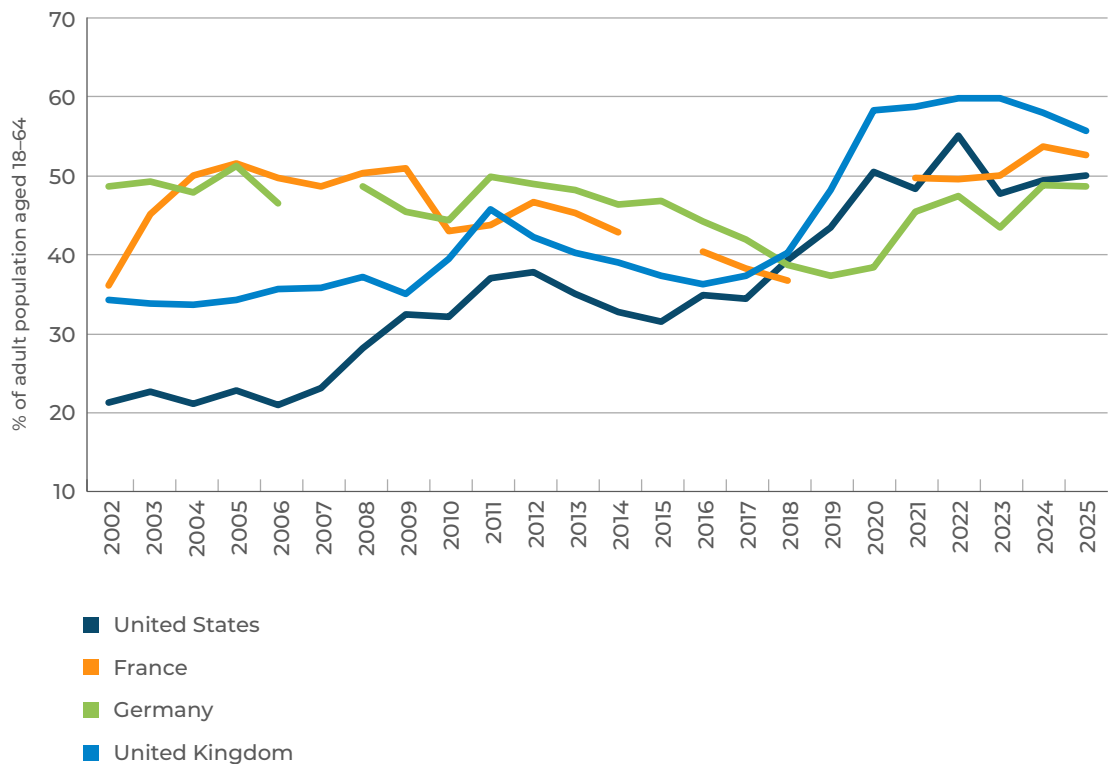


FIGURE 2.4: Skills, knowledge and experience to start a business: international comparisons
(Source: GEM Global APS 2002–2025)

Looking at whether fear of failure would prevent individuals from starting a business, the positive UK picture continues, with Figure 2.5 showing the largest decline in the proportion identifying fear of failure as a barrier to entrepreneurial activity, from 58% in 2024 to 55.7% in 2025. Comparably, France and Germany also experienced a decline in fear of failure, while the US experienced a slight increase. This, alongside the rise in opportunity perception and perceived entrepreneurial capability, points to an improvement in attitudes towards starting a business in the UK.

The overwhelming conclusion from this analysis is that fear of failure remains a formidable obstacle for individuals contemplating a new business venture, especially for women, and that this is a concern globally and not just in the UK. Addressing that persistent obstacle could involve both reducing the economic and social costs and stigma of failure.

FIGURE 2.5:
Fear of failure
(Source: GEM Global
APS 2002–2025)



2.4 ENTREPRENEURIAL MOTIVATIONS

Engagement in entrepreneurship will certainly be driven by a range of factors, including by general social and cultural attitudes towards entrepreneurship as discussed in Section 2.2. A study using GEM data to re-survey willing respondents showed that motivations for starting a business were complex and that motivations other than the traditional opportunity-driven and necessity-driven distinction are more closely related to business survival and success⁴. These motivations can be best classified in terms of the importance attached to ‘autonomy and better work’, ‘challenge’, ‘financial’ and ‘family and legacy’ aspects. Across all business types, entrepreneurs say autonomy is their most important motivator. Of note is that businesses can do well regardless of whether they were started out of opportunity or necessity. Both opportunity-driven businesses and necessity-driven businesses create jobs, innovate and export.

Figure 2.6 shows the trend in these motivations for entrepreneurs involved in Total early-stage Entrepreneurial Activity (TEA) since 2019. There were large increases in 2025 for “to make a difference in the world”, “to build great wealth or very high income” and “to continue a family tradition”. There was a smaller increase in “to earn a living because jobs are scarce”, which can be thought of as more necessity-driven, however the increase of the other motives is more prominent. This suggests that the rise in entrepreneurial activity is being accompanied by a strengthening of motivations, with more aspirational and opportunity-driven motives increasing more prominently than necessity-driven.

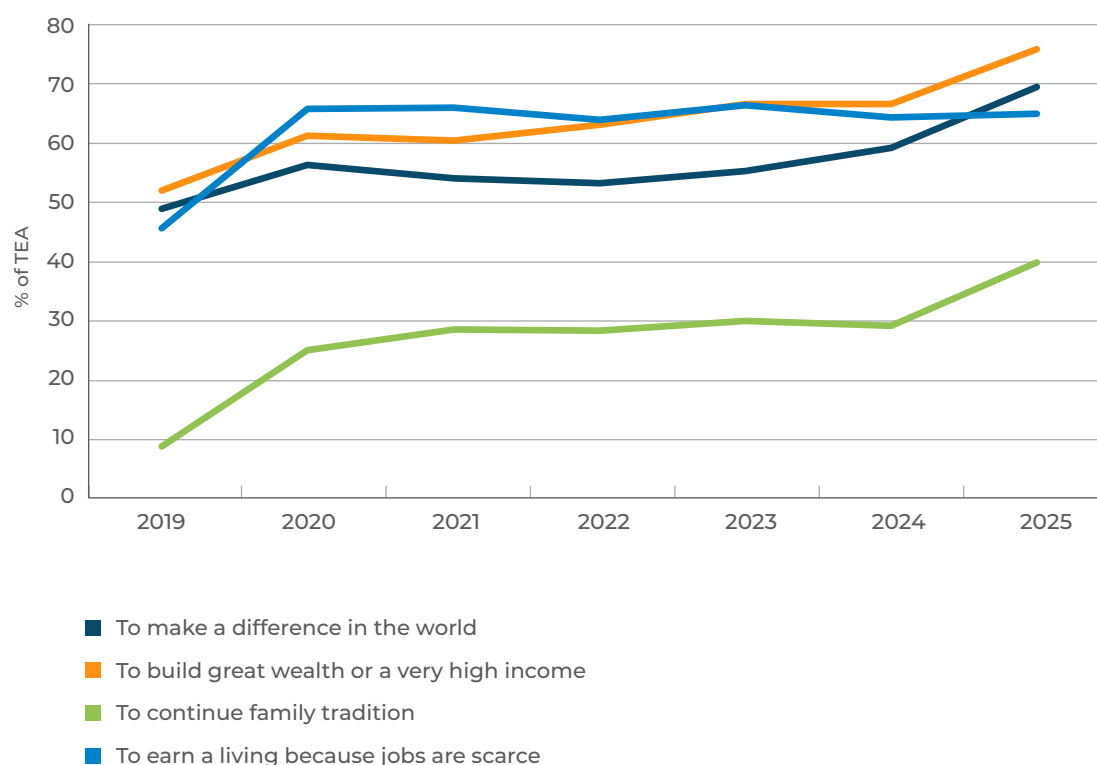


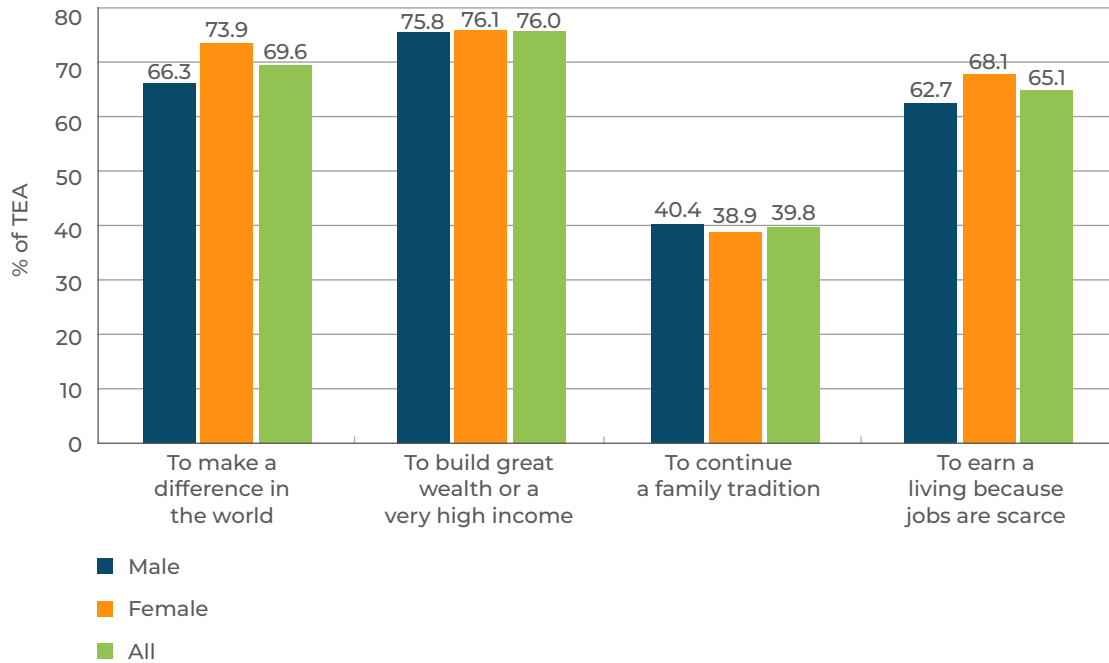
FIGURE 2.6:
Select Total early-stage Entrepreneurial activity motivations 2019–2025
(Source: GEM APS 2019–2025).

⁴ Stephan, U; Hart, M; Mickiewicz, T and Drews, C-D (2015) Understanding Motivations for Entrepreneurship, BIS Research Paper No. 1012, March 2015 https://publications.aston.ac.uk/id/eprint/32841/1/Stephan_et_al_Understanding_motivations_for_entrepreneurship_2015.pdf

FIGURE 2.7:

Total early-stage
Entrepreneurial
Activity motivations:
male and
female 2025

(Source: GEM APS 2025).



Within the family business sector, changes in culture and technology can sometimes lead younger family members to launch new spin-out businesses that leverage on the family tradition while simultaneously charting new markets. More generally, continuing a family tradition is often utilised for marketing purposes, even beyond the original family business, and this showed an increase in 2025.

We further find that pro-social motivations have become more important in a post-COVID period, with almost 70% of entrepreneurs now citing ‘making a difference in the world’ as an important driver of their engagement in entrepreneurship. This is not surprising, as sensitivity to social and environmental issues has grown significantly over the last several decades, especially among the younger generations now establishing themselves as leaders in the economy.

Figure 2.7 examines these motivations by gender in 2025. There is little difference between men and women in the proportions stating “to build great wealth or a very high income” or “to continue a family tradition” as motivations for starting a business. Greater differences are apparent for the other two motivations, where 73.9% of women, compared with 66.3% of men, report being motivated “to make a difference in the world”, while 68.1% of women and 62.7% of men cite “to earn a living because jobs are scarce”. These results are both statistically significant, suggesting that while financial and family-related motivations are broadly similar across genders, women are more likely than men to identify with both purpose-driven and necessity-related motivations.

2.5 PARTICIPATION IN THE STAGES OF THE ENTREPRENEURIAL JOURNEY

Recent discussion has highlighted concerns that official statistics, including those from the ONS and Companies House, may not be fully capturing the recent rise in entrepreneurship in the UK. GEM provides a different perspective. By consistently measuring early-stage entrepreneurial activity for more than 25 years, GEM data point clearly to a substantial increase in the proportion of the UK adult population engaged in starting and running a new business. As Figure 2.8 shows, the Total early-stage Entrepreneurial Activity (TEA) rate rose sharply from 12.0% in 2024 to 16.8% in 2025, the latest evidence of a marked strengthening in entrepreneurial activity. The increase is particularly notable among younger adults, especially those aged 18–24, which is further explored in Chapter 3.

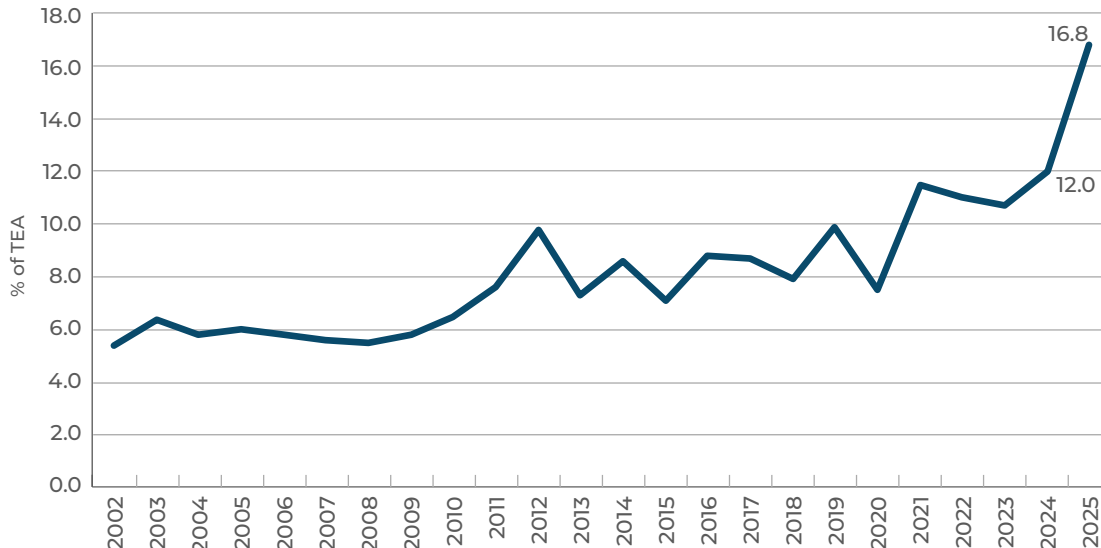
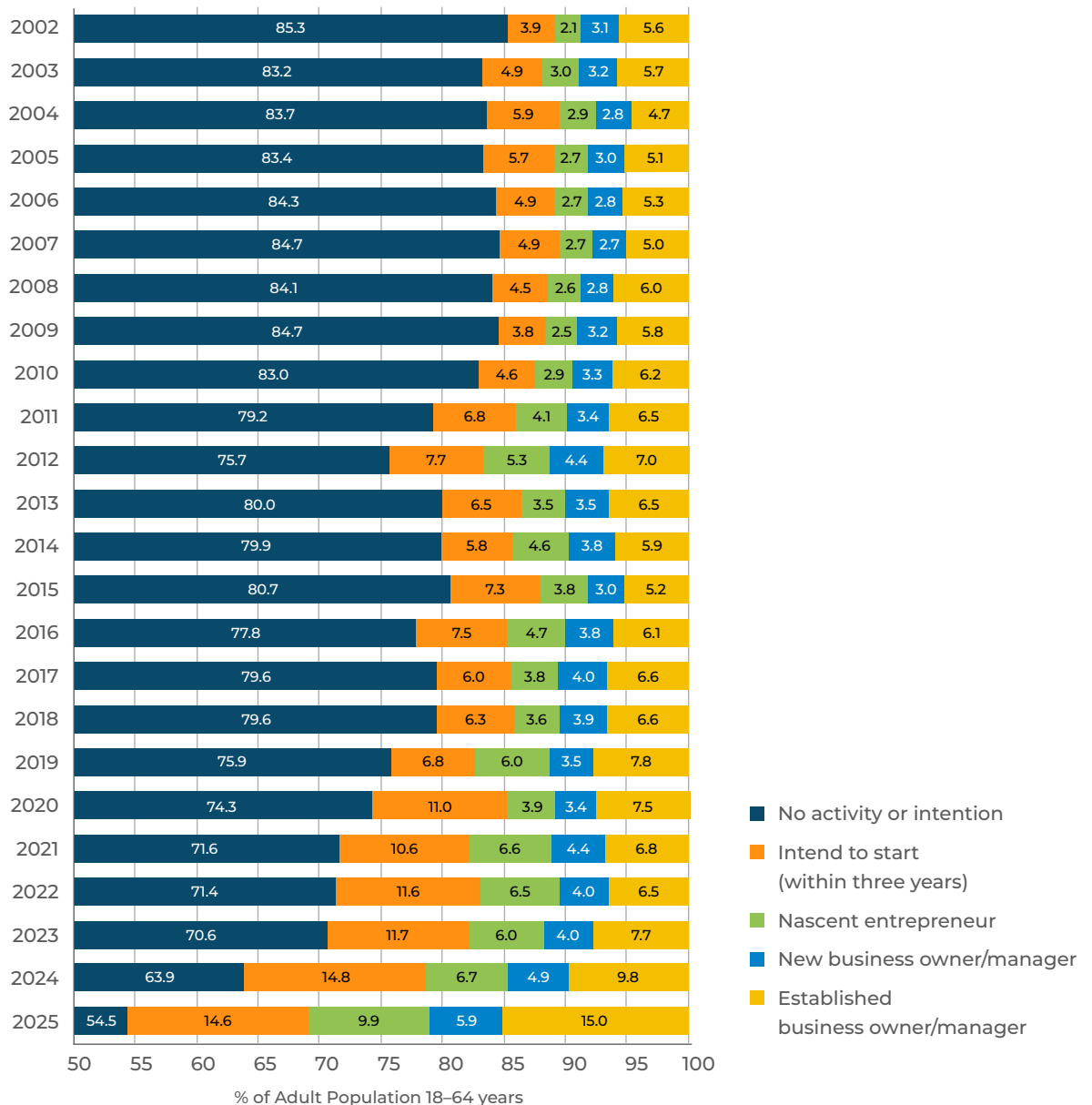


FIGURE 2.8:
Total early-stage
Entrepreneurial
Activity (TEA) in
the UK 2025
(Source: GEM APS 2025).

The strengthening of entrepreneurial activity is also evident in Figure 2.9. In 2025, the proportion of the adult population neither engaged in entrepreneurial activity nor intending to start a business fell to 54.5%, the lowest level recorded in the series. This indicates that almost half of the adult population is either considering starting a business or is already engaged in some form of entrepreneurial activity. While entrepreneurial intentions declined marginally, from 14.8% in 2024 to 14.6% in 2025, this was accompanied by clear growth in the proportions of nascent entrepreneurs and new business owners.

The most substantial increase, however, was among established business owners, whose share of the adult population rose from 9.8% in 2024 to 15.0% in 2025. Taken together, these shifts suggest that the rise in UK entrepreneurship extends beyond intentions, with a growing proportion of the population actively engaged in starting, developing and sustaining businesses. These findings underline the importance of population-based and appropriately weighted measures such as GEM in identifying changes in entrepreneurial activity that may not yet be fully visible in administrative or other official business statistics.

FIGURE 2.9: Participation in entrepreneurship in the UK by most established stage of entrepreneurial activity (not including intrapreneurs), 2002–2025
(Source: GEM UK APS 2002–2025)



The international pattern in TEA rates, as shown in Figure 2.10, broadly mirrors the trends observed earlier in entrepreneurial attitudes. In the US, the TEA rate declined from 19.3% in 2024 to 17.7% in 2025, while France, Germany and the UK all recorded substantial increases in early-stage entrepreneurial activity. This divergence is consistent with the positive shift in entrepreneurial attitudes observed across the three European economies and suggests that, in 2025, stronger perceptions of entrepreneurial opportunities and capabilities were accompanied by increased engagement in early-stage entrepreneurship.

In the US, while the TEA rate remains close to historic highs at around 18.5%, the proportion of adults actually starting or running a new business fell slightly in 2025, with those running established businesses also declining, and established business ownership roughly half that of 2019, down from 10.6% to 5.5%. Perceptions of the entrepreneurial environment have also weakened in the US: only 54.3% of US adults said it would be easy to start a business in 2025, down on 2024 and around 30% below pre-pandemic levels (MacBride 2026). MacBride (2026) frames this as entrepreneurship increasingly running on “cultural fumes” – strong self-perception and status, but weakening structural support underneath it⁵.

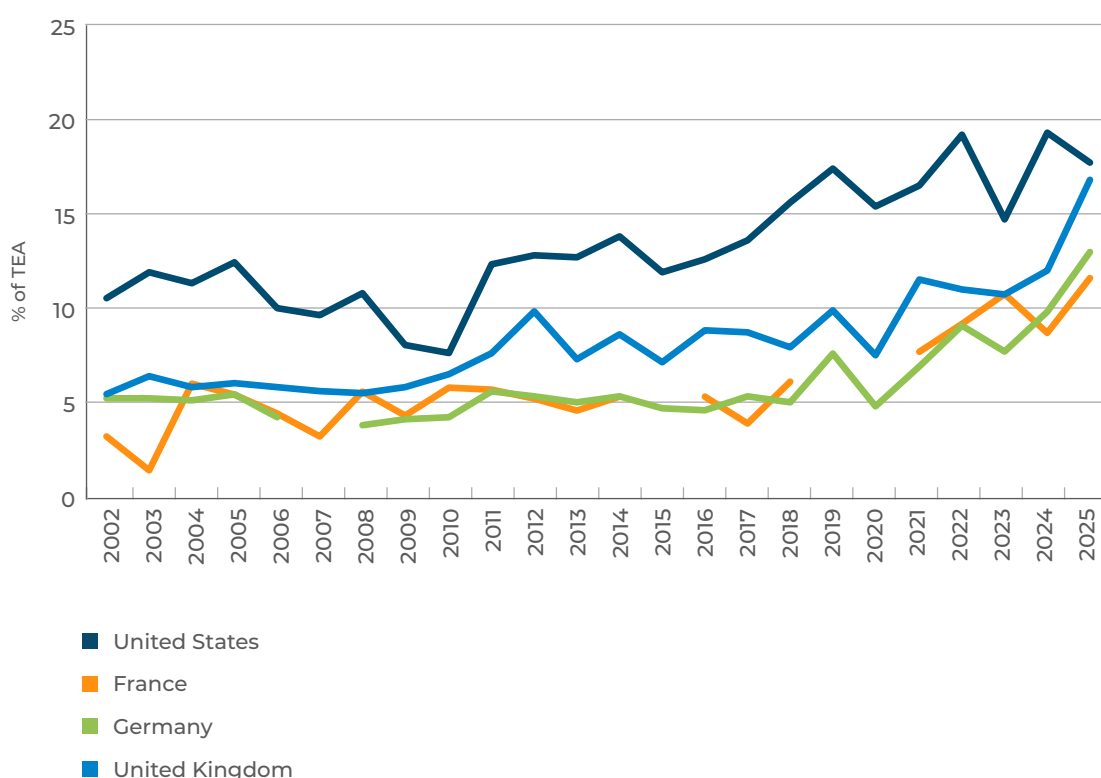


FIGURE 2.10: Total early-stage Entrepreneurial Activity (TEA) in the UK, France, Germany and the US (2002–2025)
(Source: GEM Global APS 2002–2025)

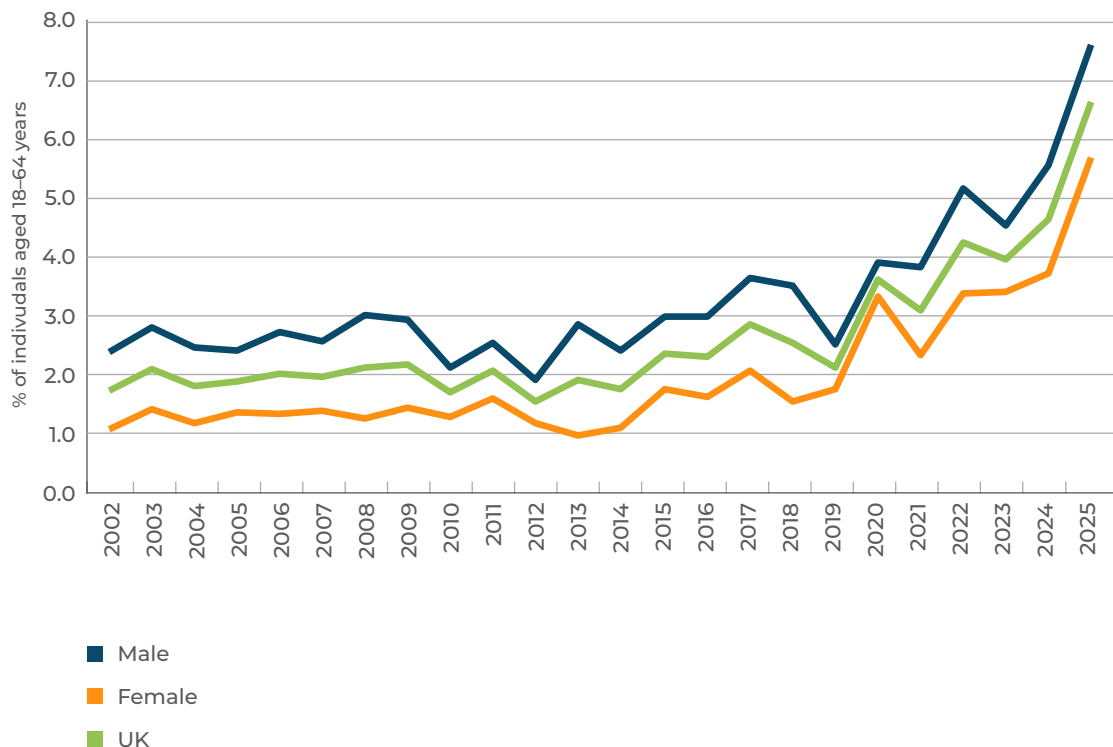
⁵ MacBride, E. (2026) ‘The U.S. Thinks of Itself as Entrepreneurial. But it’s Slipping.’, Forbes, 28 February. Available at: <https://www.forbes.com/sites/elizabethmacbride/2026/02/28/the-us-thinks-of-itself-as-entrepreneurial-but-its-slipping/> (Accessed: 13 September 2026).

2.6 BUSINESS EXIT

A comprehensive review of entrepreneurial activity requires consideration not only of those intending to start, currently starting or actively running a business, but also of those exiting business ownership. Business exits are an important component of entrepreneurial dynamics and provide further insight into the changing composition of the entrepreneurial ecosystem. Figure 2.11 shows the proportion of the adult population aged 18–64 who reported selling, shutting down, discontinuing or otherwise exiting a business during the previous 12 months, disaggregated by gender.

Business exit rates have generally increased over time, with the upward trend becoming particularly pronounced since the COVID-19 pandemic. The overall UK exit rate has risen from 4.6% in 2024 to 6.7% in 2025. Men and women have followed broadly similar trajectories, although exit rates have consistently been higher among men. In 2025, 7.6% of men and 5.7% of women reported exiting a business in the previous 12 months, with both rates reaching their highest levels in the series.

FIGURE 2.11:
Percentage of individuals who state they have sold, shut down, discontinued or quit a business in the last 12 months by gender, 2002–2025
(Source: GEM APS 2002–2025)



The UK recorded the highest rate of business exits in 2025 among the four countries compared in Figure 2.12. Similarly, Germany also recorded a marked increase from 3.4% in 2024 to 4.5% in 2025. This contrasts with the US, where the proportion of adults reporting a business exit declined from 4.5% in 2024 to 3.8% in 2025. The comparatively high UK exit rate should be viewed alongside the strong growth in entrepreneurial activity. The rise in exits, alongside the strong growth in early-stage and established business ownership, points to an increasingly dynamic UK entrepreneurial landscape characterised by greater movement both into and out of business ownership.

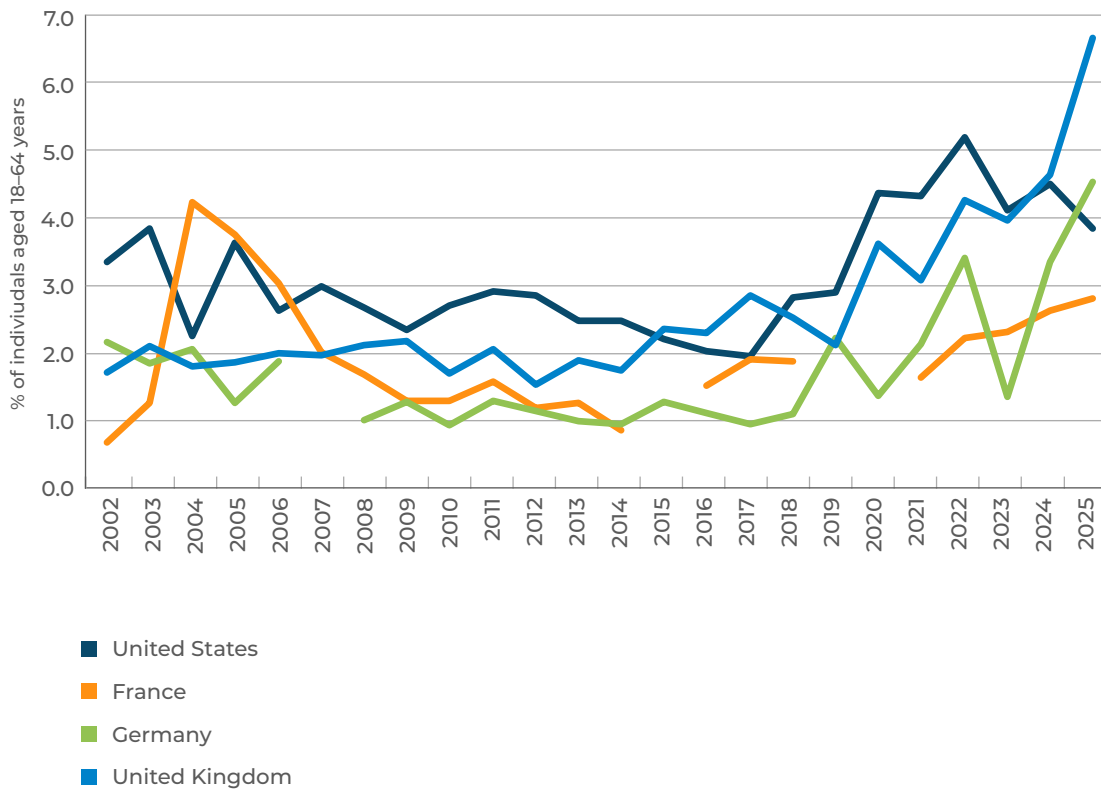


FIGURE 2.12: International comparison – percentage of individuals who state they have sold, shut down, discontinued or quit a business in the last 12 months
(Source: GEM Global APS 2002–2025)

2.7 SUMMARY

Overall, the findings in this chapter point to a significant strengthening and broadening of entrepreneurial activity in the UK in 2025. Although perceptions of start-up opportunities softened slightly, confidence in entrepreneurial skills reached a series high and fear of failure declined substantially, suggesting a more favourable individual mindset towards entrepreneurship. These changes have been accompanied by a sharp rise in TEA, alongside growth in established business ownership, providing clear population-level evidence of increasing engagement in entrepreneurship.

Motivations have also strengthened across a range of dimensions, indicating that this growth is not attributable to any single driver. At the same time, business exits have reached their highest recorded levels, highlighting greater movement both into and out of business ownership. Overall, the evidence portrays an increasingly dynamic UK entrepreneurial landscape and reinforces GEM's role in capturing a rise in entrepreneurial activity that may not yet be fully reflected in conventional official measures.

3. YOUNG PEOPLE & ENTREPRENEURSHIP: A LOST GENERATION?

3.1 INTRODUCTION

The number of young people not in education, employment or training (NEET) in 2026, according to the ONS, had passed one million for the first time since 2014 – with six in ten of this group having never held a job, at an estimated annual cost to the economy of £27bn. The Milburn Review, published in May 2026, characterised this as the risk of a “lost generation”. The review’s central charge is one of whole-system failure – for every £25 spent on benefits for this group, only £1 is spent on employment support – and its prescription is a shift from a “Welfare State” that manages inactivity to a “Working State” that builds capability. It is, by design, a diagnosis of absence: what young people are not doing, and the institutional failures that explain it.

GEM evidence tells a complementary, and in places corrective, story. Where the Milburn review’s frame is one of institutional disengagement, GEM UK’s survey of intentions and activity shows a cohort of young people who, far from being uniformly detached from economic life, are among the most entrepreneurially engaged in the adult population. The key headline figures are⁶:

- 1,012,000 young people now classed as NEET – the first time the figure has passed one million since 2014

- 19.6% of 18–24-year-olds engaged in early-stage entrepreneurial activity in 2025 – a record high for this age group
- 84% of those classed as NEET say they want to work

The GEM evidence is not a case for reading the NEET statistics away. The scale and trajectory Milburn describes are real, and this chapter does not dispute them. The argument is narrower and, we think, more useful for policy: that the same age group producing the NEET headline also contains a disproportionate share of the UK’s entrepreneurial intent, and that a “Working State” built solely around re-attachment to employment and training risks missing a channel of economic participation that many young people are already choosing or would choose given the right support.

We set out where GEM’s evidence aligns with Milburn’s diagnosis – on the barriers of confidence, access to finance, and fragmented local support – and where it complicates it, before turning to what an entrepreneurship-inclusive reading of “good work” for young people might mean for the final Milburn report, due in autumn 2026.

⁶ Sources: ONS NEET statistics for the period January to March 2026; Global Entrepreneurship Monitor UK, 2025.

3.2 PROFILE OF YOUTH ENTREPRENEURS

International evidence suggests that there are high levels of latent or potential entrepreneurship amongst young people. Using GEM data, it was argued that these high levels of latent entrepreneurship were not being translated into a similar number of young people setting up and running their own business⁷. Promotion and support of youth entrepreneurship is an important aspect of wider entrepreneurship policy and economic growth. A significant amount of enterprise support has been directed at young people in particular in the UK. Among other initiatives, the government and its partners have helped to establish the Start-Up Britain and Business in You campaigns, the Start-Up Loans scheme, the Enterprise Finance Guarantee scheme, and the MentorsMe programme. We have also witnessed the growth of many non-state enterprise support initiatives such as Youth Business International (YBI) and within universities, and the role of Enterprise Educators UK⁸.

For the purposes of this chapter, youth are defined as individuals aged 18–30 years, with data presented on occasion for the 18–24 age group to mirror the Milburn Review. While definitions of youth vary across policy and research contexts, this age range is consistent with recent UK research, including the British Council’s Next Generation UK 2024 study⁹ and the CIPD’s Youth Employment in the UK¹⁰, both of which examine young people aged 18–30.

Before looking at rates of entrepreneurial activity, it is important to understand how entrepreneurship is viewed by youth. Figure 3.1 shows significant changes in entrepreneurial attitudes among 18–30-year-olds between 2002 and 2025. Perceptions of good start-up opportunities and confidence in having the skills, knowledge and experience to start a business fluctuate considerably over the period, especially after the GFC, but show a clear increase in recent years.

⁷ Hart, M., Levie, J. and Shamsul, M. K. (2012) Closing the Generational Start-up Gap. Edinburgh: RBS Group. https://pure.strath.ac.uk/ws/portalfiles/portal/17293521/Closing_the_Generational_Start_Up_Gap.pdf

⁸ <https://www.enterprise.ac.uk/>

⁹ <https://www.britishcouncil.org/research-insight/next-generation-uk-2024>

¹⁰ <https://www.cipd.org/uk/knowledge/reports/youth-employment-2021>

By 2025, around two-thirds of young adults report both seeing good start-up opportunities and believing they have the capabilities required to start a business, substantially higher than during much of the 2000s and 2010s. However, this increased confidence has been accompanied by a marked rise in fear of failure. From 2019 onwards, the proportion reporting that fear of failure would prevent them from starting a business increased sharply, reaching a high of 63.3% in 2022 but has steadily been declining to 56.3% in 2025. These results go hand in hand with those presented in the previous chapter and show an overall positive picture of attitudes in the UK.

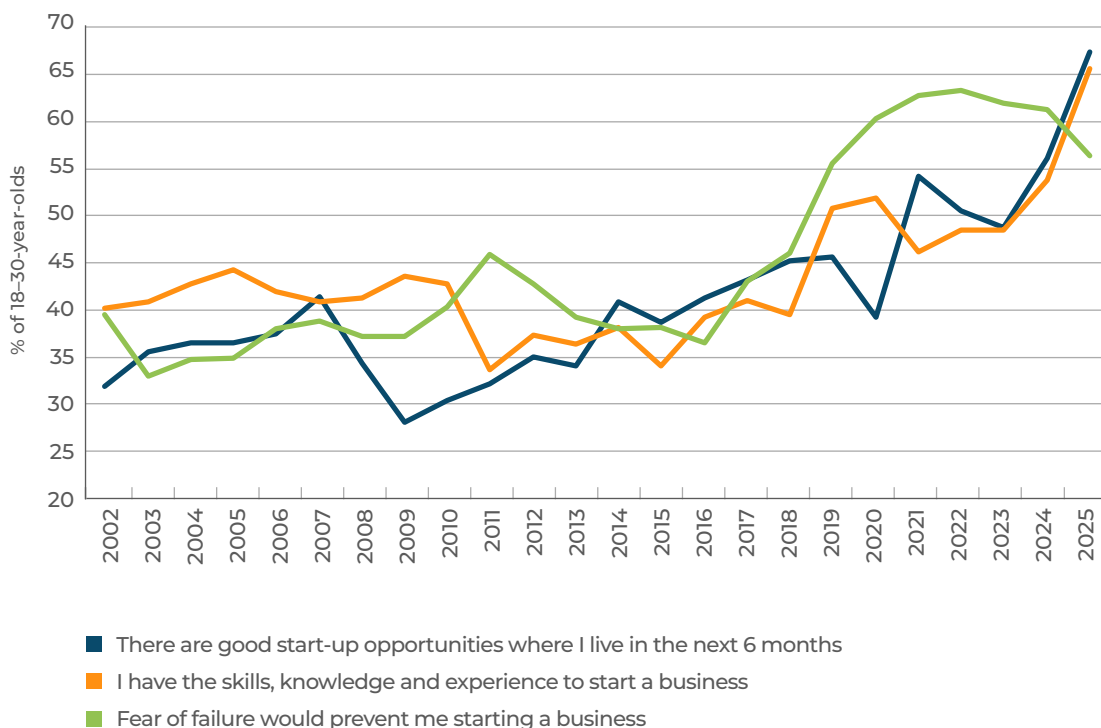
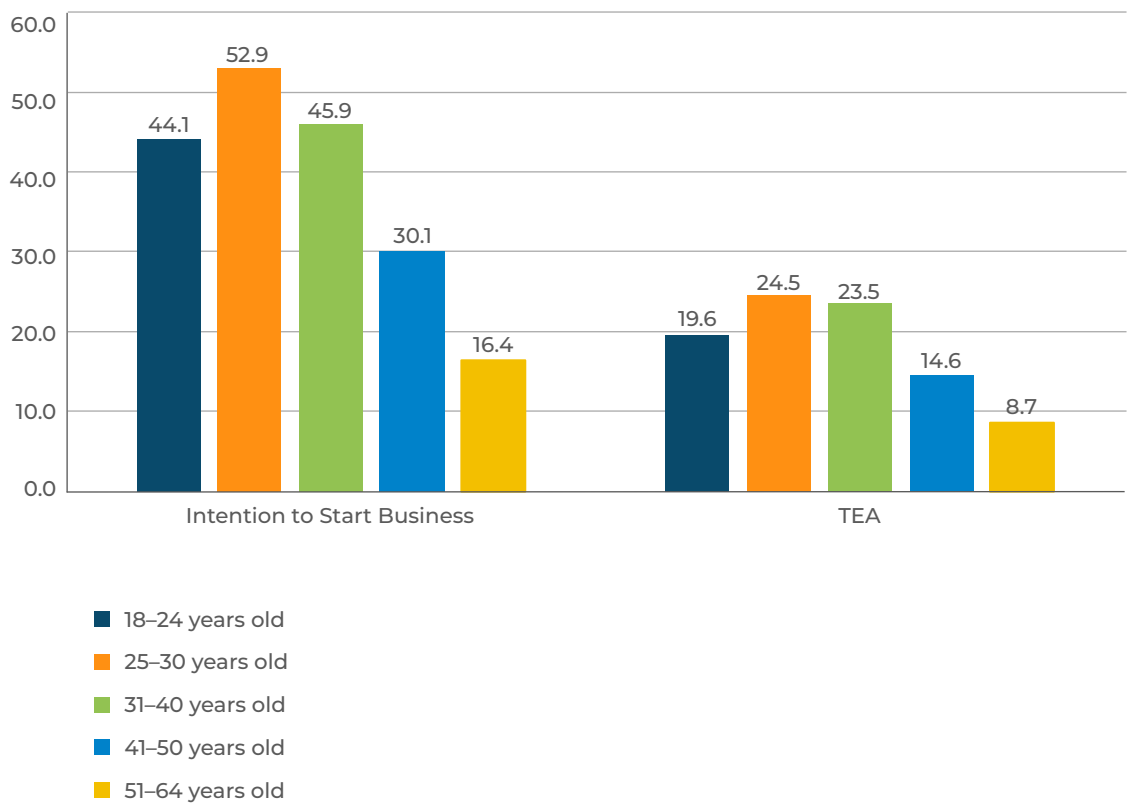


FIGURE 3.1: Trend in attitudes to entrepreneurship among 18-30-year-olds, 2002-2025
(Source: GEM UK APS 2002-2025)

Figure 3.2 provides insight into whether positive perceptions of entrepreneurship translate into stated intention to start a business and actual entrepreneurial activity. It shows a clear relationship between age and entrepreneurial activity, with younger adults generally more likely to express an intention to start a business and to be engaged in Total early-stage Entrepreneurial Activity (TEA). The 25–30 years old age group has the highest levels on both measures, with 52.9% intending to start a business and 24.5% engaged in TEA. This is

followed closely by those aged 31–40 years old, at 45.9% and 23.5% respectively, while 18–24-year-olds also demonstrate relatively high entrepreneurial intentions (44.1%) but a somewhat lower rate of actual early-stage activity (19.6%). Both measures decline substantially among older age groups, with only 16.4% of 51–64-year-olds intending to start a business and 8.7% participating in TEA. This suggests that entrepreneurial intentions and activity are particularly concentrated among people aged 18–40 years old.

FIGURE 3.2:
Intention to start a business and Total early-stage Entrepreneurial Activity (TEA) in the UK by age, 2025
(Source: GEM UK APS 2025)



Looking more closely at how early-stage entrepreneurial activity has evolved over time, Figure 3.3 shows that TEA has increased across most age groups since 2002, but the growth has been particularly evident among younger adults. While TEA rates for the different age groups were relatively close pre-GFC, the gap has widened since. The sharp increase among 25–30-year-olds is particularly notable and supports the previous finding that this group currently exhibits the highest level of entrepreneurial activity and suggests that entrepreneurship has become increasingly prevalent among younger adults.

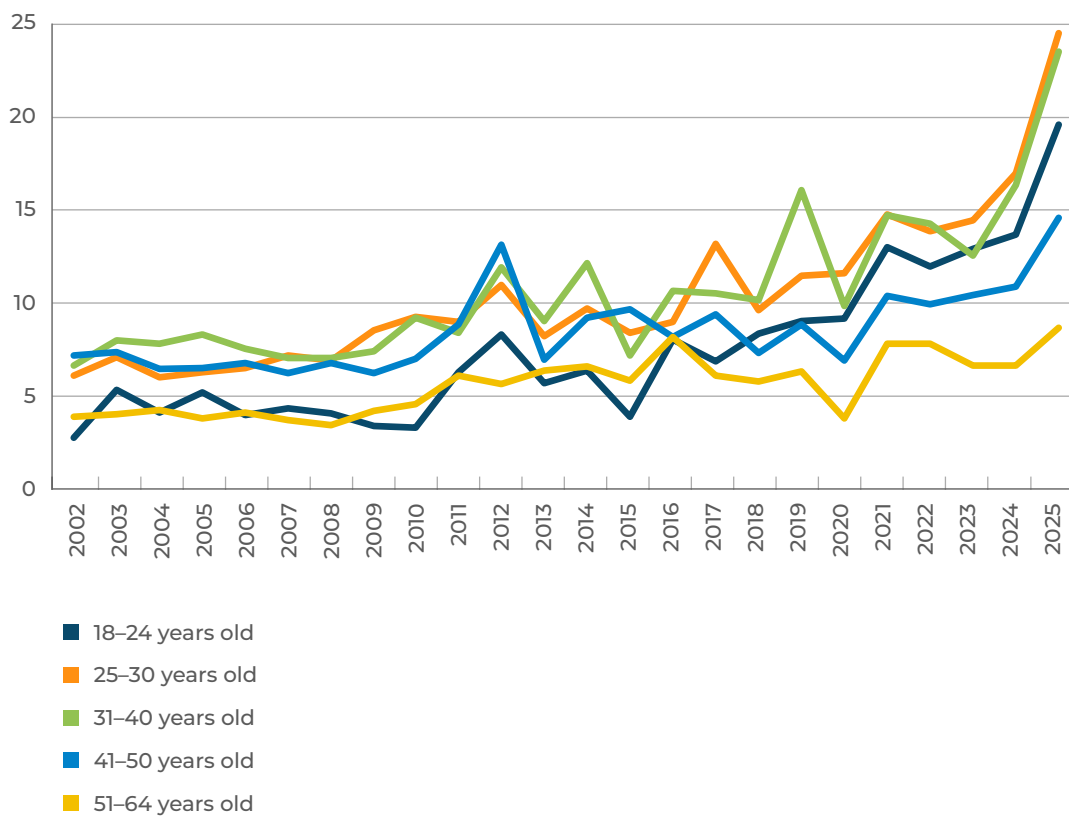
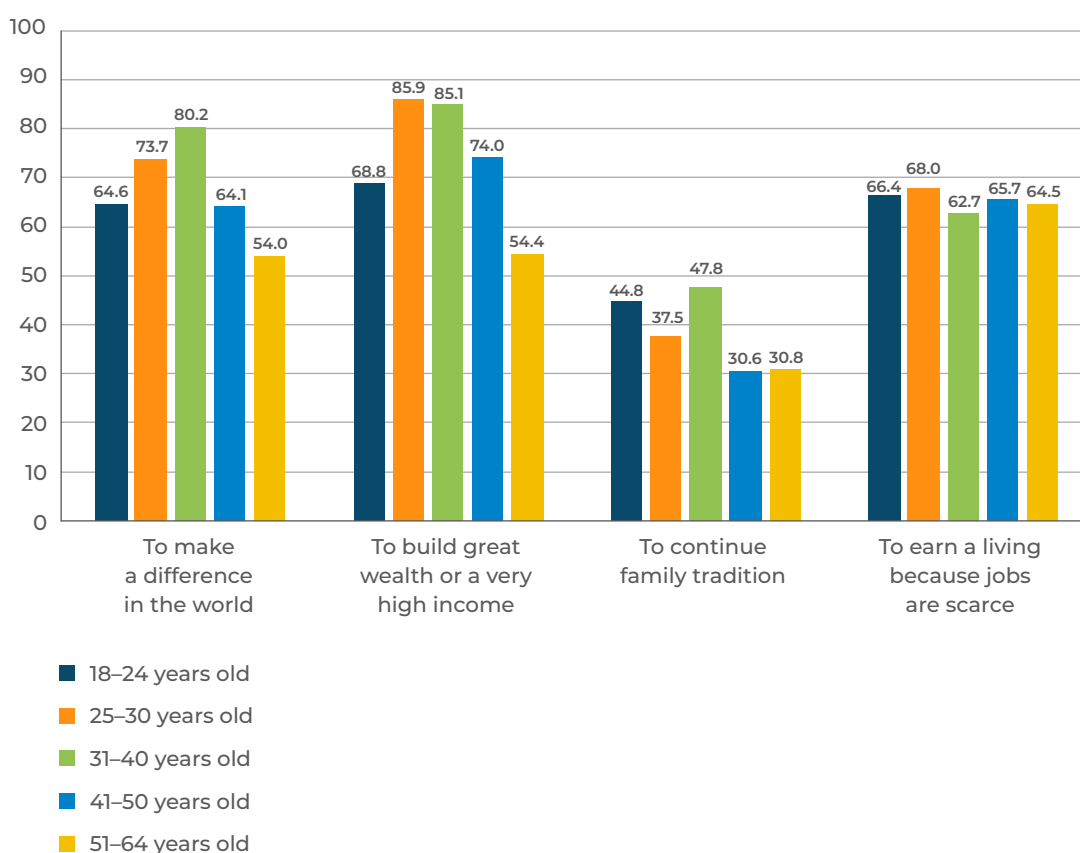


FIGURE 3.3: Trends in Total early-stage Entrepreneurial Activity (TEA) in the UK by age group, 2002–2025
(Source: GEM UK APS 2002–2025)

Examining motivations by age reveals important differences in what drives entrepreneurship across different age bands. Building great wealth or achieving a very high income is particularly important among 25–30 and 31–40-year-olds, reported by 85.9% and 85.1% respectively, compared with 68.8% of 18–24-year-olds and 54.4% of 51–64-year-olds.

Similarly, the desire to make a difference in the world peaks among 31–40-year-olds (80.2%) and is also relatively high among 25–30-year-olds (73.7%). In contrast, earning a living because jobs are scarce varies relatively little by age, ranging from 62.7% to 68.0%, suggesting that labour-market pressures are a broadly shared motivation across generations¹¹. Continuing a family tradition is less commonly cited overall, although it is notably more prevalent among 18–24 and 31–40-year-olds. These findings suggest that entrepreneurship among early-stage youth entrepreneurs is driven by a combination of financial ambition, a desire to make a positive difference, and labour-market pressures, highlighting the diverse motivations shaping young people’s decisions to pursue entrepreneurship.

FIGURE 3.4:
Motivations by
age band of
those involved in
Total early-stage
Entrepreneurial
Activity (TEA), 2025
(Source: GEM UK
APS 2025)



¹¹ Milburn, A. (2026). *Young people and work: Interim report*. Department for Work and Pensions. <https://www.gov.uk/government/publications/young-people-and-work-interim-report>

GEM examines a range of funding sources that nascent entrepreneurs expect to draw upon when starting their business. Figure 3.5 highlights these funding options used by youth entrepreneurs aged 18–30 years old and the important role of personal networks in financing new businesses. Close family members are the most reported source of finance (43.1%), while 41.2% of youth entrepreneurs report funding their business entirely themselves.

More formal sources of finance are also important, with 32.6% expecting to receive funding from banks, 25.9% from government programmes and 25.2% from private investors or venture capital. However, informal sources also remain prominent, with 26.5% receiving finance from friends or neighbours and 22.8% from other relatives. By comparison, only 14.4% identified online crowdfunding as an expected source of finance, suggesting that despite the growth of digital financing options, crowdfunding remains a relatively underutilised source of start-up capital among youth entrepreneurs. Overall, the findings suggest that access to finance among youth entrepreneurs relies heavily on personal resources and family or social networks, potentially creating barriers for young people who lack their own capital or access to financially supportive networks.

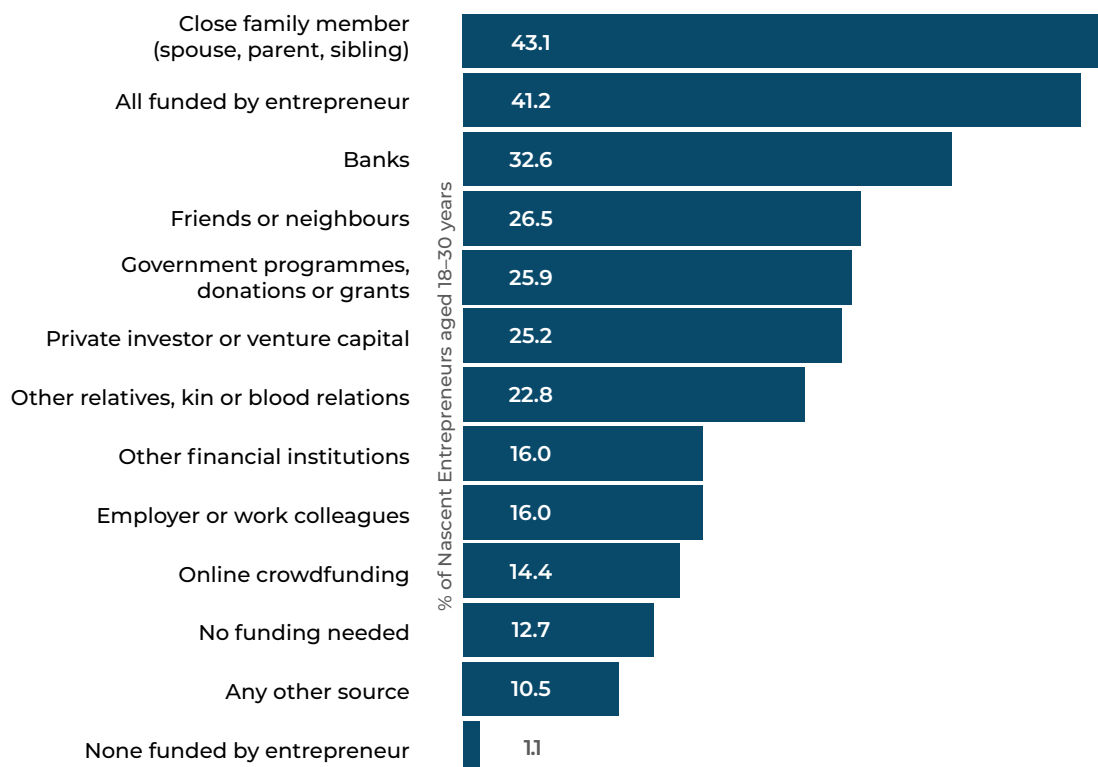


FIGURE 3.5:
Expected finance options of 18–30-year-old nascent entrepreneurs, 2025
(Source: GEM UK APS 2025)

3.3 SUMMARY

The findings present a picture of growing entrepreneurial ambition and activity among young people in the UK, while also highlighting several challenges that may affect their ability to translate this ambition into sustainable businesses. Entrepreneurial activity has increased substantially over time, with 18–30-year-olds among the most active age groups, particularly those aged 25–30. The evidence suggests that young people have considerable appetite for entrepreneurship, but realising this potential requires an environment that builds confidence, reduces barriers to starting a business and ensures that access to finance and support is not dependent on an individual's personal or family resources.

Read in isolation, these NEET and GEM figures pull in opposite directions. Read together, they challenge a narrative that recurs in policy debate but is rarely evidenced: that young people lack ambition. GEM data suggests otherwise. Notably, 84% of those classified as NEET report that they want to work. The evidence points not to an absence of aspiration, but to a mismatch between aspiration and the opportunity structures available to act on it.

GEM's longitudinal tracking of entrepreneurial activity across economic cycles offers a relevant interpretive frame here. Entrepreneurial activity rises for structurally different reasons: individuals may be drawn towards entrepreneurship by genuine opportunity, or pushed towards it by necessity when conventional routes into employment weaken. A rising TEA rate among young people is therefore not unambiguously positive – it can equally signal labour market strain.

This distinction matters for policy. The evidence base does not support interventions aimed at generating greater entrepreneurial interest among young people; that interest is already present, and at record levels. The more pressing gap is in the infrastructure required to convert entrepreneurial intent into sustainable outcomes – access to finance, networks, business support, and entrepreneurial education. GEM UK's longer-run findings on venture survival (see Chapter 9, “The Ethnic Survival Gap”) reinforce this point: the binding constraint on entrepreneurial outcomes has consistently been support for what happens after start-up, not enthusiasm at the point of entry.

Viewed through this lens, the two headline statistics are not contradictory. They describe a generation that remains ambitious, resourceful, and willing to act – and an open question as to whether institutions, policy, and support systems are structured to keep pace with that ambition. So, we conclude, this is *“Not a lost generation. An ambitious one that the system is not yet built to support.”*

4. SOLO ENTREPRENEURS

4.1 INTRODUCTION

Not all entrepreneurs set out to build a business with staff. A large and growing share of the UK's early-stage entrepreneurs operate alone, often by design rather than default. This chapter examines this group, comparing their profile, motivations and ambitions with those who start out as employers.

It begins with job creation intentions, showing that while most nascent entrepreneurs start solo, this is not a reliable signal of low ambition: a meaningful minority hold high-growth expectations that rival or exceed employer entrepreneurs, alongside a smaller, more settled group intending to remain solo. It then turns to demographic and motivational differences – gender, age, and drivers such as wealth-building and family tradition – and how these narrow between the nascent and new business stages. Finally, it examines AI adoption, both in day-to-day operations and future strategy, and how solo entrepreneurs' relationship with AI diverges from employers' as ventures mature.

Together, these findings show that “solo” describes a starting structure rather than a fixed trajectory, spanning both highly ambitious founders and those content to remain independent operators.

4.2 SOLO ENTREPRENEURS AND JOB CREATION

In the UK, over the last few decades there has been an increasing trend towards solo self-employment, whereby entrepreneurs are choosing to work alone, without employees, on their own terms. The GEM data shows that in 2025, 80% of nascent entrepreneurs started up with no other employees, of which 6% expect to have no additional employees within five years (Table 4.1). The share of new businesses with zero employees is lower, at just under one fifth, but 70% of those solo entrepreneurs also expect to create no additional jobs in five years. This suggests a small but relatively permanent group with no job-creating aspirations beyond their own employment.

Where job creation does occur, it typically comes later in the start-up phase, once a venture is fully established. Nascent start-ups create relatively few jobs initially with just 3.8% creating 50 or more. But for those new businesses operating within the first three years, around one fifth have between 10-49 jobs and a further fifth have 50 or more.

TABLE 4.1:

Current number of employees for nascent and new business owners and expected number of jobs, in five years, for those with zero current employees, UK 2025
(Source: GEM APS 2025)

	Current employees		Expected jobs for those with 0 current employees	
	Nascent entrepreneurs	New business owners	Nascent entrepreneurs	New business owners
	%	%	%	%
0	80.2	18.9	6.2	70.1
1-4	9.8	25.2	38.3	19.8
5-9	2.6	16.0	13.7	4.4
10-49	3.7	20.3	24.0	3.2
50+	3.8	19.7	17.8	2.5
Total	100.0	100.0	100.0	100.0

Although, as evidenced above, most nascent entrepreneurs start up as solo entrepreneurs, this is not a signal that they have low or limited growth expectations. In fact, when assessing high job expectation over the next five years (expect to create more than 10 jobs and 50%+ growth), a higher share of solo nascent entrepreneurs (42%) than all nascent entrepreneurs (28%) expect to have high growth.

Motivations for starting up also differ significantly between solo and employer nascent entrepreneurs (Table 4.2). Solo nascents are more likely to be driven by wealth-building, with over three-quarters citing this motivation compared to 67% of employer nascents. Family tradition shows the opposite pattern, motivating just 29% of solo nascents versus 49% of employer nascents. Differences also appear among new business owners: employers are significantly more likely than their solo counterparts to be motivated by making a difference in the world, building great wealth, and continuing a family tradition. Solo new business owners are less motivated to earn a living due to job scarcity, but this difference is not statistically significant.

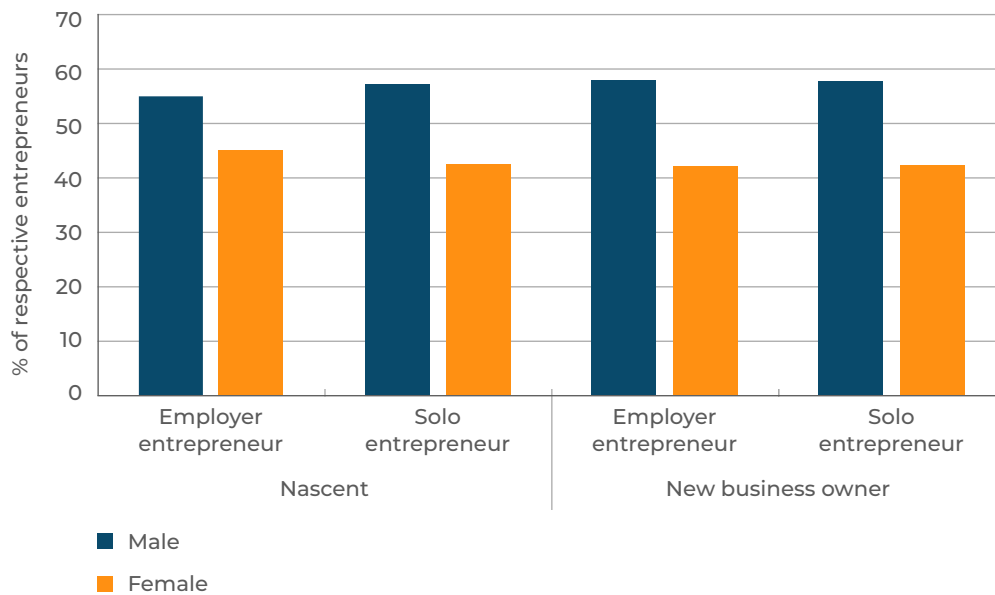
	Nascent entrepreneurs		New business owner entrepreneurs	
	Employers	Solo entrepreneurs	Employers	Solo entrepreneurs
To make a difference in the world	65%	69%	80%	52%
To build great wealth	67%	78%	84%	59%
To continue a family tradition	49%	29%	58%	35%
To earn a living as jobs are scarce	65%	63%	68%	56%

TABLE 4.2:
Motivation amongst nascent and new business owner solo and all entrepreneurs, UK 2025
(Source: GEM APS 2025)

4.3 SOLO ENTREPRENEURS AND GENDER

Most early-stage entrepreneurs in the UK are male, as shown in Chapter 2. But the size of the gender gap differs depending on whether they are employers or not, and whether they are nascent or new business owners (Figure 4.1). Among nascent entrepreneurs, the gender split is slightly more even for those with employees (55.0% men, 45.0% women) than for solo entrepreneurs (57.4% men, 42.6% women). At the new business stage, the gender profile is more similar, with men comprising 58% of both solo and employer entrepreneurs and women comprising 42%.

FIGURE 4.1:
Gender of solo and employer nascent entrepreneur and new business owners, UK 2025
(Source: GEM APS 2025)



4.4 SOLO ENTREPRENEURS AND AGE

As with the gender differential, there is also an age dimension to entrepreneurship. Most early-stage entrepreneurs are aged over 30, but the nascent stage, in particular, shows a difference in age profile between those that are employer entrepreneurs and those that are solo operators. Figure 4.2 shows that one third of nascent employer entrepreneurs are aged 18–29, but just 28% of nascent solo entrepreneurs are in this younger age group, indicating a greater propensity for younger people to start up and hire staff and for older people to start up as sole operators.

At the new business owner stage, the differential between the age groups is stable, with around 29% of both solo and employer entrepreneurs being aged 18–29 and around 70% aged over 30. Similar to the gender story, it suggests that the solo/employer distinction that is present at the initial start-up stage stabilises once businesses are up and running.

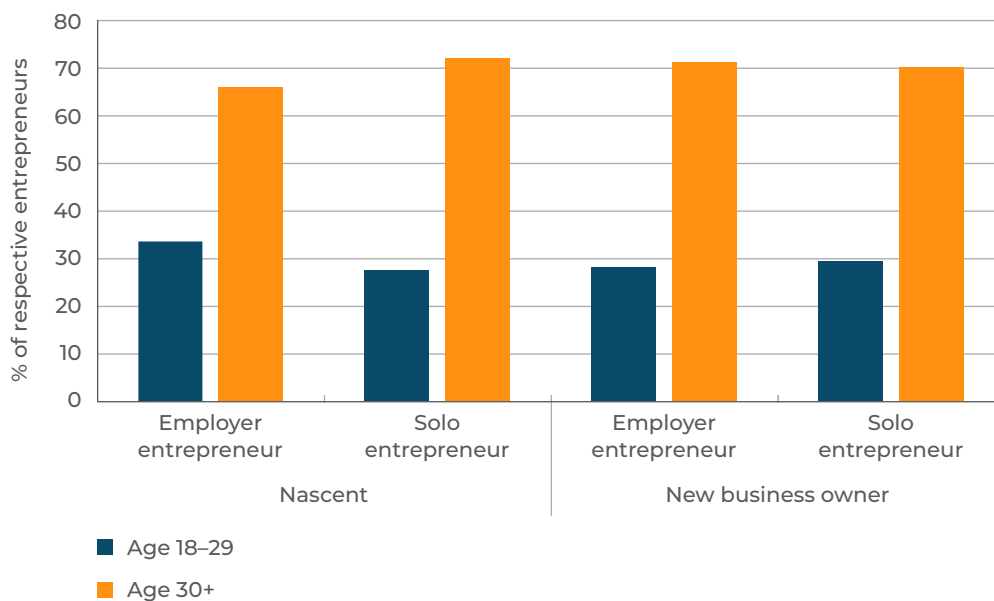


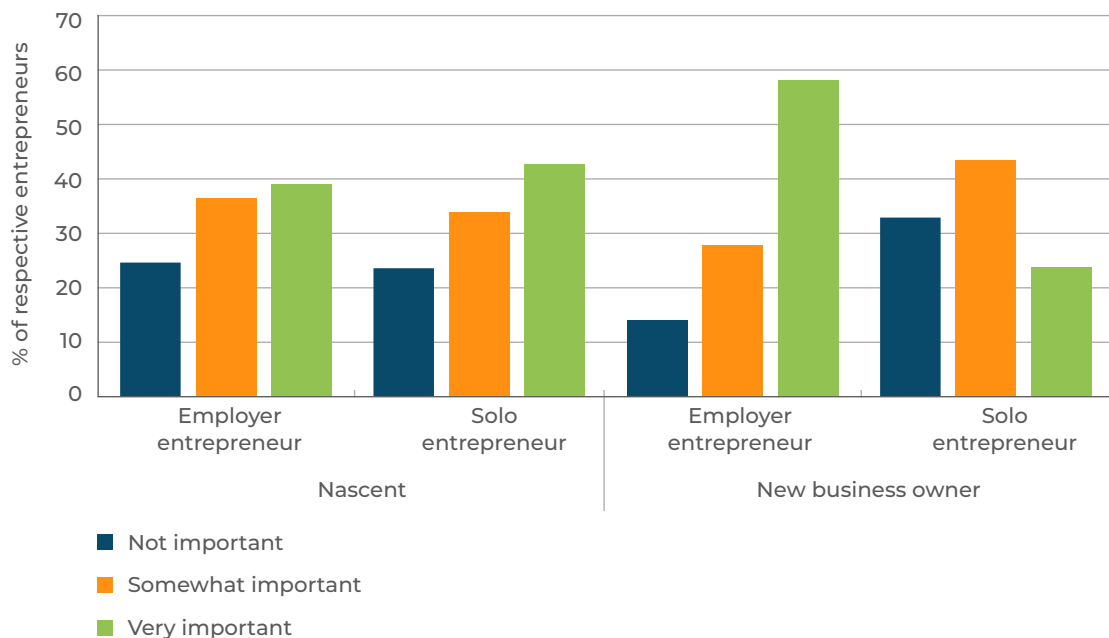
FIGURE 4.2:
Age band of solo and employer nascent entrepreneur and new business owners, UK 2025
(Source: GEM APS 2025)

4.5 SOLO ENTREPRENEURS AND ARTIFICIAL INTELLIGENCE (AI)

With regards to the adoption of AI, Figure 4.3 shows some distinct differences between solo entrepreneurs and employer entrepreneurs and that this changes depending on the stage of the business. At the nascent stage, employer and solo entrepreneurs look similar in that around a quarter in each group say that AI is “not important” to their day-to-day business operations. But solo nascent entrepreneurs are more likely to rate it as “very important” at 42.8% versus 39.0% of employers.

Among the new business owner group, employers show the strongest endorsement of AI, with 58.1% rating it “very important” and just 14.3% “not important”. In contrast, the largest share of solo new business owners (43.2%) rate AI as “somewhat important”. Taken together, these findings suggest two parallel but distinct trends: an emerging wave of nascent solo entrepreneurs who are embracing AI from the outset, in contrast to established solo operators who place far less weight on it; and, separately, larger new businesses increasingly turning to AI to support everyday operations.

FIGURE 4.3:
Importance of AI to day-to-day business operations amongst nascent and new business owner entrepreneurs, UK 2025
(Source: GEM APS 2025)



At the nascent stage, solo entrepreneurs are also more likely than employers to see AI as important to their business model implementation and strategy within three years (Figure 4.4); 43.2% of solo nascents rate it “very important” versus 34.8% of employer nascents, while employer nascents are more concentrated in the “somewhat important” category (52.3% versus 40.5% for solo).

This pattern shifts at the new business stage, similar to that seen above. Employer new business owners show the strongest conviction that AI matters to their future strategy, with 50.7% rating it “very important” and only 10.9% saying it’s “not important.” Solo new business

owners are less convinced, with just over one quarter rating it as “very important” and just over one fifth indicating that it is “not important”, the highest share across all four groups.

As with Figure 4.3 above, this points to a clear divergence by business stage. AI’s role in solo entrepreneurship appears strongest at the early launch stage, perhaps reflecting new AI-driven business models. While at the new business stage, employer entrepreneurs see AI as strategically important both currently and as their business matures. Solo entrepreneurs’ conviction is weaker at the new business stage, perhaps reflecting the nature of business activity in which they are involved.

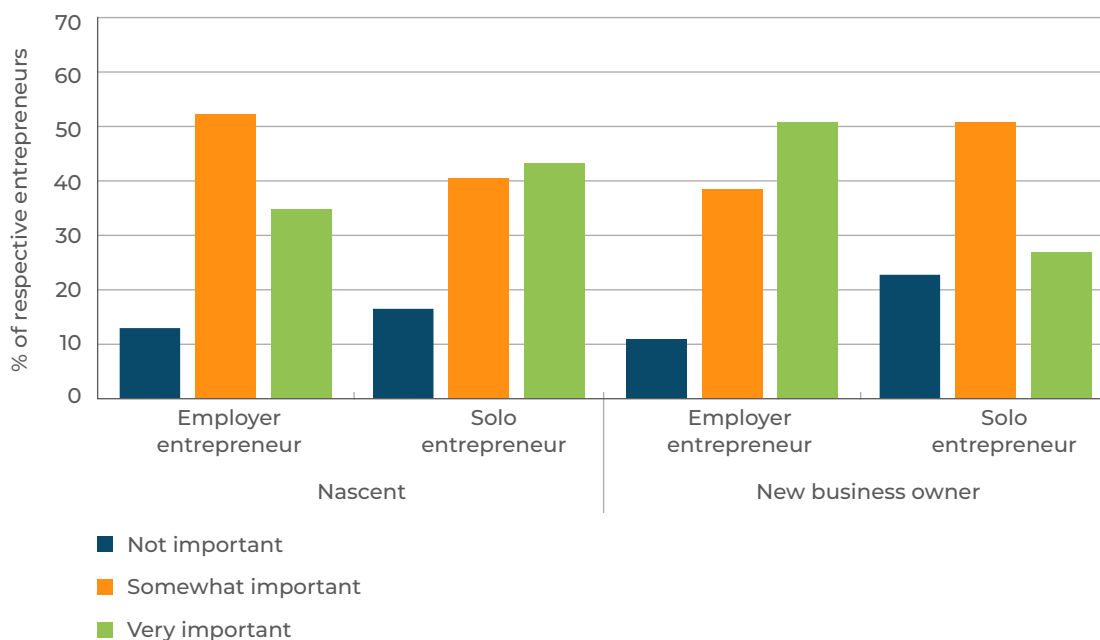


FIGURE 4.4: Anticipated importance of AI to business model implementation and strategy amongst nascent and new business owner entrepreneurs in the next three years, UK 2025 (Source GEM APS 2025)

4.6 SUMMARY

Solo entrepreneurship is the dominant, not marginal, route into UK enterprise, but the data resists a single narrative. Most nascent entrepreneurs start alone, yet a substantial share of these solo starters harbour high-growth ambitions comparable to or exceeding their employer counterparts – challenging the assumption that “solo” signals limited aspiration. Alongside this ambitious cohort sits a smaller, more settled group of solo operators for whom staying solo is the goal rather than a constraint to overcome.

The demographic and motivational gaps between solo and employer entrepreneurs are most pronounced at the nascent stage – in wealth-building motivation, family tradition, gender balance and age profile – and narrow considerably by the time businesses reach the new business phase, suggesting that early-stage differences reflect how people *enter* entrepreneurship more than durable traits of solo operators as a group.

AI adds a further layer of nuance: solo entrepreneurs lead the way in early enthusiasm but employer entrepreneurs pull ahead in strategic conviction as businesses mature, possibly reflecting differences in operational complexity, resourcing, or the types of business activity each group pursues. Taken together, these findings suggest policymakers and support providers should avoid treating “solo entrepreneur” as a homogeneous or lower-priority category – a meaningful share are growth-oriented and increasingly AI-engaged from the outset.

5. GROWTH AMBITION?

5.1 INTRODUCTION

Growth ambition – the extent to which early-stage entrepreneurs intend to expand their businesses in terms of employment, turnover, or market reach – has long been treated in the GEM framework as distinct from growth outcomes: ambition captures intent, not realised performance, and the two are only loosely correlated in practice. Growth ambition is shaped by a combination of individual factors (skills, confidence, prior experience), venture-level factors (sector, access to finance, founding team composition), and structural factors (market conditions, access to networks and support infrastructure).

Understanding what drives ambition, and where it is present but unrealised, is central to identifying when policy intervention could unlock growth that would not otherwise occur. A population with high stated ambition but persistently low realised growth points to a different set of constraints than one with low ambition from the outset – and the two call for different forms of support.

Similarly, the economic climate conditions impacting businesses also have implications for entrepreneurs' growth ambitions and their realised growth. Crises across time such as the GFC, the COVID-19 pandemic, and the war in Ukraine affect whether entrepreneurs aim to grow, shrink or hold steady in subsequent years. Understanding these dynamics helps deliver policy intervention to support entrepreneurs' high-growth ambitions and their potential realisation.

5.2 GROWTH AMBITION IN UK ENTREPRENEURS

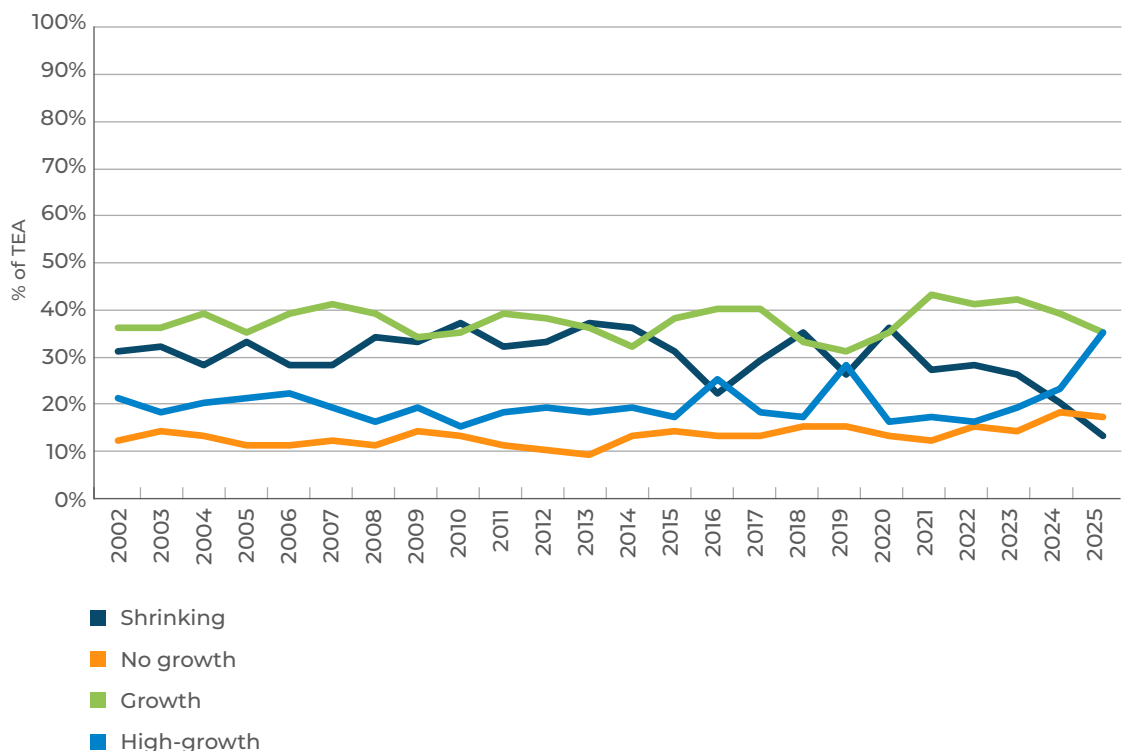
Long-run trends in growth ambition reveal recurring patterns of entrepreneurial success, survival, and failure. The long-run trends in Figure 5.1 show patterns of different growth ambitions in employment for the next five years. In the UK, early-stage entrepreneurs' ambition to grow their businesses tends to be steadily higher than any other growth ambition pattern over the period since 2002.

Notably, the share of early-stage entrepreneurs with high-growth ambition has continued rising, with a statistically significant increase from 23% in 2024 to 35% in 2025. That compared to the earlier rates of 16% in 2022 and 19% in 2023 denotes that optimism for entrepreneurship

has not only surged generally, but it also carries high-growth ambitions. This shift is important for the economy, considering high-growth entrepreneurs create jobs, aiming to employ at least ten people and that is equal to at least 50% of their current employment levels¹².

In stark contrast, the share of early-stage entrepreneurs aiming to shrink (or even exit) has reached a record low of 13% in 2025. This pattern has continuously declined from 26% in 2023 to 20% in 2024. Shrinking patterns also capture entrepreneurs who exit the market in the early years, a well-known phenomenon revealing the barriers to survival in the UK sitting at 47% in 2023 after three years post-entry¹³.

FIGURE 5.1:
Growth ambitions
of early-stage
entrepreneurs: next
five years,
2002–2025
(Source: GEM UK
APS 2002–2025)



¹² Anyadike-Danes, M. & Hart, M. (2017). The UK's high growth firms and their resilience over the Great Recession. Enterprise Research Centre Report. <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2017/09/ERC-ResPap62-Anyadike-DanesHart-Final.pdf>

¹³ ERC. (2025). The State of Small Business Britain Report 2024. <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2025/03/The-State-of-Small-Business-Britain-2024-Final-1.pdf>

5.3 GROWTH AMBITION VS REALISED GROWTH

Figure 5.2, comparing high-growth ambition in the UK early-stage entrepreneurial population to realised growth in established businesses, shows a structural shift in recent years since 2020. Notably, the share of established businesses employing at least ten people in 2025 is 47%, which is higher than the 35% share of early-stage entrepreneurs with high-growth ambition. This result and the 2020 shift are both statistically significant.

This trend, where the share of realised growth is higher than high-growth ambition in early-stage entrepreneurship, shifted meaningfully after the COVID-19 pandemic. Prior to 2020, the share of TEA with high-growth aspirations (28% in 2019) was higher than the rate of established businesses employing at least ten people (18% in 2019). The shift may reveal survival patterns where smaller businesses could not survive the COVID-19 pandemic shock, leaving only established businesses which reached meaningful employment status. This sits alongside the possibility of genuine post-COVID growth. Distinguishing between these explanations matters for policy. If the pattern reflects survivorship, intervention should focus on helping businesses survive long enough to scale; if it reflects genuine post-COVID growth, the priority shifts toward ensuring gains are not confined among already established businesses.

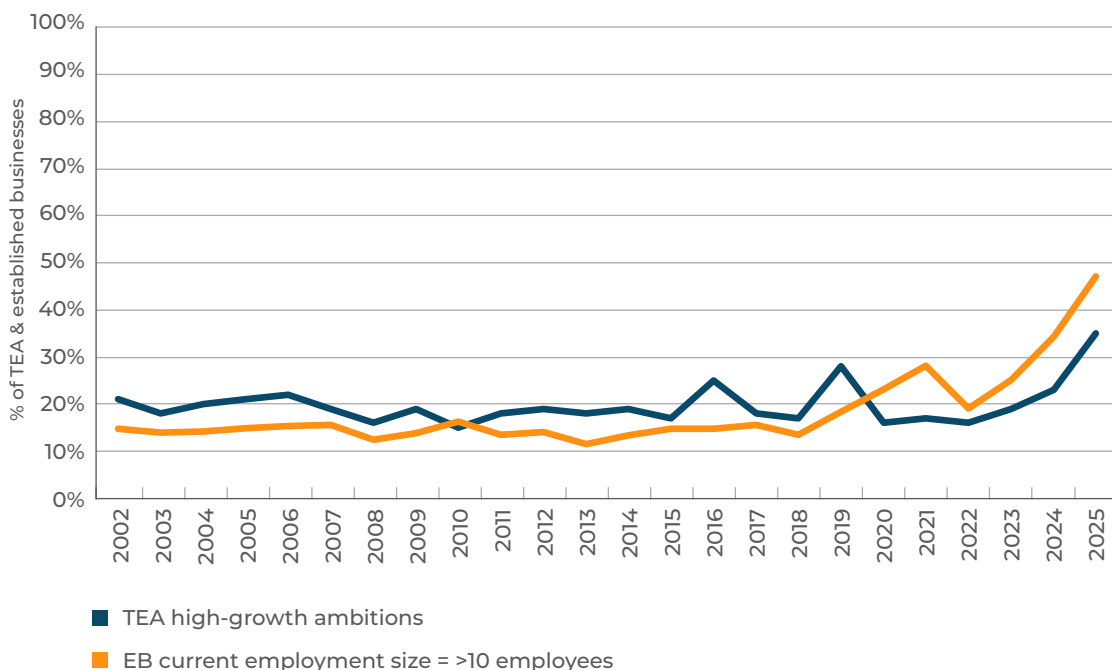


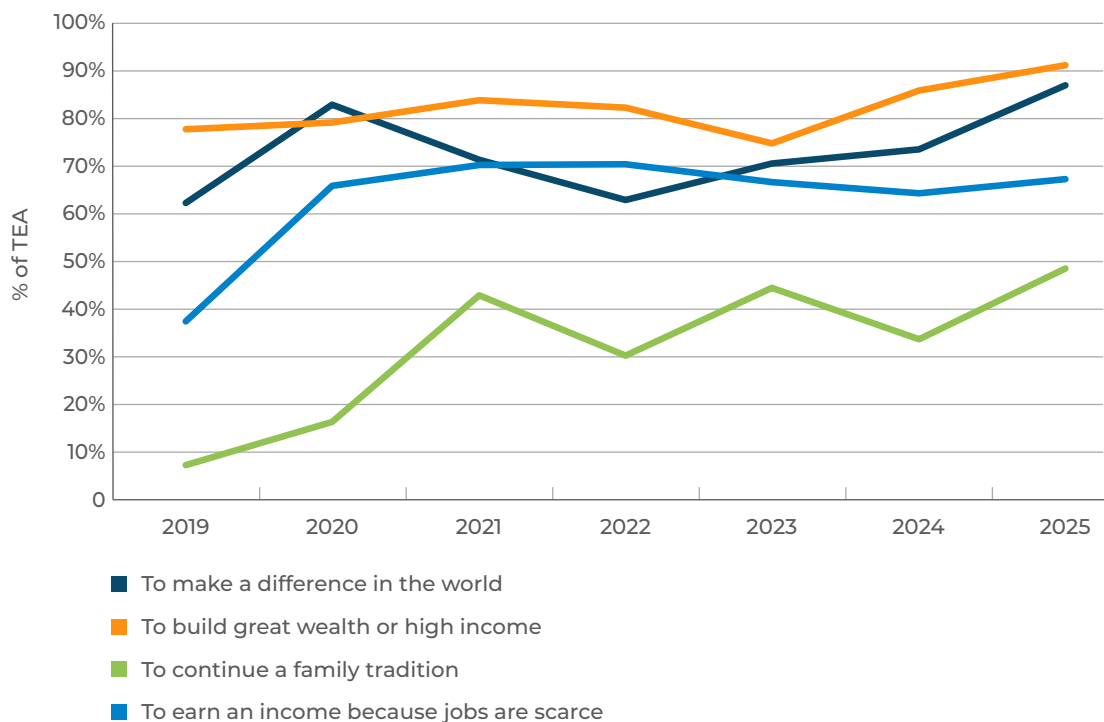
FIGURE 5.2: High-growth ambitions of early-stage entrepreneurs (next five years) vs established businesses realised growth, 2002–2025
 (Source: GEM UK APS 2002–2025)

5.4 DRIVERS OF ENTREPRENEURS' HIGH-GROWTH AMBITION: MOTIVATIONS AND SECTOR

High-growth ambition is shaped by individual drivers, such as those capturing aspiration- and opportunity-driven motivations. Figure 5.3 shows in 2025 the share of individuals with high-growth ambition and the motivation “To build great wealth” was 91% compared to 86% in 2024. This is close to the share of high-growth ambitious entrepreneurs with the motivation “To make a difference in the world” (87% in 2025). High-growth entrepreneurs report as a motivation “To build great wealth”, which is higher than the general TEA population (91% vs. 76% in 2025 Chapter 2, Figure 2.6). The gap is more pronounced for the motivation “To make a difference in the world” (87% vs 70% in 2025), suggesting high-growth ambition is more distinctly associated with this motivation than with wealth building alone¹⁴.

The motivation “To earn an income because jobs are scarce”, closely echoes a necessity driven motivation. In 2025 the share of entrepreneurs with high-growth ambitions whose motivation is “To earn an income because jobs are scarce” is 67%, notably lower than the previous two motivations discussed earlier, but similar to that of the general population of TEA (65% in 2025 Chapter 2, Figure 2.6). The motivation “To continue a family tradition” shows a comparable pattern, whose share among high-growth entrepreneurs sits at 48% in 2025, compared to 40% in the general TEA population.

FIGURE 5.3:
High-growth
ambition and
motivations,
2019–2025
(Source: GEM UK
APS 2019–2025)



¹⁴ See also: Tran, N.T.T., Mickiewicz, T., Folmer, E. & Stephan, U. (2026). Growth expectations of entrepreneurs during crisis: the role of social, environmental, and economic motivations. *Small Business Economics*, 67, 723–750. <https://doi.org/10.1007/s11187-026-01200-z>

Beyond individual motivations, sectoral composition also varies among entrepreneurs with high-growth ambitions¹⁵. Since 2021, there is a consistent ranking across years, whereby the “consumers, culture, & society sector” is highest, while the “extractive sector” is always lowest. Figure 5.4 shows sectoral differences among the share of high-growth ambitions in the TEA population.

Since 2022, the highest share of high-growth ambitions have been consistently in the “consumers, culture & society sector” – 31% in 2025. However, this year’s share shows a decrease from 37% in 2024. The “transforming sector” similarly shows a decrease from 21% in 2024 to 17% in 2025. “Business services”, one of the largest sectors for entrepreneurial activity in the UK¹⁶, shows an increase in 2025, rising to 19% from 17% in 2024. The “extractive sector”, however, shows the lowest share of high-growth ambitions at 1% in 2025, remains consistently in the 0% – 3% level since 2019.

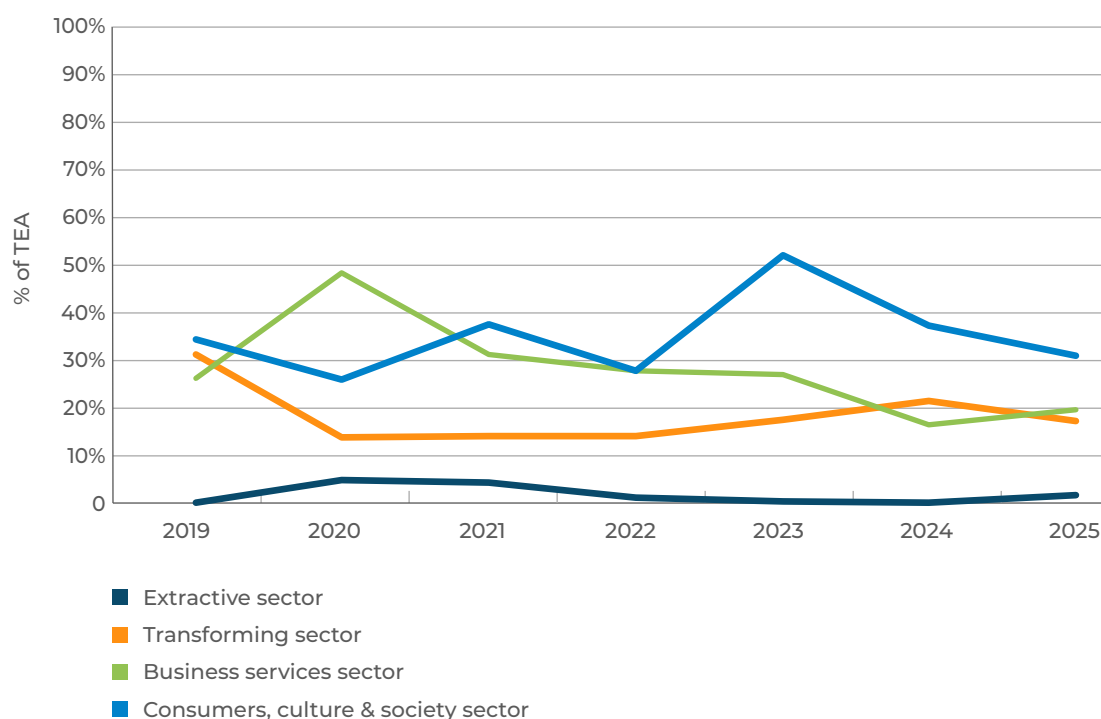


FIGURE 5.4:
High-growth ambition and sector, 2019–2025
(Source: GEM UK APS 2019–2025)

¹⁵ The GEM (Global Entrepreneurship Monitor) framework splits economies into four development-based sector categories, derived from the composition of GDP and used to contextualise entrepreneurial activity across countries at different stages of development: **Extraction sector** – primary/extractive activities: agriculture, forestry, fishing, mining, and other raw material extraction. **Transformation sector** – manufacturing, construction, transportation, communications, wholesale distribution, and utilities. **Business services sector** – finance, insurance, real estate, and other professional/business-to-business services. **Consumer-oriented services sector** – retail, personal services, leisure, hospitality, health, education, and other consumer-facing services. These four groupings come from GEM’s use of the sector classification typically drawn from Wood’s (2002) sectoral framework, adapted for cross-country comparability in the GEM Adult Population Survey data on entrepreneurial activity by industry.

¹⁶ Murray, A. (2025) *Business statistics*. House of Commons Library, Research Briefing SN06152. Available at: <https://commonslibrary.parliament.uk/research-briefings/sn06152>

5.5 SUMMARY

High-growth ambition among UK early-stage entrepreneurs has risen sharply, climbing from 16% in 2022 to 35% in 2025, while the share aiming to shrink or exit has fallen to a record low of 13%. Since 2020, however, realised growth among established businesses (47% employing at least ten people) has outpaced high-growth ambition at the early stage (35%) – a reversal of the pre-2020 pattern, when stated ambition consistently ran ahead of realised outcomes.

The chapter frames this as an open question between two explanations: survivorship, where only businesses robust enough to weather the COVID-19 shock remain to register as established, or genuine post-COVID growth concentrated among incumbents – each implying a different policy priority, either supporting survival-to-scale or ensuring growth gains are not confined to already-established firms. High-growth ambition is most closely associated with the motivation to make a difference in the world (87%, notably higher than the general TEA population's 70%) rather than wealth-building alone, and is concentrated in the consumers, culture & society sector, though this sector's dominance eased in 2025 while business services grew.

6. FEMALE ENTREPRENEURSHIP AND THE FINANCE GAP

6.1 INTRODUCTION

Access to finance has consistently been identified as one of the most significant constraints facing early-stage entrepreneurs, and the evidence base is equally consistent in showing that this constraint is not evenly distributed. Women starting and running early-stage businesses continue to raise less external finance, on less favourable terms, and from a narrower set of sources than their male counterparts – a pattern that holds even after accounting for differences in sector, business size, and growth ambition. This is not a new finding, but its persistence across successive GEM UK cycles, and across the wider international evidence base, suggests that the barriers involved are structural rather than transitional.

This chapter examines the finance experiences of early-stage women entrepreneurs using this year's GEM UK data, addressing three linked questions. First, how does access to start-up finance differ by gender at the point of business formation, across different

sources – from personal savings and informal finance through friends and family, to bank lending, equity investment, and grant funding. Second, whether there are differences in demand-side perceptions of availability of external start-up financing by gender, and in turn whether there are gender differences on the supply side of the really vital informal finance. Additionally, we examine differences in the genders of the entrepreneurs male and female informal funders invest in. Third, what demand-side perceptions of funding availability imply for growth ambition and productive entrepreneurship among women-led ventures.

The finance gap facing women entrepreneurs matters beyond questions of equity alone. Given the scale of women's entrepreneurial activity, addressing structural barriers to finance represents one of the more significant untapped sources of economic growth available to policymakers – not a niche concern, but a mainstream one with material consequences for UK productivity and enterprise formation.

6.2 EARLY-STAGE ENTREPRENEURIAL ACTIVITY: GENDER

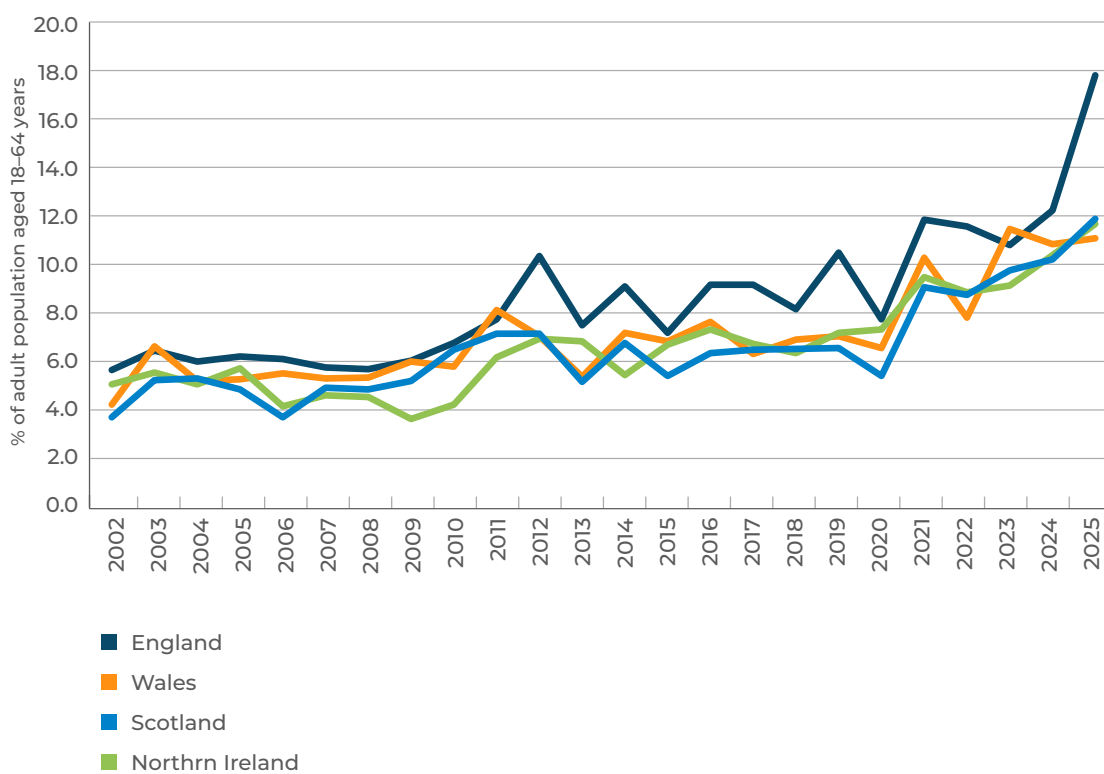
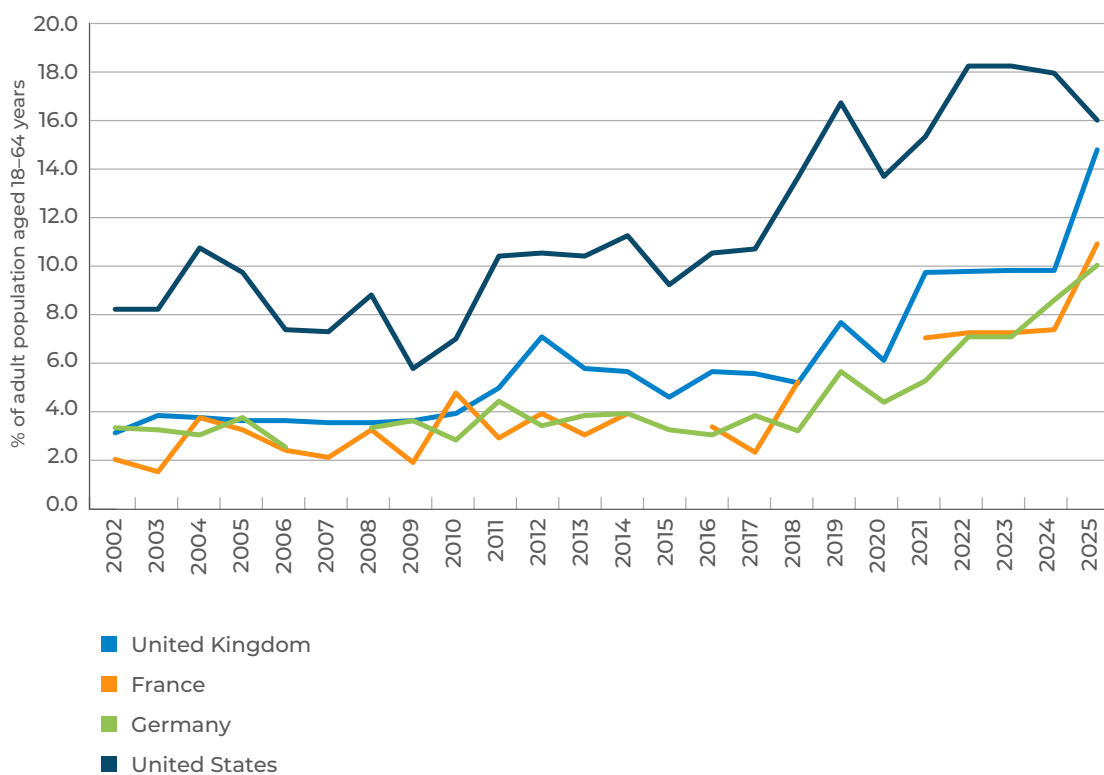
Recent years have seen successive governments across the UK introduce a range of policy initiatives to encourage more women to engage in entrepreneurial activity. GEM data shows that the upward trend in participation in early-stage entrepreneurial activity by women in the UK has continued, reaching a new height of almost 15% in 2025 (Figure 6.1). Comparator European countries demonstrate a similar trend to the UK while remaining about four percentage points lower (France: 10.8%; Germany: 10%). In contrast, US Female TEA has been consistently higher than that of the UK, with an average gap of 5.4 points since 2002 and a high of 8.9% gap in 2019. However, in 2025, US Female TEA saw a two percentage point drop. At the same time, UK Female TEA grew by nearly five percentage points, resulting in virtual convergence with the US, which was once a vision set out by the former UK Small Business Service.

Whether the convergence between the UK and the US is more than an ephemeral episode will emerge in coming years. What the GEM UK 2025 data however readily reveals at present is internal divergence among the home nations, with England reporting a sharp rise, Scotland seeing an uptick of just over a percentage point, while both Wales and Northern Ireland had a slight decrease in Female TEA in 2025 (Figure 6.2).

Research establishes that many barriers underpin gender differences in entrepreneurial participation and performance.¹⁷ However, access to finance remains a foremost challenge for women entrepreneurs globally.¹⁸ While much has been said about the finding that only about 2% of equity investment is advanced to women entrepreneurs, it is important to examine gender differences across a wider suite of sources of start-up financing, particularly at the nascent stage as women start their entrepreneurial journey.

¹⁷ Carter, S., Mwaura, S., Ram, M., Trehan, K., & Jones, T. (2015). Barriers to ethnic minority and women's enterprise: Existing evidence, policy tensions and unsettled questions. *International Small Business Journal*, 33(1), 49–69. doi:10.1177/0266242614556823

¹⁸ OECD/GWEP (2025), *Bridging the Finance Gap for Women Entrepreneurs: Insights from Academic and Policy Research*, OECD Studies on SMEs and Entrepreneurship, OECD Publishing, Paris, <https://doi.org/10.1787/75b52972-en>.



6.3 ACCESS TO FINANCE

GEM asks entrepreneurs if they have received or expect to receive financing from nine different funding sources, including close family, other relatives, work colleagues, banks, private equity or venture capital, grants, crowdfunding, or other sources. In 2025, the three leading sources of start-up financing employed by nascent entrepreneurs were close family (39%), banks (35%), and grant funding (22%), with private equity also crossing the 20% mark (Figure 6.3).

Among nascent entrepreneurs, gender differences are apparent across most funding sources and appear to follow expected patterns. Women tend to lean more into funding from close family (44% women; 36% men), and other relatives (20% women; 18% men) while men hold the advantage in virtually all other sources of funding. Work colleagues and friends are not widely examined as a source of start-up finance. However, our data reveals their significance with 15% of nascent entrepreneurs having received or expecting to receive financing from their employer or work colleagues to start their business, and 17% looking to friends as a source of funding. While only minor gender differences are detected, it is noteworthy that even for these two informal sources of financing, women are still at an apparent disadvantage. This may be related to gender differences in the types and instrumentality of networks that men and women entrepreneurs tend to build and draw on.

Looking at the more formal sources of enterprise financing, the SME Finance Monitor estimates that 30% of all SMEs used core bank finance products in 2025.¹⁹ Among nascent

entrepreneurs, we estimate that banks were the second most prevalent form of financing cited by 35% of nascent entrepreneurs in 2025, with men at 37% compared to 32% for women. While the female disadvantage in bank financing is well established in the literature,²⁰ much of the recent debate has surrounded female access to private equity and venture capital funding. This has been particularly driven by the controversy around the fact that female entrepreneurs receive only around 2% of equity investment by value, including in the UK as reported by the British Business Bank.²¹

GEM simply asks nascent entrepreneurs if they have received or expect to receive money from private investors or venture capital. Our data may therefore provide a clearer picture of the pipeline of entrepreneurs preceding the oft-discussed gender disparity in actual value extended to women overall. In 2025, we find that 20% of women entrepreneurs in the very early stages of setting up a business draw on private investors or venture capital, with male nascent at 23% and within the margin of error.

Effectively, our findings suggest that there is considerable interest in external equity among nascent entrepreneurs and further, there are no significant gender differences in usage or perceived plausibility of equity financing at the point of business formation.

The question that follows, then, is what is happening inside this funding funnel that appears to start with virtual gender parity in appetite for equity funding but ends with women getting just 2% of actual funding provision.

¹⁹ SME Finance Monitor Q4 2025 Report

²⁰ Malmström, M., Burkhard, B., Sirén, C., Shepherd, D., & Wincent, J. (2024). A Meta-Analysis of the Impact of Entrepreneurs' Gender on their Access to Bank Finance. *Journal of Business Ethics*, 192(4), 803–820. doi:10.1007/s10551-023-05542-6

²¹ British Business Bank. (2023). Small business equity tracker 2023. https://www.british-business-bank.co.uk/sites/g/files/sovrnj166/files/2023-07/J0250_BBB_S BET_2023_AW3.pdf

Among the SME population, the SME Finance Monitor reports that only 2% of SMEs in the UK were using grant funding in 2025²². In contrast, GEM finds that almost a quarter of nascent entrepreneurs were looking to grants to fund their start-up. Again, male nascent entrepreneurs were slightly more likely to indicate they had received or were expecting to receive money from government programmes, donations or grants at 25% compared to 22% of women in the nascent stage.

Crowdfunding has been touted as a potentially effective mechanism to bridge the gender funding gap, with reviews of existing research suggesting that women entrepreneurs may actually have an advantage over their male peers.²³ While generally considered a quite niche form or alternative finance, our survey finds that 10% of both male and female nascent entrepreneurs consider crowdfunding a plausible source of start-up financing. Finally, 11% of nascent entrepreneurs were looking to other alternative sources of financing, with write-in responses including sources such as customer deposits, Merchant Advances by Amazon and PayPal, and micro finance institutions.

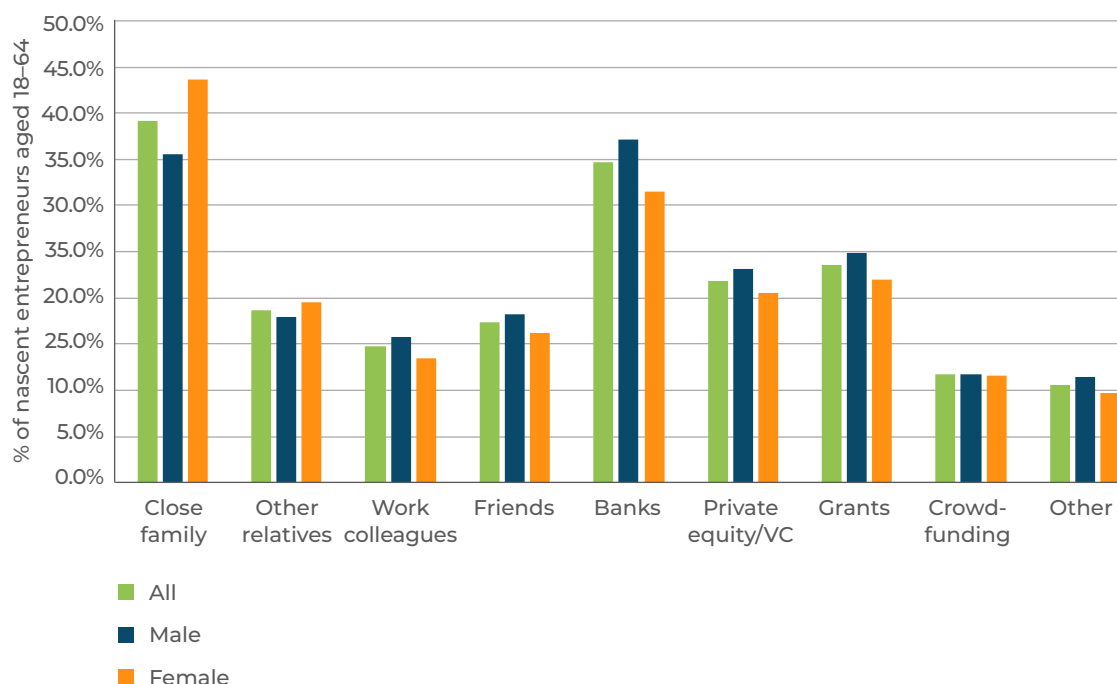


FIGURE 6.3:
Sources of start-up funding among nascent entrepreneurs 2025
(Source: GEM APS 2025)

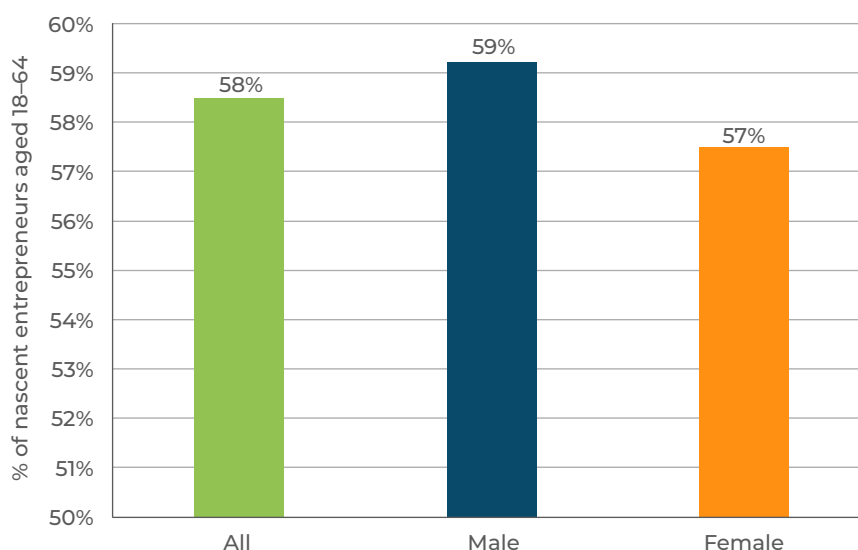
²² Ipsos. (2026). *SME finance monitor Q4 2025: Report chapter summaries*. [SME Finance Monitor Q4 2025 Report](#)

²³ Koziol, K., Schmitz, M., & Bort, S. (2025). Gender differences in entrepreneurial equity financing—a systematic literature review. *Small Business Economics*, 65(1), 231–286. doi:10.1007/s11187-024-00989-x

6.4 DEMAND-SIDE PERCEPTIONS AND SUPPLY-SIDE BIASES

Demand-side perceptions of availability of external start-up financing are important to examine, primarily because they constitute an important motivation to proceed to the actual pursuit of start-up financing. Existing research suggests that women are disproportionately more likely to face this first hurdle to accessing finance.²⁴ In 2025, however, we find that 57% of women nascent entrepreneurs are positive that there are adequate sources of external start-up funding in their region. The male rate was nominally higher at 59%, with the difference not statistically significant (Figure 6.4). The emerging story here is that at the point of business formation, men and women appear to have similar perceptions and expectations about their start-up financing prospects.

FIGURE 6.4:
Perceptions of
adequate sources
of start-up funding
among nascent
entrepreneurs 2025
(Source: GEM APS 2025)



²⁴ Birindelli, G., Capozza, C., & Iannuzzi, A. P. (2026). Women-owned firms and discouragement to apply for credit: evidence before and during the COVID-19 pandemic. *Small Business Economics*, 66(1), 233–254. doi:10.1007/s11187-025-01103-5

As a population survey, the majority of GEM respondents are not active entrepreneurs. However, many will have provided funds to entrepreneurs, primarily as informal investors, with others as business angels. In 2025, GEM findings presented in Figure 6.5 show that about 12% of working-age adults in the UK had personally provided funds for a new business started by someone else in the past three years. However, men were more likely to have done so, with a rate of 14% compared to a female investor rate of 10%. This difference is statistically significant.

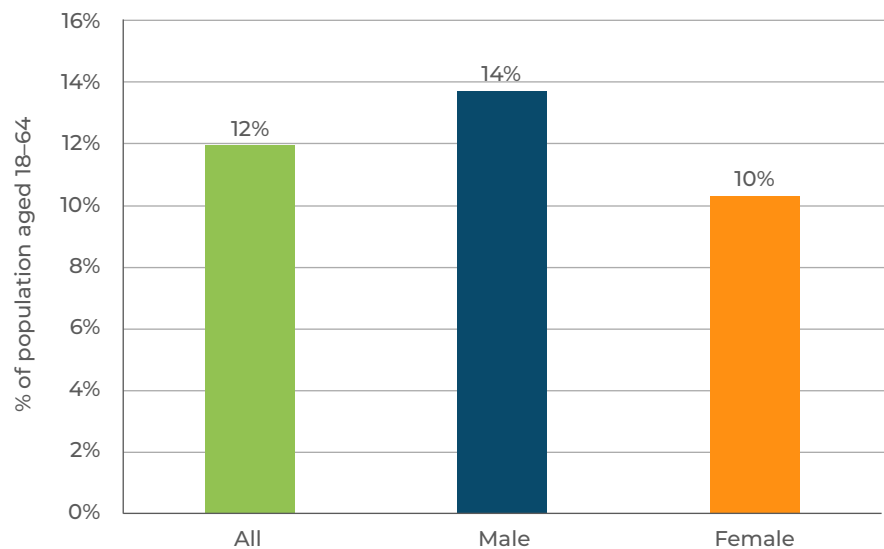
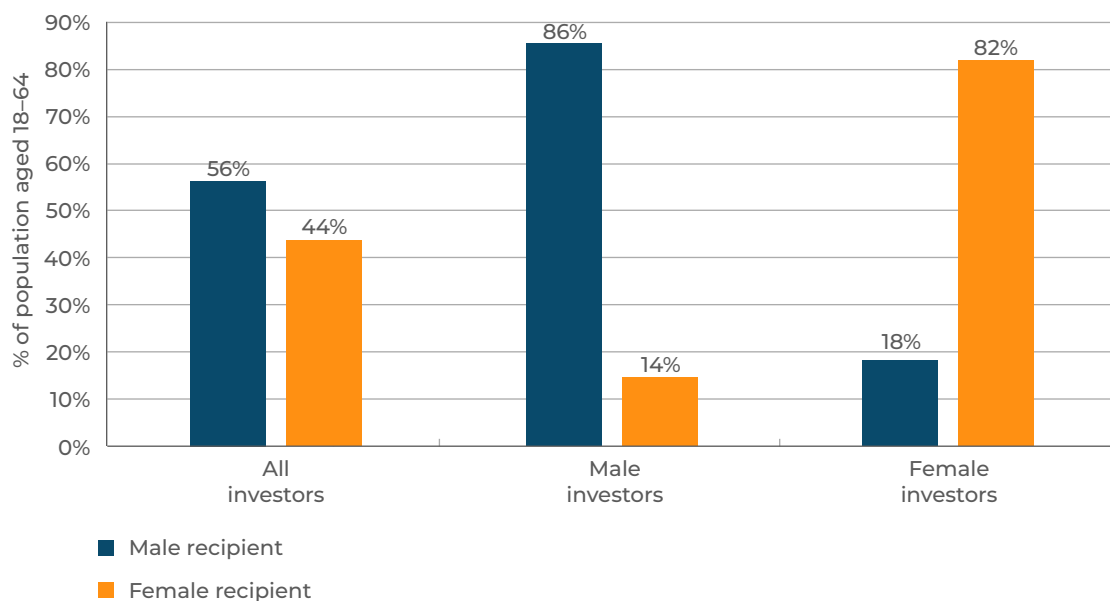


FIGURE 6.5:
Suppliers of start-up
funding by informal
investors 2025
(Source: GEM APS 2025)

GEM further explores the gender of the person the investor provided funding to. Existing research highlights significant gender homophily patterns in investor behaviour.²⁵ In 2025, we find this to be the case with investors in the UK too. Figure 6.6 first shows that 56% of recipients of investment were male with 44% female, a statistically significant difference. Looking at the both the gender of the investor and that of the investee, we find that 86% of male investors provided funding to male entrepreneurs, with only 14% indicating the recipient was female.

We however observe less of a bias among female investors, with 82% mainly funding women while 18% of female investors extended start-up funding to male entrepreneurs. The net effect is that most investors provide funding to male entrepreneurs, resulting in a large overall gender funding gap. Given this seemingly highly entrenched gender homophily in investment behaviour, gender differences in participation in start-up investment in the first place are highly pertinent to the debate around gender equity in access to finance.

FIGURE 6.6:
Gender of recipients
of start-up funding
by informal
investors 2025
(Source: GEM APS 2025)



²⁵ Koziol, K., Schmitz, M., & Bort, S. (2025). Gender differences in entrepreneurial equity financing– a systematic literature review. *Small Business Economics*, 65(1), 231–286. doi:10.1007/s11187-024-00989-x

6.5 IMPLICATIONS OF FUNDING CHALLENGES ON WOMEN'S ENGAGEMENT IN PRODUCTIVE ENTREPRENEURSHIP

It is important to further investigate what implications gendered challenges to accessing start-up finance have on the ability to engage in entrepreneurial activity that significantly contributes to society through high employment growth, export activity and innovation. This provides a clear indication of what society loses out on by allowing gender bias in access to start-up finance to perpetuate.

GEM defines a high-growth business as one that within a period of five years expects to have increased employment by at least 10 people

and achieved a 50% increase on its present staff headcount, excluding the founders. Figure 6.7 shows that 38% of nascent entrepreneurs that are positive about the adequacy of sources of financing in their area are likely to have high-growth aspirations, while only 24% those perceiving funding challenges have these growth aspirations. Looking at female nascent entrepreneurs, we find that perception of funding challenges has a greater penalty on growth aspirations, with only 19% of women perceiving funding challenges still holding high-growth aspirations.

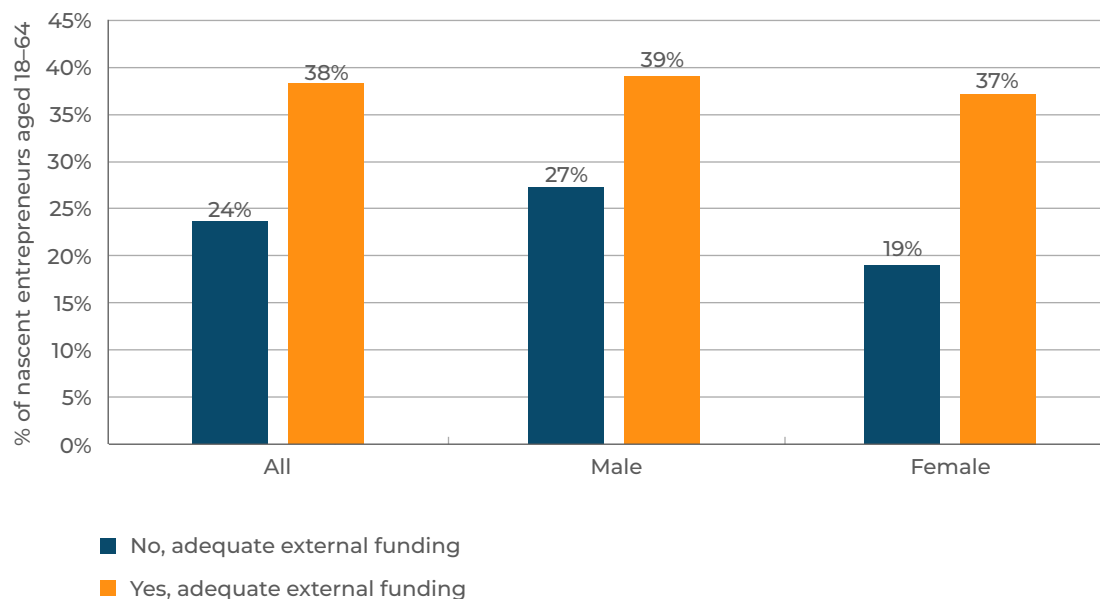
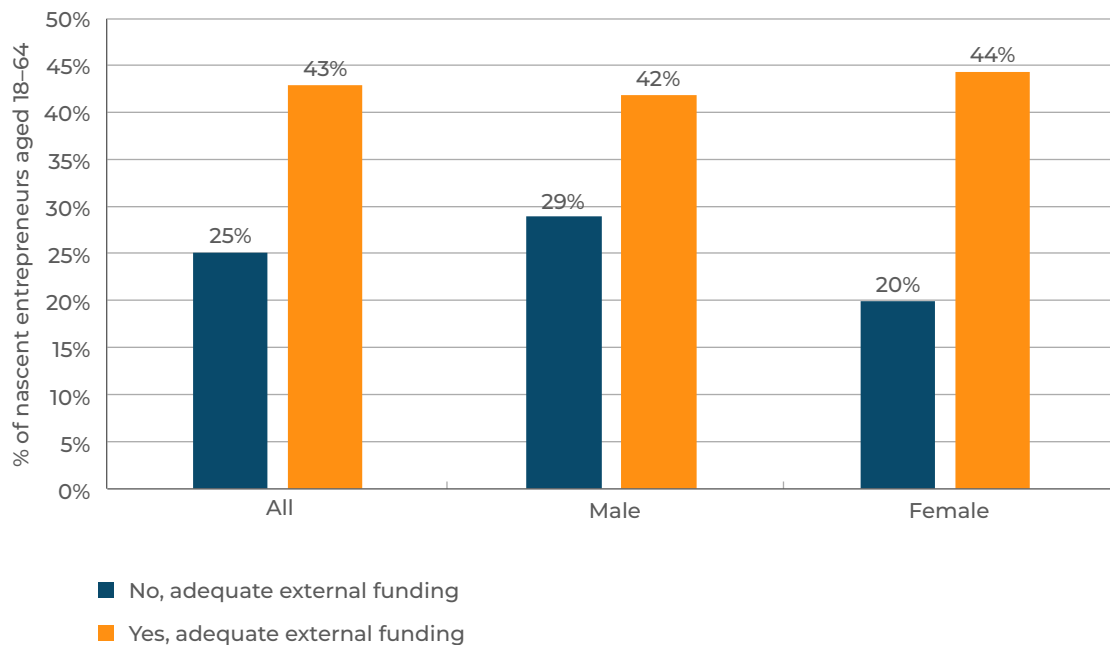


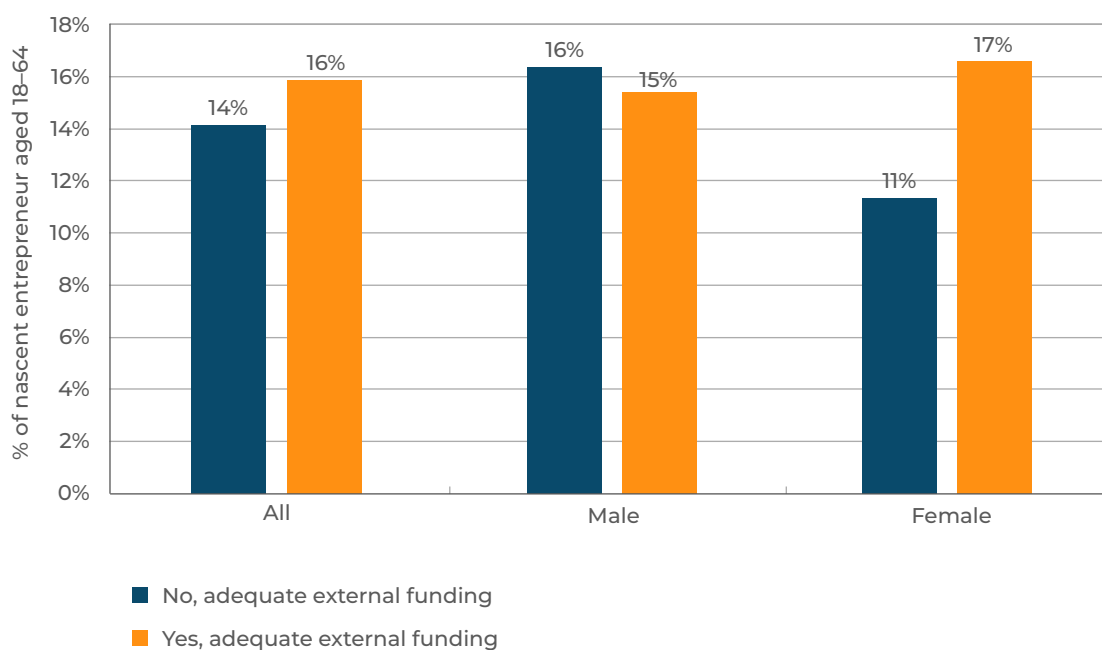
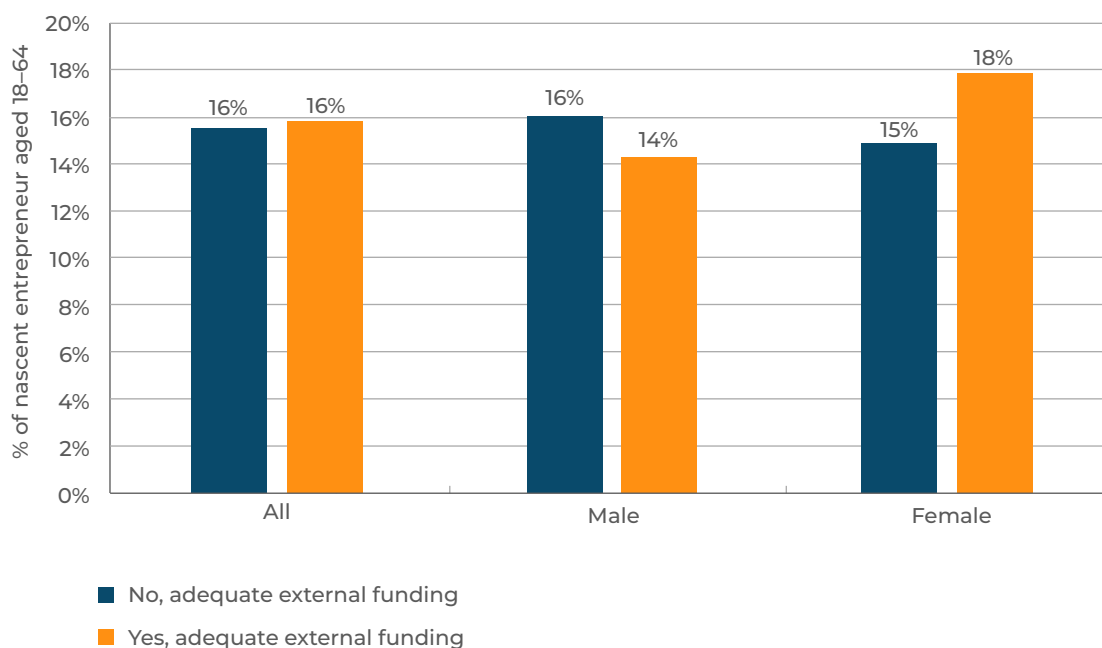
FIGURE 6.7: Perceptions of adequate sources of start-up funding and high-growth aspirations among nascent entrepreneurs
(Source: GEM UK APS 2025)

Figure 6.8 considers high export activity with at least 25% annual sales revenues coming from customers abroad. We again find that women perceiving funding challenges are significantly less likely to engage in significant export activity compared to their male counterparts. Curiously, Figures 6.9 and 6.10 suggest that the perception of challenges accessing funding has no significant association with engagement in product or process innovation, captured as products or services, or process technologies at

least new to people in the country. Only about 15% of all nascent entrepreneurs expect to engage with this level of innovation. There may therefore be a selectivity effect with this group of innovators such that they may be unfazed by perceived funding challenges. This finding must however be interpreted with caution and more data in coming years will enable a deeper exploration of the relationship between gendered funding challenges and innovation activity among nascent entrepreneurs.

FIGURE 6.8:
Perceptions of adequate sources of start-up funding and high export activity among nascent entrepreneurs
(Source: GEM UK APS 2025)





6.6 SUMMARY

Women's early-stage entrepreneurial activity in the UK hit a new high in 2025, but persistent, structural gaps in access to finance – spanning informal networks, bank lending and investor behaviour – continue to disadvantage women entrepreneurs at the point of business formation. These funding gaps are strongly associated with reduced growth and export ambition among women-led ventures, representing a significant untapped source of UK economic growth.

7. ARTIFICIAL INTELLIGENCE & EARLY-STAGE ENTREPRENEURS

7.1 INTRODUCTION

Artificial intelligence (AI) has moved from a peripheral consideration to a mainstream strategic issue for entrepreneurs across the UK in a remarkably short space of time. Global evidence from GEM points to AI as one of the most consequential shifts in the entrepreneurial operating environment in a generation, reshaping how new and growing businesses design products, reach customers, and compete. For early-stage entrepreneurs in particular, AI tools are lowering some traditional barriers to entry, enabling smaller ventures to access capabilities in data analysis, customer engagement, and process automation that were previously the preserve of larger, better-resourced firms, while simultaneously introducing new sources of cost, complexity, and risk.

Understanding how entrepreneurs themselves perceive this shift, and how those perceptions are evolving, is therefore essential to understanding the wider health and direction of the entrepreneurial ecosystem. This chapter draws on two consecutive waves of the GEM UK Adult Population Survey, conducted in 2024 and 2025, to examine how early-stage entrepreneurs across the UK view the importance, benefits, and risks of AI adoption, and how those views differ by entrepreneurial ambition and by gender. This provides us with a deeper understanding of the pace and shape of AI's integration into UK entrepreneurship now and in the near future.

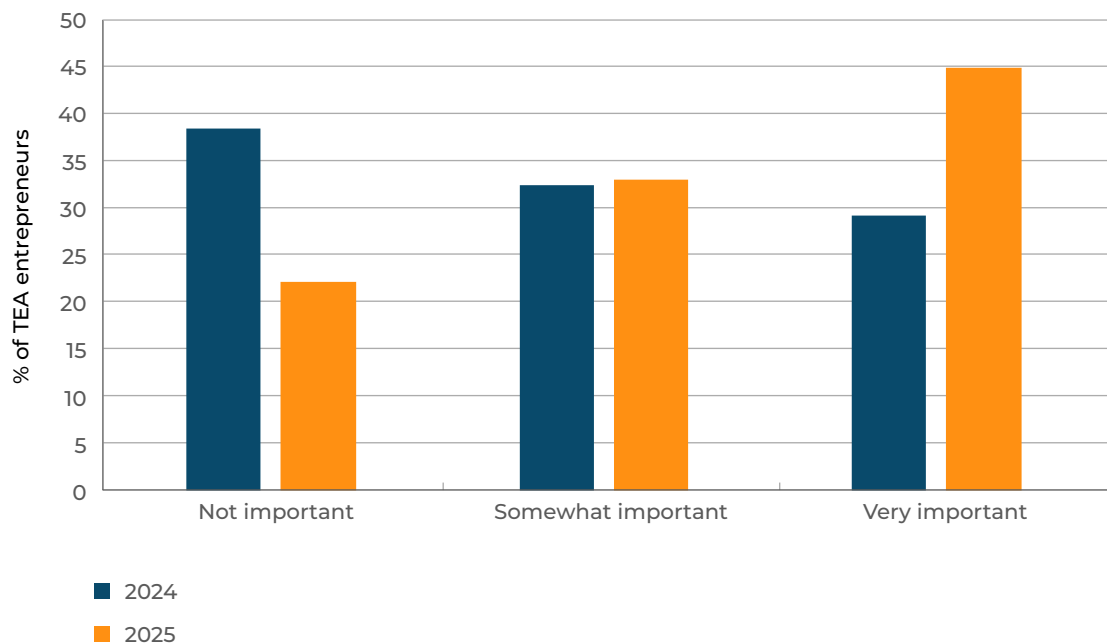
7.2 AI AND EARLY-STAGE ENTREPRENEURSHIP

The rapid pace of technological change means that the entrepreneurial landscape in the UK continues to be shaped by AI, which is becoming increasingly embedded in the strategies and business models of early-stage entrepreneurial firms.

Comparing the 2024 and 2025 survey results reveals not only the current state of AI adoption among UK early-stage entrepreneurs, but the pace and direction of change over just twelve months. Figure 7.1 shows that in 2024, 29%

of UK early-stage entrepreneurs rated AI as “very important” to their day-to-day business operations, with almost two-fifths (38%) saying it was “not important”. By 2025, this had shifted substantially: 45% of TEA entrepreneurs rated AI as “very important” while the share saying it is “not important” fell to 22%. This change represents a markedly faster shift than the trajectory implied by last year’s data, where the anticipated three-year outlook suggested a more gradual path to mainstream adoption.

FIGURE 7.1:
Importance of AI to
day-to-day business
operations amongst
TEA entrepreneurs,
UK 2024–2025
(Source: GEM APS
2024 and 2025)



In 2024, 72% of TEA entrepreneurs expected AI to be “somewhat” or “very important” to their business model implementation and strategy within three years; by 2025 this had risen to 85%, with the “very important” share increasing from 32% to 41% (Figure 7.2). Taken together with the above findings, this suggests that the 2024 forecast was somewhat conservative, with adoption and perceived relevance running ahead of what entrepreneurs themselves anticipated only a year earlier.

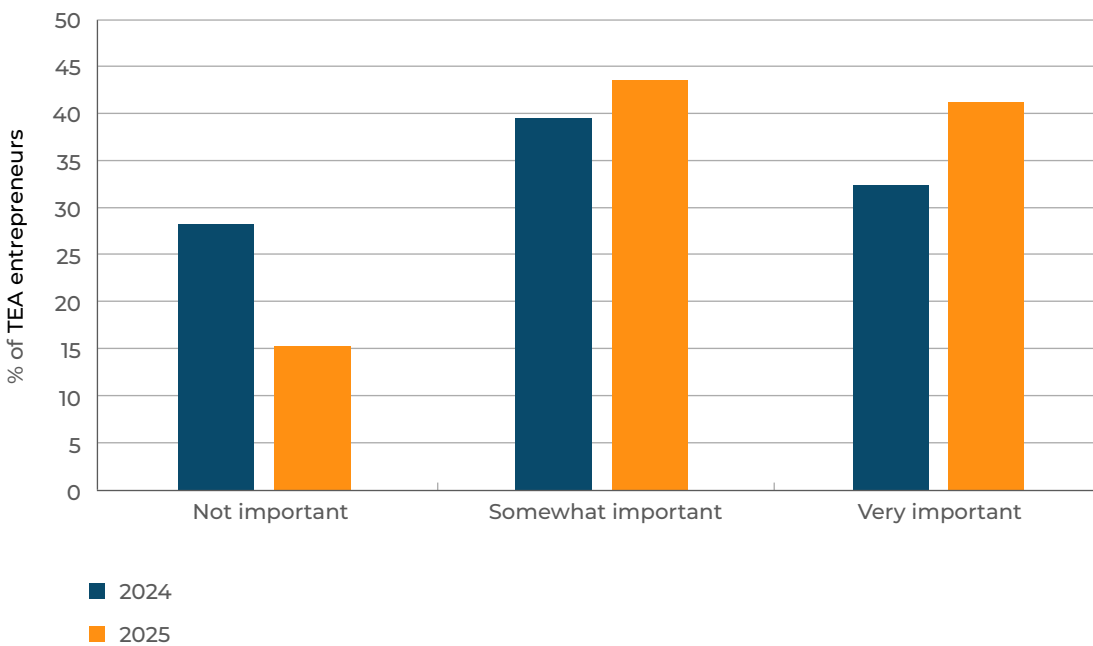
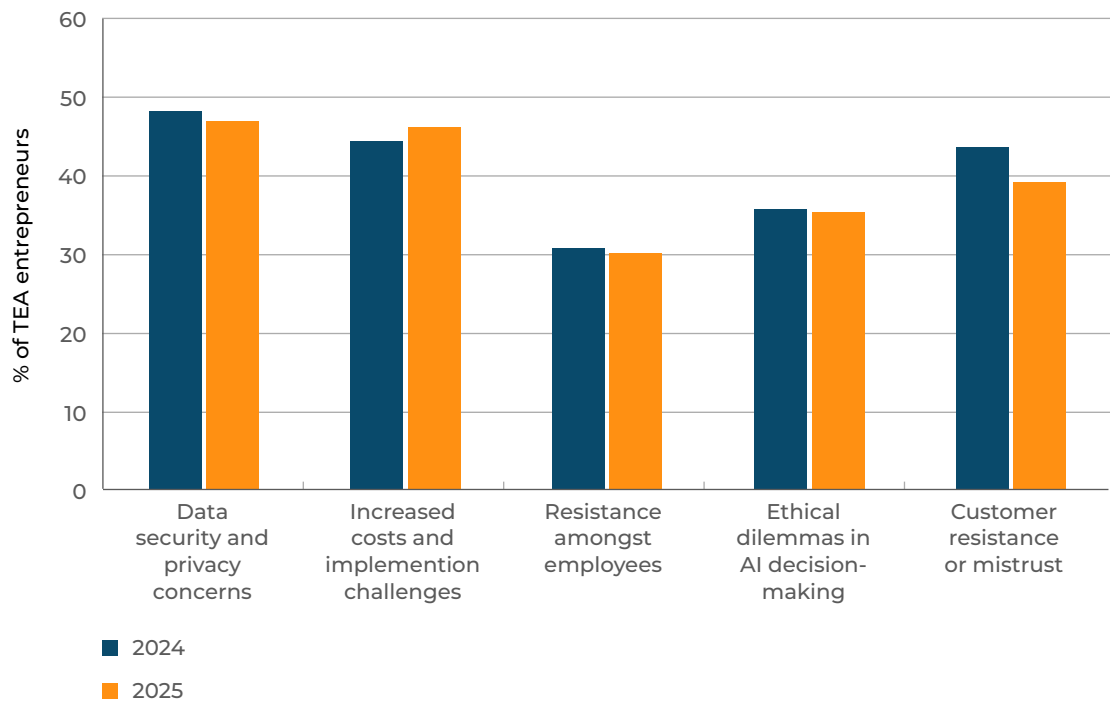


FIGURE 7.2: Anticipated importance of AI to business model implementation and strategy amongst TEA entrepreneurs in next three years, UK 2024–2025
(Source: GEM APS 2024 and 2025)

The 2024 data already showed that perceived benefits of AI adoption outweighed perceived risks; the 2025 data shows this gap widening further (Figure 7.3). On the negative side, concerns have remained broadly stable or eased slightly. The share of TEA entrepreneurs rating customer resistance or mistrust as “high impact” fell from 44% to 39%, with most other issues remaining stable. Only concern over increased costs and implementation challenges rose slightly (from 44% to 46%).

FIGURE 7.3:
“High impact”
negative effects of
introducing AI to the
business amongst
TEA entrepreneurs,
UK 2024–2025
(Source: GEM APS
2024 and 2025)



In contrast, the perceived positive impacts of AI increased across every category measured. The share rating improved productivity and efficiency as “high impact” saw the largest rise, from 55% to 64%, although the shares rating other benefits as “high impact” all rose above 50% (Figure 7.4). Combined with the largely unchanged negative perceptions, the 2025 data reinforces the idea that the benefits from AI outweigh the risks for early-stage entrepreneurs.

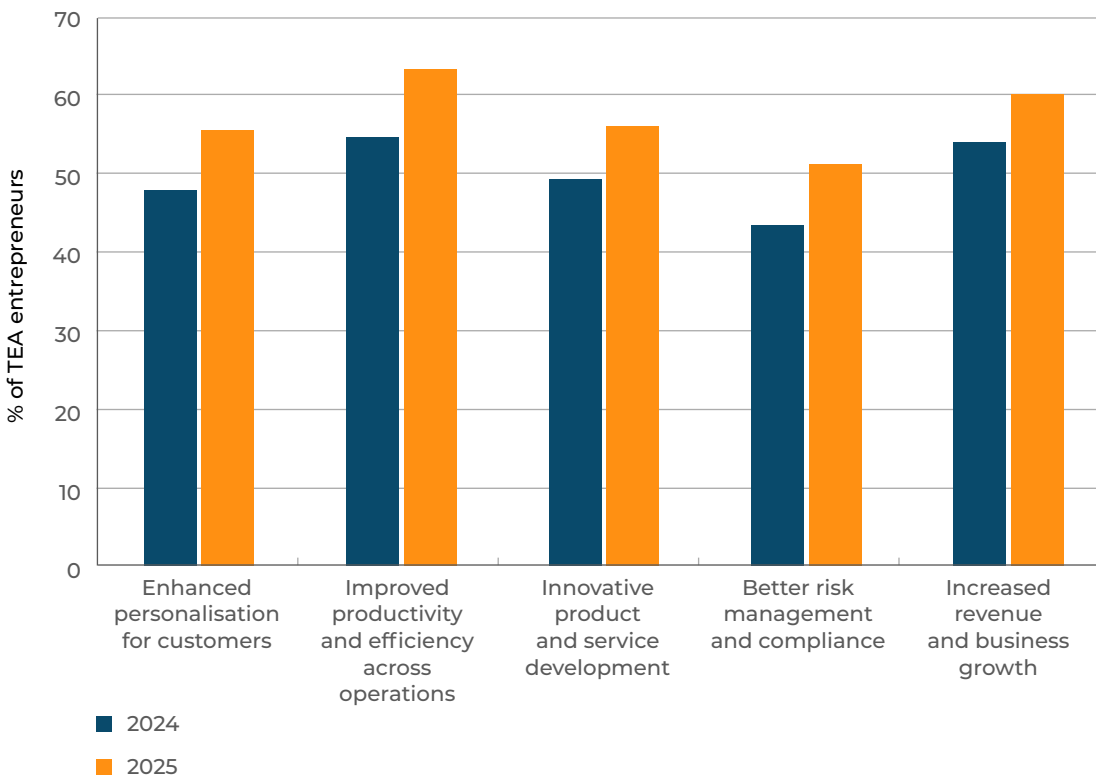
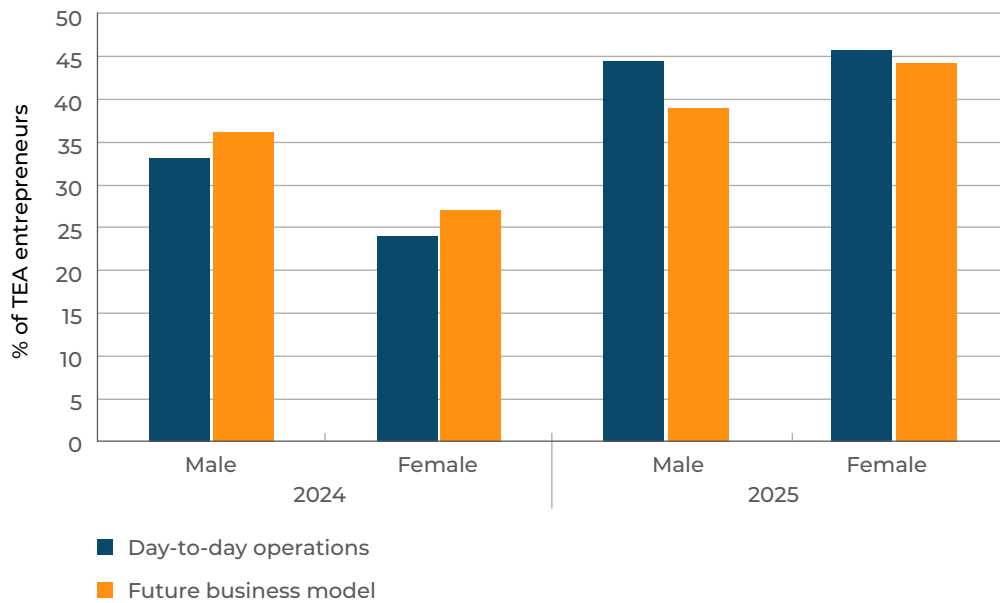


FIGURE 7.4:
“High impact”
positive effects of
introducing AI to the
business amongst
TEA entrepreneurs,
UK 2024–2025
(Source: GEM APS
2024 and 2025)

A further notable shift between 2024 and 2025 concerns gender. In 2024, male TEA entrepreneurs were considerably more likely than female entrepreneurs to rate AI as “very important” for current day-to-day operations (33% versus 24%) and looking three years ahead to business model implementation and strategy (36% versus 27%). By 2025, this gap had not only

closed it had actually reversed: 44% of male and 46% of female TEA entrepreneurs rated AI as “very important” to their day-to-day operations, while on the three-year outlook 44% of female entrepreneurs rated AI as “very important” to business model and strategy compared to 39% of male entrepreneurs (Figure 7.5).

FIGURE 7.5:
“Very important”
rating of AI
to day-to-day
operations
and future
business model
implementation and
strategy amongst
TEA male and female
entrepreneurs,
UK 2024–2025
(Source: GEM APS
2024 and 2025)



7.3 AI AND HIGH AMBITION EARLY-STAGE ENTREPRENEURSHIP

As in 2024, entrepreneurs with high job-creation expectations remain substantially more convinced of AI's importance than the broader TEA population. This gap has widened further in 2025 rather than narrowing, even as AI adoption has become more mainstream. In 2024, 47% of high job-expectation entrepreneurs rated AI as

“very important” to their business model and strategy over the next three years, compared to 32% of TEA entrepreneurs overall. By 2025, this had risen to 61% of high job-expectation entrepreneurs compared to 41% of TEA entrepreneurs (Figure 7.6).

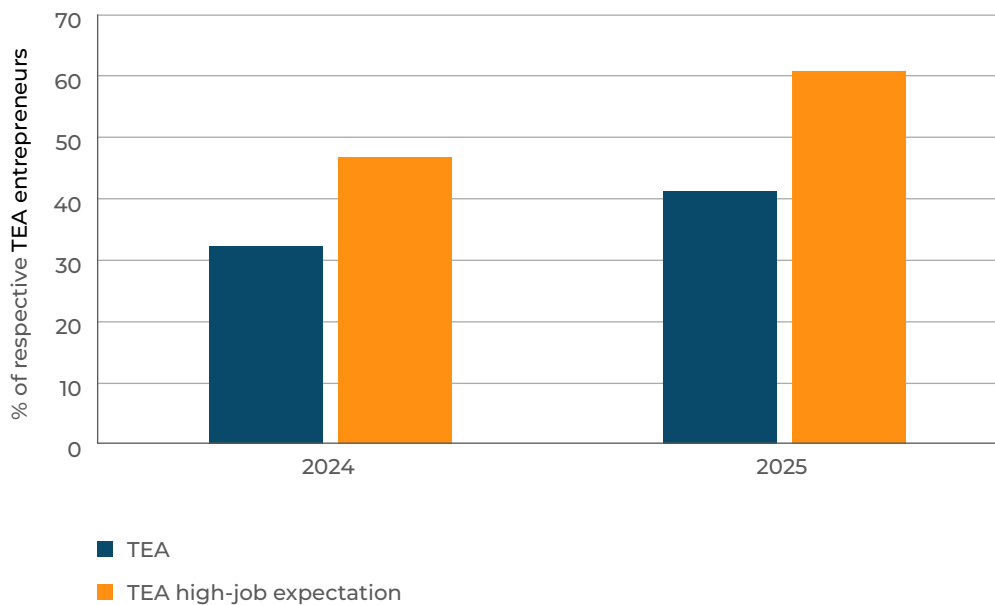


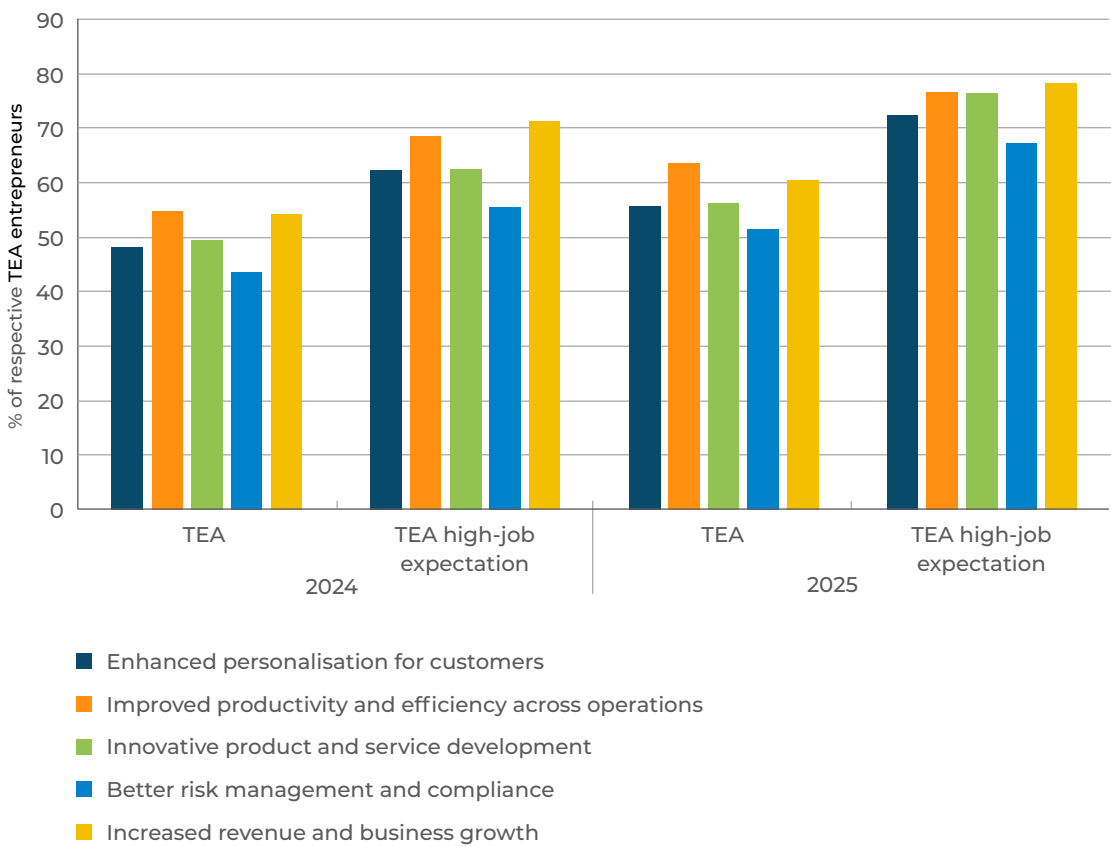
FIGURE 7.6: “Very important” rating of AI to business model implementation and strategy amongst TEA and ambitious TEA entrepreneurs in next three years, UK 2024–2025

(Source: GEM APS 2024 and 2025)

This widening pattern is echoed across every positive-impact category. In 2025, high job-expectation entrepreneurs were much more likely than the general TEA population to rate AI as having a “high impact” on productivity, innovation, risk management, and revenue growth. The largest gap was observed for innovative product and service development, at 76% of high job-expectation entrepreneurs versus 56% of TEA entrepreneurs (Figure 7.7).

The evidence suggests that growth-oriented entrepreneurs are not simply early movers on the AI trend but that they continue to pull further ahead in how transformative they expect AI to be for their businesses.

FIGURE 7.7:
“High impact” positive effects of introducing AI to the business amongst TEA and ambitious TEA entrepreneurs, UK 2024–2025
(Source: GEM APS 2024 and 2025)



7.4 SUMMARY

Taken together, the 2024–25 comparison shows that AI adoption and its perceived relevance among UK early-stage entrepreneurs are accelerating faster than entrepreneurs themselves anticipated a year ago – the share rating AI “very important” to day-to-day operations rose sharply, from 29% to 45%. This acceleration is being driven almost entirely by strengthening perceptions of AI’s benefits rather than by any broad easing of concern: positive impact ratings rose across every category measured, while most risk perceptions held steady or eased, with the notable exception of cost and implementation concerns, which rose slightly and remain the one area where caution is growing rather than fading.

The gender gap in AI adoption has closed and reversed: female entrepreneurs, who lagged male entrepreneurs in 2024, are now more convinced of AI’s importance both to current operations and future strategy. Most strikingly, entrepreneurial ambition remains the strongest differentiator of AI confidence, and growth-oriented entrepreneurs are extending their lead over the wider TEA population – nowhere more so than in innovative product and service development, where 76% of high job-expectation entrepreneurs rate AI as high impact compared to 56% of TEA entrepreneurs overall. As AI adoption becomes mainstream, it is ambition rather than the adoption stage that increasingly separates entrepreneurs who see AI as transformative from those who see it as merely useful.

8. UK's ENTREPRENEURIAL ECOSYSTEM

8.1 ENTREPRENEURIAL ENVIRONMENT IN THE UK

In 2020, the overall quality of the UK's entrepreneurial environment was rated as just satisfactory, with a National Entrepreneurship Context Index (NECI) score of 5.0 (Figure 8.1). Since then, the assessment has deteriorated in every year, with the NECI falling to 4.21 in 2025. This represents a decline of around 16% from its 2020 level. The fall was particularly pronounced in the latest year: the score declined by 0.29 points, from 4.50 in 2024 to 4.21 in 2025, the largest year-on-year decrease recorded since 2018.

The continued decline has also weakened the UK's position internationally. In 2025, the United Kingdom ranked 37th out of 53 participating economies, compared with 29th out of 56 in 2024, although some caution is required in comparing rankings across years because the composition of participating economies changes. The UK is now positioned in the lower third of the 2025 ranking and remains clearly below the threshold of 5 that indicates an entrepreneurial environment assessed as sufficient overall.

The UK's NECI score of 4.21 is also substantially below both the average for all GEM economies and the OECD average, which stand at 4.77 in 2025. The gap has widened markedly since 2024, when the UK score of 4.50 was much closer to the corresponding GEM and OECD averages of 4.72 and 4.74 respectively. The UK also trails major comparator economies, including France (5.01), the United States (4.79) and Germany (4.74). At the top of the 2025 ranking are the United Arab Emirates (7.04), Taiwan (6.49) and Saudi Arabia (6.45).

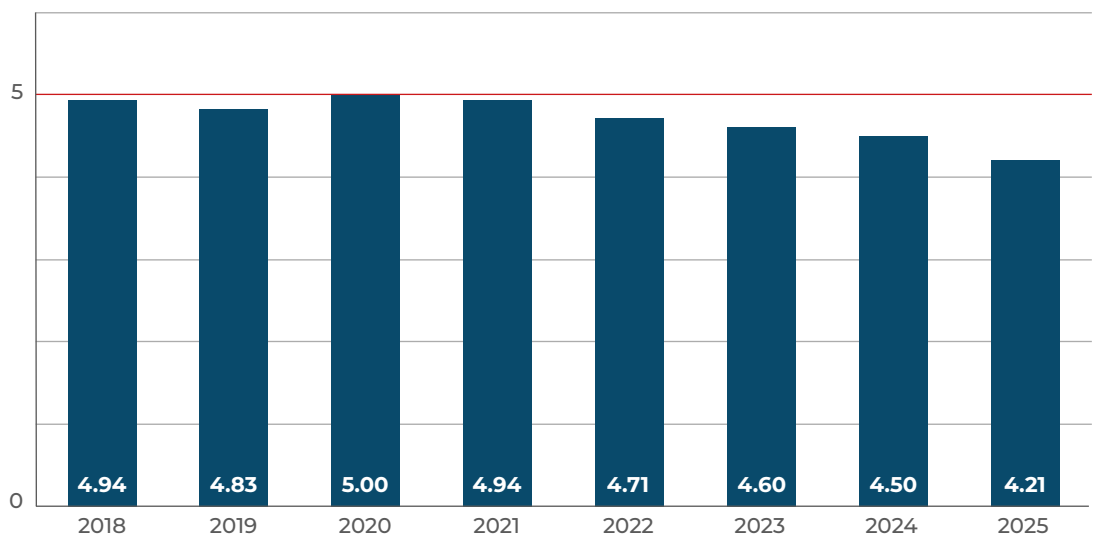
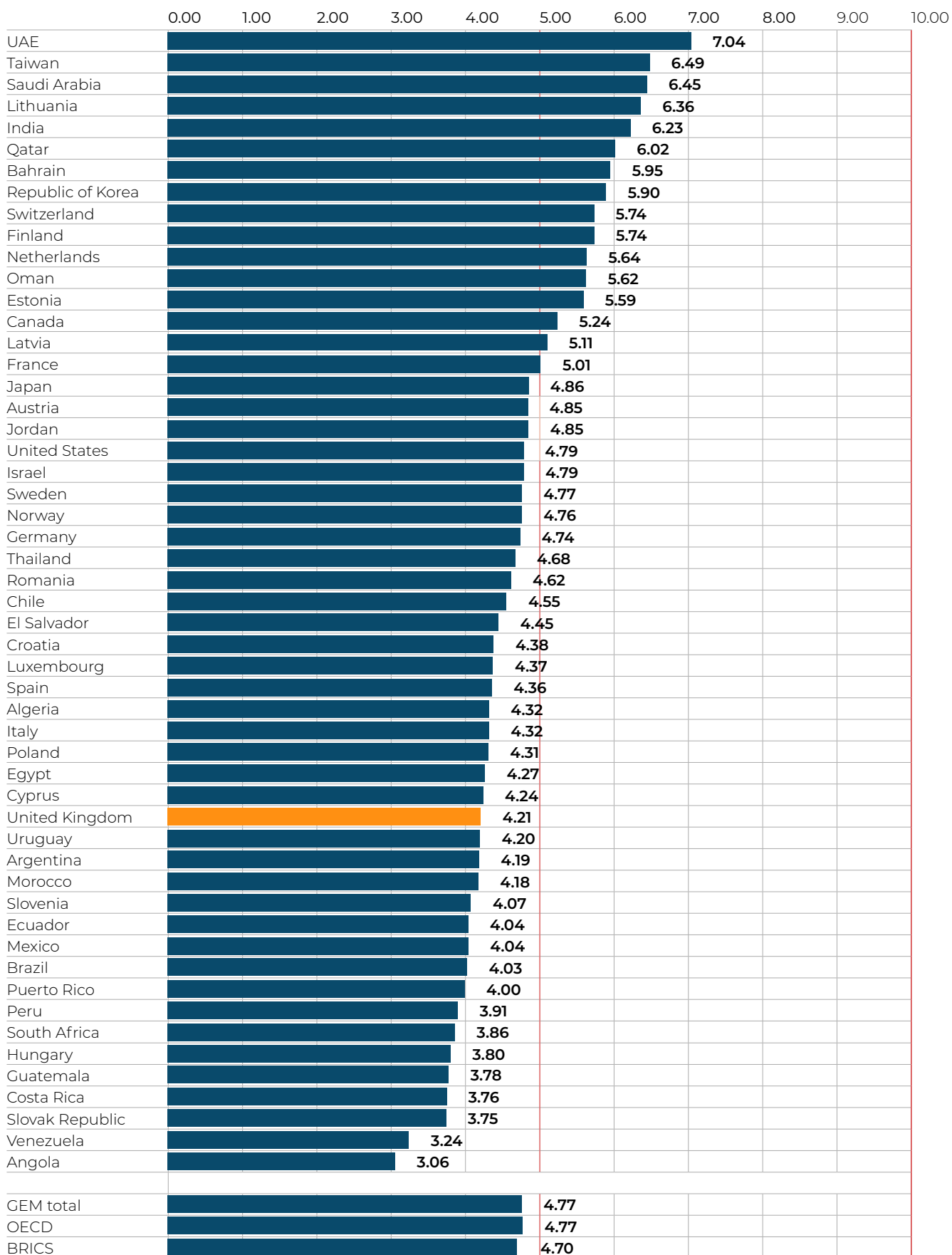


FIGURE 8.1:
Evolution of the
UK National
Entrepreneurship
Context Index
(NECI), 2018–2025
(Source: GEM UK
National Expert
Surveys 2018–2025)

FIGURE 8.2: National Entrepreneurship Context Index (NECI), 2025 (Source: GEM Global NES 2025)



Entrepreneurial Framework Conditions (EFCs) and National Entrepreneurship Context Index (NECI) – a toolbox to assess the quality of entrepreneurial environment.

The context, or entrepreneurial environment, which encompasses a wide range of economic, political, institutional, financial and social conditions may influence individual decision to start a business. That context may be supportive – and encourage the decision to become an entrepreneur and facilitate the progression from a start-up towards established business – or, on the contrary, may be discouraging and burdensome. The context for entrepreneurship also evolves over time and may be dramatically impacted by national and global events and societal challenges, it can also reflect government priorities and spending.

GEM created a specific tool to assess an economy's entrepreneurial ecosystem against nine *Entrepreneurship Framework Conditions* (EFCs). These are based on more than twenty years of research and experience²⁶. Each condition is multidimensional and is not directly observed, i.e. a latent variable.

To create a quantifiable measure of EFCs, GEM uses scales development methodology and seeks out expert views on the state of entrepreneurial eco-system by carrying out GEM *National Expert Survey* (NES). At least 36 experts in each country, carefully selected according to their knowledge and experience, participate in the NES each year. Each of the nine framework conditions is derived from the responses of the experts to 5-8 questions and calculated by the application of a Principal Component Analysis. Four of the EFCs (Entrepreneurial finance²⁷, Government policy, Entrepreneurship education and Ease of entry) were further split into two subsets bringing the overall number of EFCs to thirteen²⁸.

In order to provide an overall view of how favourable an environment is for entrepreneurial activity across countries, GEM introduced the National Entrepreneurship Context Index (NECI)²⁹ in 2018. It is a composite index which represents the arithmetic average of EFCs.

A1. Entrepreneurial Finance: there are sufficient funds for new start-ups
A2. Ease of Access to Entrepreneurial Finance: and those funds are easy to access
B1. Government Policy: Support and Relevance: policies promote and support start-ups
B2. Government Policy: Taxes and Bureaucracy: new businesses are not over-burdened
C. Government Entrepreneurial Programmes: quality support programmes are widely available
D1. Entrepreneurial Education at School: schools introduce entrepreneurial ideas
D2. Entrepreneurial Education Post-School: colleges offer courses in how to start a business
E. Research and Development Transfers: research is easily transferred into new businesses
F. Commercial and Professional Infrastructure: quality services are available and affordable
G1. Ease of Entry: Market Dynamics: markets are free, open and growing
G2. Ease of Entry: Burdens and Regulation: regulations encourage not restrict entry
H. Physical Infrastructure: good quality, available and affordable
I. Social and Cultural Norms: encourage and celebrate entrepreneurship

TABLE 8.1:

National Entrepreneurship Framework Conditions (EFCs)

(Source: GEM (Global Entrepreneurship Monitor) (2023), p. 106)

²⁶ GEM (Global Entrepreneurship Monitor) (2023).

Global Entrepreneurship Monitor 2022/2023 Global Report: Adapting to a “New Normal”. London: GEM.

²⁷ In 2021, the NES introduced a new dimension related to the ease of accessing funds for entrepreneurship along with traditional entrepreneurial finance dimension focusing on sufficiency of funds. This brings the overall number of constructs describing national entrepreneurship context to thirteen.

²⁸ Each of the thirteen blocks is assessed to satisfy internal consistency and reliability conditions.

²⁹ See, Bosma et al. (2020) for details.

8.2 ENTREPRENEURIAL FRAMEWORK CONDITIONS IN THE UK, 2018–2025

Scores for each framework condition are evaluated on a scale from 0 to 10, with **5.0 representing a key threshold**. EFC scores below 5.0 indicate conditions assessed by experts as inadequate or insufficient to support entrepreneurial activity, while scores of 5.0 or above are regarded as adequate, albeit with variation in strength. In 2025, **only two of the thirteen EFCs scored 5.0 or higher**, compared with three in 2024, pointing to a further weakening in experts' assessment of the UK entrepreneurial environment.

Figure 8.3 presents the values and 95% confidence intervals for each of the thirteen pillars describing the entrepreneurial context. **Internal market dynamics, at 6.03, is the only EFC assessed as statistically significantly above the threshold of 5**, indicating a clearly sufficient condition for entrepreneurial activity. Commercial and professional infrastructure also records a point estimate above five, at 5.10, but its confidence interval overlaps the threshold and therefore does not provide sufficient evidence that the condition is above adequacy.

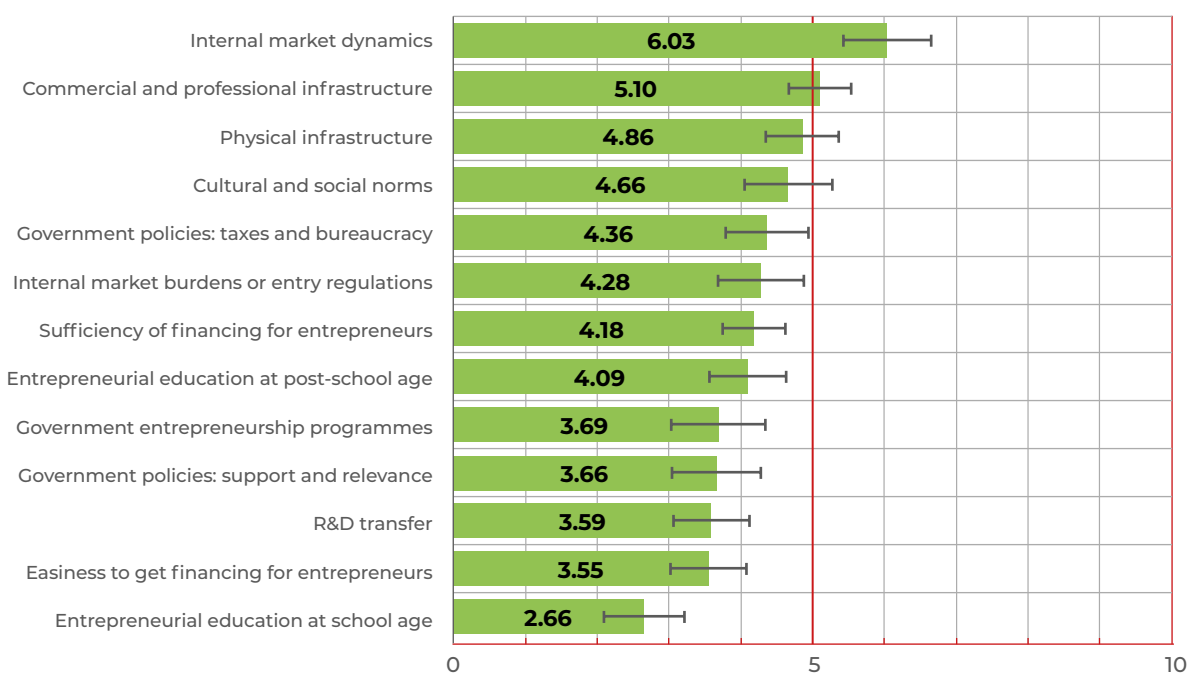
At the other end of the distribution, **nine EFCs are statistically significantly below 5**, compared with six in 2024. These include entrepreneurial education at school age (2.66), easiness to get financing for entrepreneurs (3.55), R&D transfer (3.59), government policies relating to support and relevance (3.66), government entrepreneurship programmes (3.69), entrepreneurial education at post-school age (4.09), sufficiency of financing for entrepreneurs (4.18), internal market burdens or entry regulations (4.28), and government policies relating to taxes and bureaucracy (4.36). These represent areas where experts identify particularly clear deficiencies in the conditions supporting entrepreneurship. The remaining two EFCs below five – cultural and social norms (4.66) and physical infrastructure (4.86) – are not statistically significantly different from the threshold.

FIGURE 8.3:

Entrepreneurial Framework Conditions in the UK, 2025

(Source: GEM UK National Expert Survey 2025)

Note: EFCs scale: 0 = very inadequate, insufficient status; 10 = very adequate, sufficient status; black bars represent the 95% confidence intervals



The year-on-year changes reinforce the wider deterioration captured by the NECI. **Twelve of the thirteen EFCs declined between 2024 and 2025, with internal market dynamics the sole exception.** The largest fall was in physical infrastructure, which declined from 5.73 to 4.86, moving below the sufficiency threshold. Government entrepreneurship programmes also fell markedly, from 4.27 to 3.69, while government policies relating to taxes and bureaucracy declined from 4.92 to 4.36. Entrepreneurial education at post-school age fell from 4.57 to 4.09, and easiness to get financing declined from 3.95 to 3.55.

Conditions relating to entrepreneurial finance weakened further. **Sufficiency of financing for entrepreneurs declined for a fifth consecutive year**, falling from 4.52 in 2024 to 4.18 in 2025 and reaching its lowest level in the series. Easiness to get financing also fell to 3.55, its lowest score since this EFC was introduced in 2021. Taken together, the results suggest that both the availability of entrepreneurial finance and entrepreneurs' ability to access it are increasingly perceived as constraints.

Education and knowledge-related conditions also deteriorated. **Entrepreneurial education at school age remained the weakest of all thirteen EFCs**, declining from 2.91 to 2.66, while post-school entrepreneurial education fell from 4.57 to 4.09. R&D transfer also declined, from 3.87 to 3.59, indicating a further weakening in experts' assessment of the extent to which research and knowledge are translated into new and growing businesses.

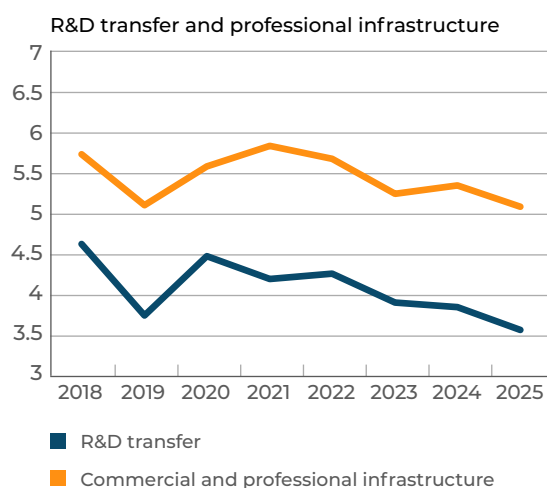
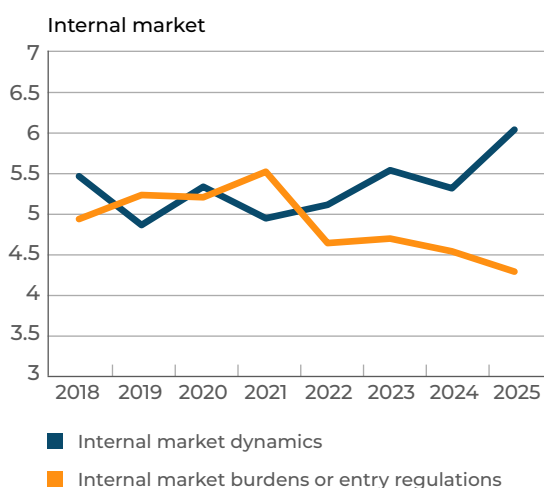
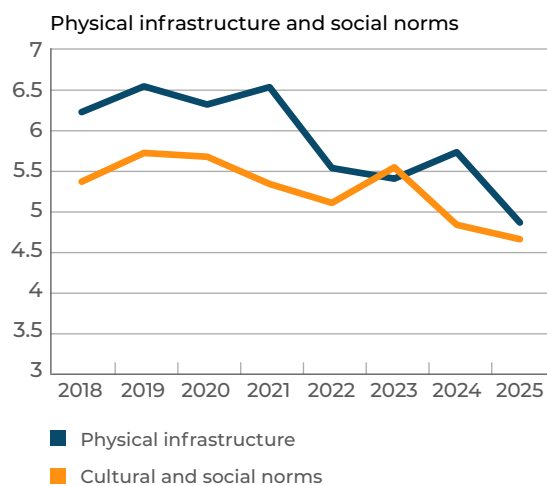
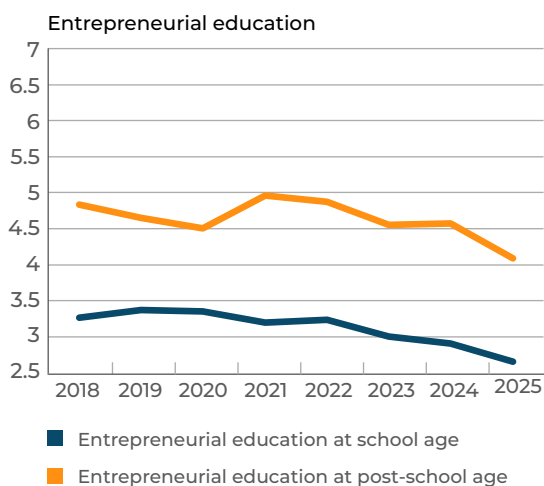
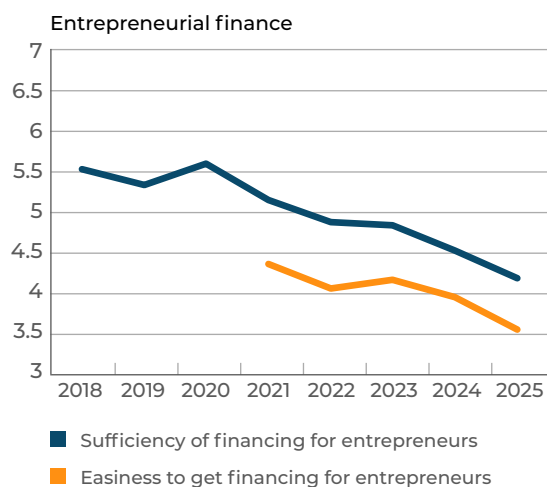
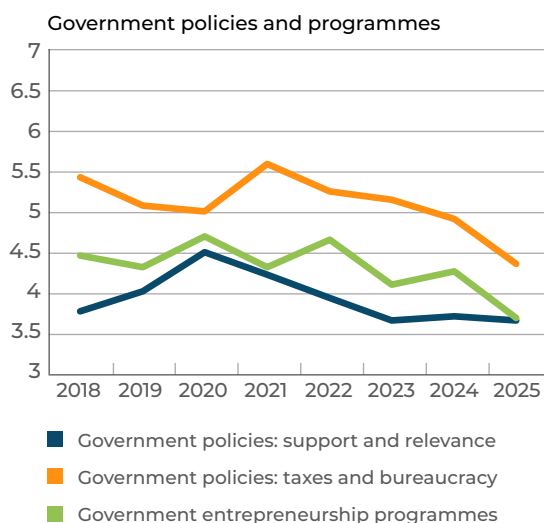
Market conditions provide the main exception to the overall picture. **Internal market dynamics increased sharply from 5.31 to 6.03, its highest value in the 2018–2025 series**, making it the strongest EFC in 2025. However, this improvement was not matched by the regulatory dimension of market entry: internal market burdens or entry regulations declined from 4.53 to 4.28 and remained significantly below the sufficiency threshold.

Figure 8.4 places these changes in a longer-term perspective. The 2025 results represent a more pronounced deterioration than in previous years. **Eleven of the thirteen EFCs recorded their lowest value in the 2018–2025 series in 2025**, while government policies relating to support and relevance matched its previous low recorded in 2023. Internal market dynamics is the notable exception, reaching its highest level over the period. Overall, the latest results therefore point not simply to continued weakness in a small number of longstanding problem areas, but to a broad-based deterioration across most dimensions of the UK entrepreneurial environment.

FIGURE 8.4:

Dynamic of EFCs
2018–2025

(Source: GEM UK
National Expert
Surveys 2018–2025)



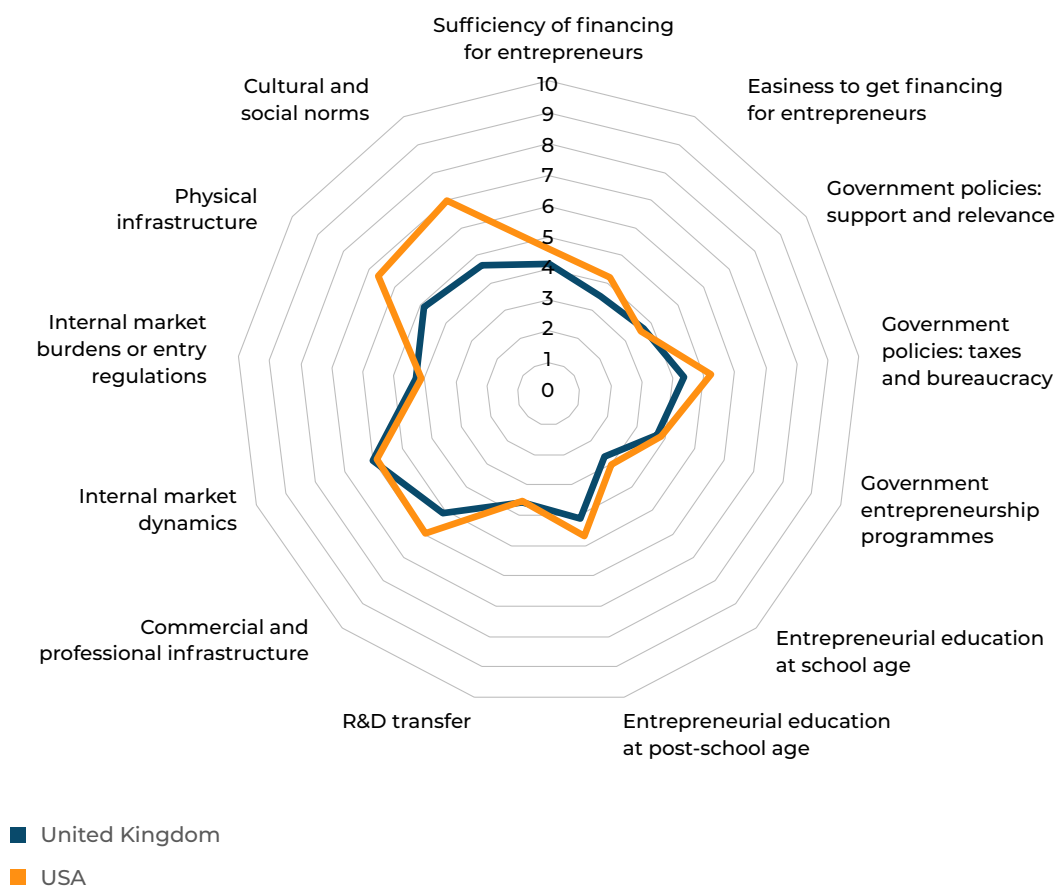
8.3 COMPARING THE UK WITH BENCHMARK COUNTRIES

EFCs and the NECI are based on experts' perceptions of entrepreneurial conditions within a particular economy and at a particular point in time, so cross-country comparisons should be interpreted with caution. Entrepreneurial activity is deeply embedded in national institutions, cultures and social norms, and may remain strong despite relatively difficult framework conditions or, conversely, lag despite a comparatively favourable environment. Nevertheless, the EFCs provide a useful benchmarking tool for identifying relative strengths and weaknesses in the national entrepreneurial context and highlighting areas where improvement may be possible. In the comparisons below, differences are described as statistically significant where the 95% confidence intervals shown in the figures do not overlap.

In 2025, the UK framework conditions continue to resemble those of the United States relatively closely (Figure 8.5a). UK scores are higher for four of the thirteen EFCs – government policies relating to support and relevance, R&D transfer, internal market dynamics, and internal market burdens or entry regulations – and lower for the remaining nine. However, only two of these differences are statistically significant. Physical infrastructure is rated substantially less favourably in the UK than in the US (4.86 compared with 6.63), while the largest gap is in cultural and social norms (4.66 compared with 7.01). Although the UK also records lower scores for areas such as commercial and professional infrastructure (5.10 compared with 5.98), entrepreneurial finance and post-school entrepreneurial education, the confidence intervals overlap, and these differences cannot be distinguished statistically on the basis of the estimates presented.

FIGURE 8.5A:
Entrepreneurial Framework Conditions in the UK and USA, 2025
(Source: GEM NES 2025)

Note: EFCs scale: 0 = very inadequate, insufficient status; 10 = very adequate, sufficient status; black bars represent the 95% confidence intervals.

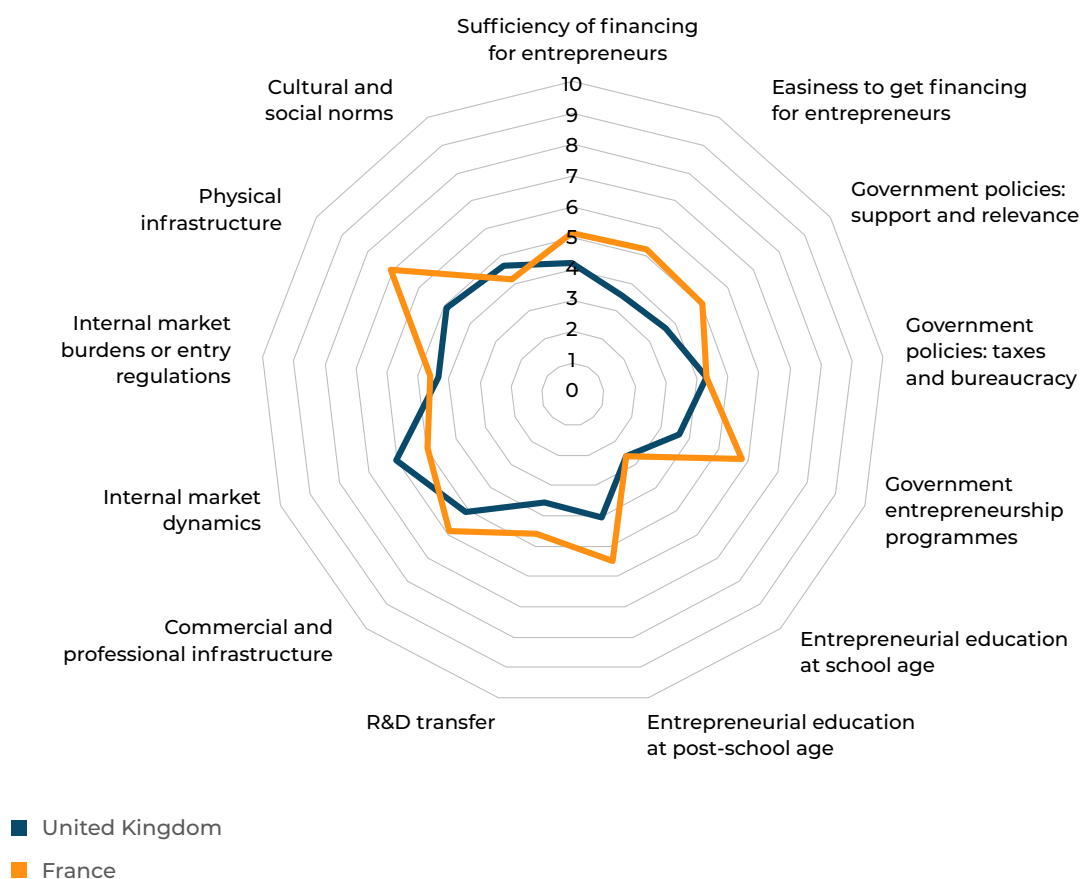


The differences are more pronounced in comparison with France (Figure 8.5b). The UK records lower point estimates for ten of the thirteen EFCs, the same score for entrepreneurial education at school age, and higher scores for internal market dynamics and cultural and social norms. Six of the differences are statistically significant. Both dimensions of entrepreneurial finance are rated less favourably in the UK: sufficiency of financing scores 4.18 compared with 5.17 in France, while ease of access to finance scores 3.55 compared with 5.23. The UK also records significantly lower scores for government policies relating to support and relevance (3.66 compared with 5.10), government entrepreneurship programmes (3.69 compared with 5.86), entrepreneurial education at post-school age (4.09 compared with 5.53), and physical infrastructure (4.86 compared with 7.03).

For the remaining conditions, differences between the UK and France are not statistically significant. This includes R&D transfer and commercial and professional infrastructure, despite lower UK point estimates, as their confidence intervals overlap. Internal market dynamics is a notable relative strength in terms of the point estimates, with a score of 6.03 in the UK compared with 4.94 in France, but the confidence intervals also overlap and the difference should therefore not be interpreted as statistically significant. Government policies relating to taxes and bureaucracy are assessed almost identically in the two countries (4.36 in the UK and 4.37 in France), while entrepreneurial education at school age receives the same score of 2.66.

FIGURE 8.5B:
Entrepreneurial
Framework
Conditions in the UK
and France, 2025
(Source: GEM NES 2025)

Note: EFCs scale: 0
= very inadequate,
insufficient status;
10 = very adequate,
sufficient status; black
bars represent the 95%
confidence intervals



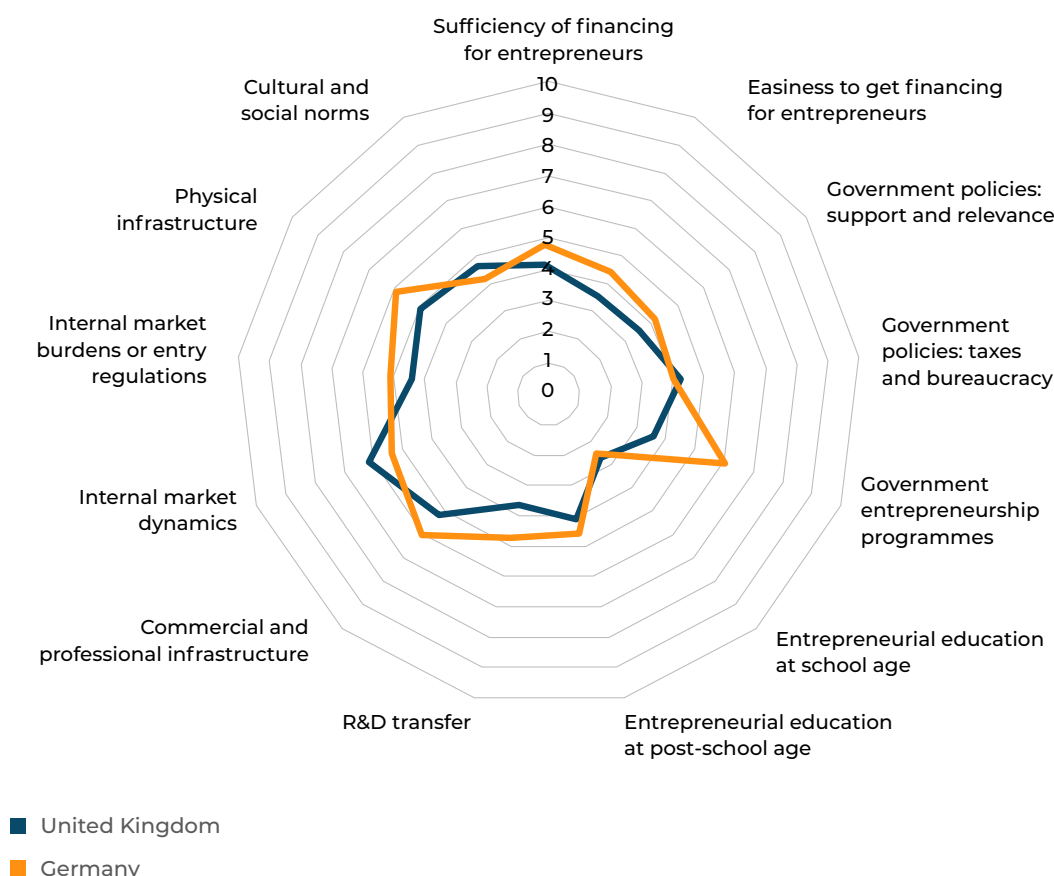
Compared with Germany (Figure 8.5c), the UK records lower point estimates for nine of the thirteen EFCs and higher estimates for the remaining four. Four differences are statistically significant, all to the disadvantage of the UK. The largest concerns government entrepreneurship programmes, which score 3.69 in the UK compared with 6.11 in Germany. The UK also receives significantly lower assessments for R&D transfer (3.59 compared with 4.70), commercial and professional infrastructure (5.10 compared with 5.95), and physical infrastructure (4.86 compared with 5.78).

Other differences with Germany are not statistically significant on the basis of the confidence intervals shown. These include the two entrepreneurial finance conditions, government policies relating to support and relevance, post-school entrepreneurial education and internal market burdens or entry regulations. The UK again has a higher point estimate for internal market dynamics (6.03 compared with 5.26), but the confidence intervals overlap. It also

records somewhat higher scores for government policies relating to taxes and bureaucracy, entrepreneurial education at school age, and cultural and social norms, although none of these differences is statistically significant.

Taken together, the benchmark comparisons point to a more nuanced pattern than the overall NECI ranking alone. Physical infrastructure is the clearest comparative weakness, with the UK scoring significantly below all three benchmark economies. Government entrepreneurship programmes are also a notable weakness relative to both France and Germany. By contrast, internal market dynamics has the highest UK score among the thirteen EFCs and a higher point estimate than in each of the three benchmark countries, although none of these cross-country differences is statistically significant. The comparison therefore reinforces an emerging contrast in the UK entrepreneurial environment: relatively strong market dynamism coexists with weaker assessments of several elements of the supporting entrepreneurial ecosystem.

FIGURE 8.5C:
Entrepreneurial
Framework
Conditions in the UK
and Germany, 2025
(Source: GEM NES 2025)



The open-ended responses reinforce the quantitative findings while providing additional insight into the factors shaping entrepreneurial activity in the UK. Experts identified a combination of opportunity- and necessity-related drivers. Digitalisation and rapidly changing technologies, innovation and creativity, relatively low barriers to starting a business, universities and business-support programmes, and a growing entrepreneurial culture were all cited as factors fostering entrepreneurial activity. At the same time, several respondents pointed to economic pressures, weaker employment prospects, dissatisfaction with conventional employment and a desire for greater independence as important motivations for starting a business.

Recommendations were more strongly concentrated around weaknesses in the supporting ecosystem. Experts repeatedly called for improved access to early-stage and growth finance, simpler and better coordinated business support, lower tax, regulatory and administrative burdens, stronger entrepreneurial education and a more supportive culture towards entrepreneurship and risk-taking. A notable theme is that the breadth of the UK support ecosystem is perceived both as a strength and as a source of fragmentation, suggesting that improving its accessibility, coherence and targeting may be as important as expanding provision. These qualitative responses are broadly consistent with the 2025 EFC results, particularly the relatively weak assessments of entrepreneurial finance, government programmes and entrepreneurial education, while the emphasis on technological opportunities and new market possibilities complements the comparatively strong assessment of internal market dynamics.

8.4 SUMMARY

The UK's entrepreneurial ecosystem, as assessed through GEM's National Entrepreneurship Context Index (NECI), has deteriorated in every year since 2020, falling from 5.0 to 4.21 in 2025 – a 16% decline overall and the largest single year-on-year drop since 2018. This has pushed the UK down the international rankings, from 29th of 56 economies in 2024 to 37th of 53 in 2025, now sitting well below the GEM and OECD averages and behind comparator economies including France, the US and Germany. Of the thirteen Entrepreneurial Framework Conditions (EFCs) that make up the index, only two scored at or above the sufficiency threshold of 5.0 in 2025, down from three in 2024, and eleven recorded their lowest value in the eight-year series. The deterioration is broad-based rather than confined to longstanding weak spots: physical infrastructure saw the steepest fall, government entrepreneurship programmes and access to finance also declined markedly, and entrepreneurial education at school age remains the single weakest condition of all thirteen.

The one clear bright spot is internal market dynamics, which reached its highest-ever score in 2025 and is now the UK's strongest EFC, outperforming all three benchmark countries on point estimates (though not always with statistical significance). Cross-country comparisons sharpen the picture: the UK trails Germany most notably on government entrepreneurship programmes, trails France significantly across six conditions including both finance measures, and most closely resembles the US in overall profile. The chapter concludes that a genuinely dynamic and open market is increasingly undermined by a weakening support ecosystem – finance, government programmes, physical infrastructure and education – a combination that risks squandering the market opportunity the UK's entrepreneurs are otherwise well-placed to exploit.

9. THE ETHNIC SURVIVAL GAP: IT'S NOT WHO STARTS BUT WHO SURVIVES

9.1 INTRODUCTION

The Panel Study of Entrepreneurial Dynamics (PSED) 2023–25³⁰ is the UK's first sustained attempt since the 2012–14 pre-test to follow individual nascent entrepreneurs forward in time rather than capturing entrepreneurial activity as a single snapshot. The study tracks nascent entrepreneurs identified in the GEM UK APS 2023 and 2024 waves over their first one and two years, with a particular focus on how ethnicity, gender and migration status shape the path from business idea to sustained venture – or to exit. The starting point is a boosted 2023 APS sample of around 16,000 respondents.

Total early-stage entrepreneurial activity (TEA) among Asian, Black and Mixed ethnic groups is significantly higher than among the White population, and the same holds for nascent entrepreneurs specifically. Immigrants show significantly higher early-stage activity than

lifelong UK residents, and UK regional migrants are in turn more active than non-migrants – evidence that mobility, not just ethnicity, is associated with a higher propensity to start a business. The one attitudinal difference that stands out across ethnic groups is a greater likelihood of knowing another entrepreneur, suggesting role-model effects may partly explain the higher entry rates among minority and migrant populations.

The evidence from the 2025 GEM APS shows that once again there was an increase in early-stage entrepreneurial activity in the ethnic populations of the UK – 25.4%, which was an increase from 19.1% in 2024, and this is significantly higher than for the non-ethnic groups, which were 10 percentage points lower at 15%.

³⁰ Funded by Mastercard Strive UK initiative in partnership with Be the Business. Mastercard Strive is a portfolio of philanthropic programmes supported by Mastercard's social impact arm, the Mastercard Centre for Inclusive Growth (CFG). The full report – Hart, M and Ri, A (2026) “UK Business Creation Process for Ethnic Minorities: Panel Study of Entrepreneurial Dynamics (PSED) 2023–25”, ERC Research Report, April 2026 – can be downloaded from www.enterpriseresearch.ac.uk

9.2 FINDINGS FROM THE PSED

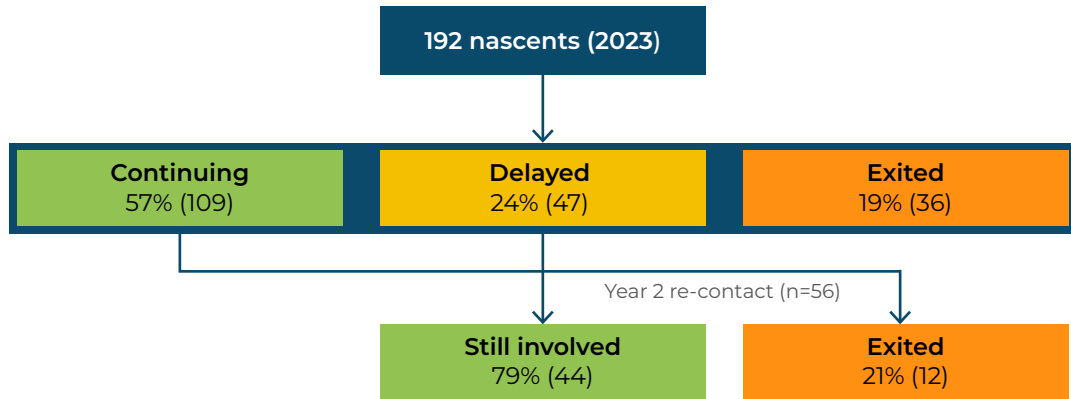
From this pool, PSED followed two cohorts forward. The 2023 cohort of 832 identified nascents yielded 192 one-year follow-up responses (23%); the 2024 cohort of 481 nascents yielded 93 (19%) – broadly comparable attrition rates for a hard-to-track population. The follow-up samples are reasonably representative of the wider nascent population: around 49% women and 32% from ethnic minority backgrounds in the 2023 cohort, with a similar profile a year later. Both cohorts skew towards the well-qualified and the already economically active – around three in five are graduates, and roughly six in ten are in full- or part-time employment at the point of follow-up, meaning most respondents are building a business alongside a job rather than as a sole occupation. PSED's nascent entrepreneurs are overwhelmingly not drawn from the youngest, least-attached segment of the labour market, but from adults already in work.

The headline survival story is more encouraging than attrition rates alone suggest. Of the 192 nascents in the 2023 one-year follow-up, 57% (109) were still actively pursuing the venture a year on, 24% reported a delay rather than abandonment, and 19% had exited. Two years on, of the 56 respondents who could be re-contacted, 79% were still involved. But continuation is not evenly shared. Women were more likely than men to report delay (31% vs 18%) and, at the two-year mark, more likely to have quit (30% vs 15%). Ethnic minority nascents were more likely to report both delay (36% vs 19% for White entrepreneurs) and exit (23% vs 17%) at one year, and the one-year continuation rate was markedly lower for non-White entrepreneurs (41%) than White entrepreneurs (64%); by year two, 81% of White entrepreneurs remained in business compared with 67% of non-White entrepreneurs. This gap narrows over time but does not close, and it sits alongside a parallel finding on confidence: those who continued their venture were consistently more likely to report having had the requisite knowledge and skills at the outset (96%) than those who dropped out (81%), suggesting early self-belief is itself a predictor of survival, not just a byproduct of it.

FIGURE 9.1:

Components of
the UK PSED

(Source: PSED
2023-2025)



Delayed ventures were re-contacted alongside continuing ones for the year 2 follow-up.

The reasons behind delay and exit are instructive, and diverge by ethnicity in ways with direct policy relevance. Across both cohorts, personal circumstances – time constraints, caring responsibilities, health – are the single most common reason cited for delay, reported by around half of White entrepreneurs (48%) and a higher share of non-White entrepreneurs (59%) (Figure 9.2). But funding constraints are markedly more prominent for non-White entrepreneurs (45%, versus 17% for White entrepreneurs), while White entrepreneurs are relatively more likely to cite market-related or organisational barriers.

When ventures are abandoned altogether, the pattern shifts again: White entrepreneurs more often cite financial, market and resource constraints (cost of set-up, insufficient finance, lack of customers), while non-White entrepreneurs are disproportionately more likely to exit because they secured conventional employment – pointing to a more necessity-driven or opportunity-cost-sensitive relationship with self-employment among this group, consistent with the characterisation of some minority nascent activity as employment-substitute rather than purely opportunity-driven.

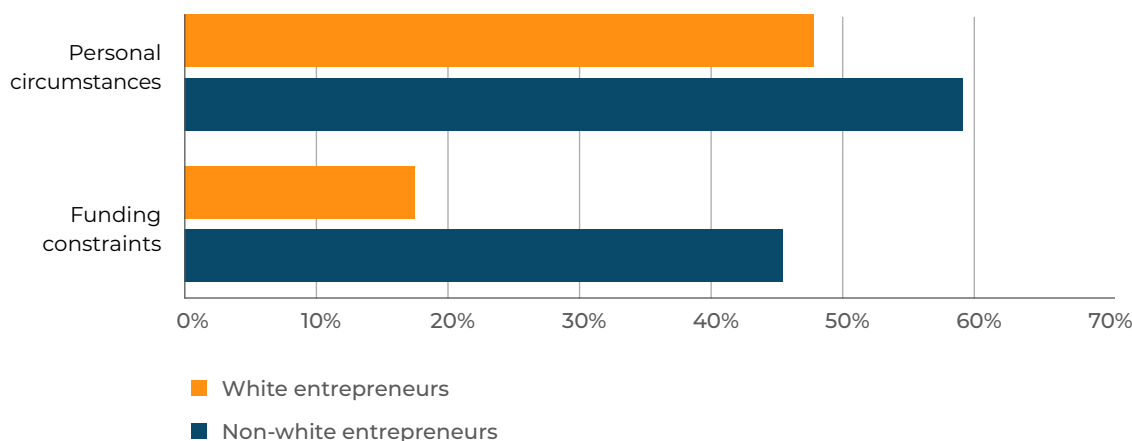


FIGURE 9.2:
Reasons for venture
delay by ethnicity
(Source: PSED
2023-2025)

For most nascents, the business idea and the decision to start either arrive together (around 38-43% across cohorts) or the idea precedes the decision; only a minority (12-18%) decide to start a business before settling on what it will be, implying most UK nascent entrepreneurship remains opportunity- rather than lifestyle-led. Hobbies and recreational interests are the single largest source of inspiration (48-62%, higher among non-White entrepreneurs), followed by the entrepreneur’s own prior thinking or a co-founder’s idea; White entrepreneurs draw relatively more on current or previous employment. Roughly three-quarters of ventures are started solo, and around four in five are genuinely new, independent businesses rather than franchises, acquisitions or spin-outs. Practically, two-thirds of nascents save funds toward the idea, half source equipment, and a third scout a location – activity that, notably, precedes and is invisible to the administrative registration data (Companies House, HMRC) that most official measures of business “starts” rely on.

By the second year, for those still trading, the picture is one of small, largely informal, locally-rooted businesses: an average of 23 hours a week devoted to the venture, over half not registered for PAYE or VAT, just over half of customers sourced locally, and just over half using no external finance at all in the past year – where finance is used, it is overwhelmingly personal (loans from the owner, overdrafts, friends and family, credit cards) rather than commercial products. Competition is the most-cited barrier to success at this stage, ahead of regulation, energy costs and access to finance, and informal sources – the internet, family, friends – remain the dominant channel for advice; one in five sought no advice at all in the previous year.

9.3 POLICY IMPLICATIONS

Taken together, the study identified five things: higher early attrition among women and ethnic minority-led ventures that narrows but persists over time; the dominance of financial and time constraints in the first year, giving way to market-validation challenges as ventures mature; heavy and largely involuntary reliance on personal rather than business finance; the genuinely non-linear character of entrepreneurial careers, with paid employment a common and legitimate route out of a stalled venture rather than simple “failure”; and a marked gap between high initial confidence (71% thought starting a business would be easy) and the lived difficulty of sustaining a venture alongside other commitments.

The policy recommendations follow directly from this diagnosis: better social and care infrastructure to relieve the personal-constraint burden that disproportionately affects women and ethnic minority founders; smaller,

more flexible finance products with variable repayment terms bundled with mentoring, to bridge the gap between personal savings and formal business finance and to address both access barriers and debt-averse behaviour among minority founders specifically; and more realistic pre-start support that manages expectations about workload and prioritises market testing, given that a lack of customers is a recurring cause of exit at both one and two years. The constraint is often visibility and trust in existing provision rather than a shortage of it.

The PSED evidence base is valuable less for restating the ethnicity gap in entrepreneurial *entry* – that immigrants and ethnic minorities remain the UK’s most consistently entrepreneurial groups – than for showing, longitudinally, that the gap widens at the *survival* stage for these ethnic founders, and for specifying which barriers (funding first, then market validation) drive that widening.

10. SPECIAL TOPIC: FRANCHISING AND INDEPENDENT BUSINESS OWNERSHIP³¹

10.1 INTRODUCTION

Franchising remains a significant, if often overlooked, route into early-stage entrepreneurship. Franchising is a substantial part of the UK economy: with a record 1,009 franchise systems now operating across the country, an estimated 770,000 people employed, average turnover per franchise of £386k-£400k, and a £19.1bn contribution to UK turnover overall, alongside high reported unit profitability (89%) and franchisee satisfaction (82%) (British Franchise Association (BFA), 2024)³². A twenty-year failure rate below 6% is estimated by the BFA, which is a marked contrast to the failure rate among independent start-ups.

This resilience matters directly for entrepreneurs weighing the risks of business ownership: a franchise model offers a structured, tested route to self-employment that can lower the odds of early failure relative to founding a venture from scratch. The composition of the sector is also shifting: traditional pillars such as store retail and vehicle services have declined by 25% and 34% respectively, while sectors such as domiciliary care and home-based, digitally-enabled services have expanded rapidly (BFA analysis, 2026) – a reallocation that reflects broader demographic and technological change in the economy, and one that continues to open new entry points for early-stage entrepreneurs across a widening range of sectors.

The GEM 2025 data adds a population-representative lens to the industry's own survey (the BFA's National Franchise Survey) cannot provide, since the BFA surveys only its own members.

31 Prashar, N and Hart, M (2026) "UK Franchising: A Review of the Evidence", ERC SOTA Review (No. 71) www.enterpriseresearch.ac.uk

32 British Franchise Association. (2024). The British Franchise Journal: National Franchise Survey 2024. British Franchise Association.

10.2 FRANCHISING IN THE UK

Within the UK, GEM 2025 shows gender parity or a female edge across most franchising measures: 26% of female early-stage entrepreneurs are franchisors versus 23.6% of males, and among established businesses 33.1% of women are franchisees compared with 25.4% of men – consistent with BFA reporting that women make up a growing share of the franchisee population. Similar patterns hold for ethnic minority entrepreneurs and graduates.

The most striking finding is on age, and it directly contradicts the industry's own narrative. The BFA reports that the share of new franchisees under 30 has collapsed, from 27% in 2018 to just 7% in 2024. But GEM UK 2025 – a representative population survey rather than a

survey of existing BFA members – shows 34.2% of 18–24-year-old early-stage entrepreneurs are franchisees and 20.7% are franchisors, the highest engagement of any age group.

The review's interpretation is that franchising retains strong appeal among young people, but that access is constrained on the supply side: start-up costs have risen from £56,000 (2018) to £85,000 (2024), and 71% of franchisors say they rejected candidates in 2024 for lacking sufficient capital. In other words, the BFA's declining under-30 figures may reflect a widening entry barrier rather than declining youth interest – a distinction with real implications for how this chapter sits alongside the report's youth entrepreneurship and NEET material.

10.3 INTERNATIONAL COMPARISONS

Internationally, the UK and Germany – both light-touch, voluntary-registration regimes – show similarly high shares of TEA and established-business owners who are franchisors or franchisees. Figure 10.1 shows that France, which has franchise-specific disclosure legislation, sits below 8% on both measures, suggesting (though not proving) that lighter regulatory environments may be associated with higher franchise participation as an entrepreneurial route. In the US, franchising is comparatively popular at the early stage (20.4% of TEA franchisors, 11.9% franchisees) but far less common among established businesses (5.5% and 8.3% respectively), as shown in Figure 10.2, implying franchising there functions more as an entry vehicle than a long-run business form.

On regulation, the UK operates a light-touch model: no franchise-specific legislation, voluntary BFA membership, no mandatory pre-contract disclosure, and no general statutory duty of good faith – reliance falls instead on ordinary contract, competition and consumer law. This is contrasted with three alternative models.

The US mandates a detailed pre-contract Franchise Disclosure Document (23 required elements) but has no comprehensive federal law governing the relationship after signing, leaving this to a patchwork of state laws; low franchise participation among established US businesses hints that post-signing problems may still be common despite disclosure rules.

France's Doubin Law requires pre-disclosure with penalties for non-compliance, and – distinctively – grounds the ongoing relationship in a general civil-law duty of good faith, which research (Perrigot, Terry & Lerner, 2019³³) finds both sides interpret differently (franchisors: honesty, network protection; franchisees: fairness, support, equal treatment) but which nonetheless underpins trust.

Australia sits at the most-regulated end: mandatory disclosure, compulsory registration, and a statutory good faith duty under its Franchise Code. Yet a 2024 independent review (Schaper, 2024³⁴) found this regulatory intensity did not eliminate power imbalances – franchisees still reported unequal bargaining power and fear of raising concerns (average relationship rating 5.7/10, 126 reported serious disputes in the past year) – and identified a moral-hazard effect, where heavy regulation gave prospective franchisees false confidence and reduced their own due diligence. A revised Australian Franchising Code took effect from April 2025 in response.

The review's cross-country synthesis is that no regulatory model eliminates conflict, and that trust-based relational governance between franchisor and franchisee – not contractual or statutory protection alone – is the more consistent predictor of relationship quality and dispute reduction across every jurisdiction studied, including the more lightly-regulated UK and the heavily-regulated Australia alike.

³³ Perrigot, R., Terry, A. and Di Lerner, C. (2019) 'Good faith in franchising: The perceptions of franchisees, franchisors and their lawyers in the French context', *International Journal of Retail & Distribution Management*, 47(3), pp. 246–261. doi: 10.1108/IJRDM-02-2018-0043.

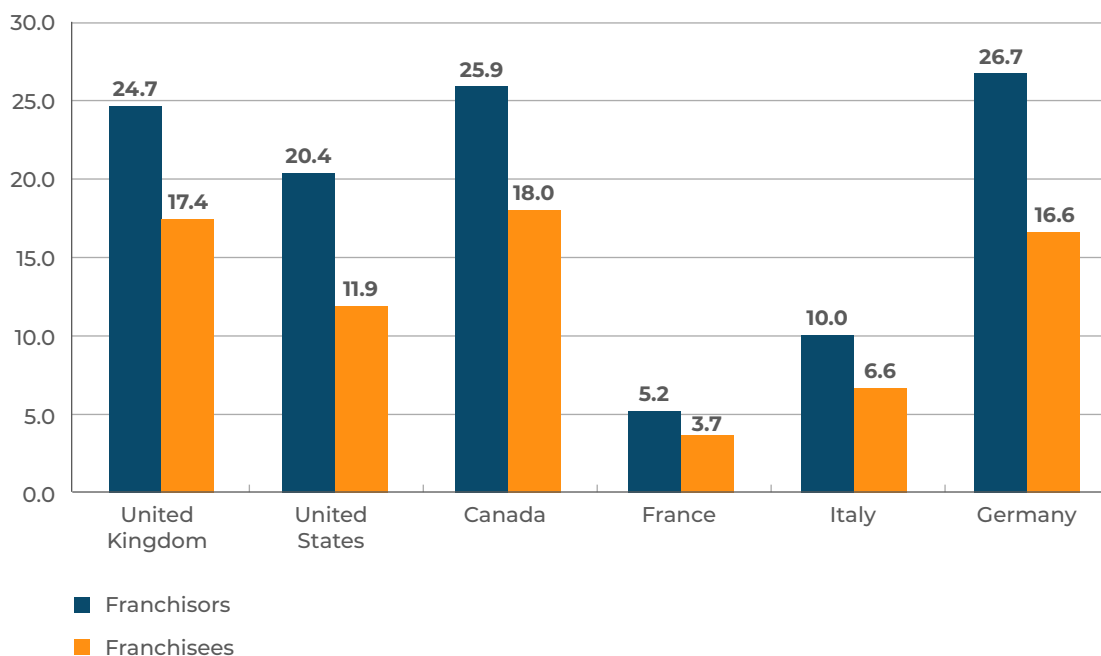
³⁴ Schaper, M. (2024) *Independent Review of the Franchising Code of Conduct: Final Report*. Canberra: Australian Government, The Treasury.

On this basis the review sets out five policy recommendations for the UK: (1) a minimum statutory pre-disclosure requirement modelled on the US FDD or French Doubin Law, applying regardless of BFA membership; (2) a statutory duty of good faith for both parties, building on the direction UK case law has taken since 2013 (most recently *Ellis v John Benson Ltd* [2025], where the High Court implied a good-faith duty into a franchise agreement); (3) improved access to entry capital for younger and first-time franchisees, via targeted grants or loan guarantees, given the near-doubling of start-up costs since 2018; (4) a low-cost dispute resolution or mediation mechanism, reflecting

the relational-governance finding; and (5) continued and expanded data collection (GEM and BFA together) to track entry diversity, cost trends and post-entry survival, since UK-specific empirical evidence remains notably thinner than for the US, France or Australia.

For the annual report, the standout finding worth foregrounding is the age contradiction – GEM’s population data showing strong latent demand from under-25s against the industry’s own evidence of a shrinking under-30 pipeline – since it reframes the policy problem from “declining youth interest” to “rising cost of entry,” which is a more actionable lever.

FIGURE 10.1:
Franchise status of
TEA entrepreneurs
by country
(Source: GEM
Global APS 2025)



This makes the US drop-off much clearer than the TEA-only chart did. Figures 10.1 and 10.2 show that the US franchisor share falls from 20.4% at early-stage to just 5.5% among established businesses, the sharpest fall of any country here, while the UK actually rises slightly (24.7% to 28.6%) and stays roughly flat between franchisors and franchisees. That contrast of franchising as a US entry vehicle versus a UK long-run business form is noteworthy and requires further investigation.

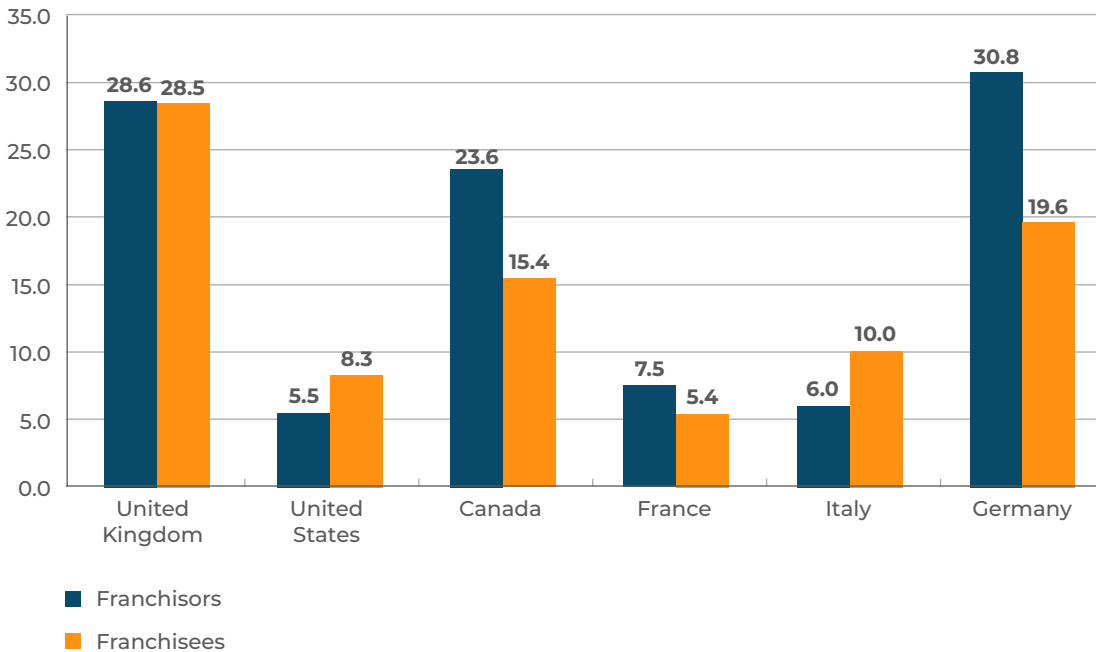


FIGURE 10.2: Franchise status of established business owners by country
(Source: GEM Global APS 2025)

10.4 SUMMARY

Franchising remains a substantial and often underestimated route into UK entrepreneurship, contributing £19.1bn to turnover and supporting an estimated 770,000 jobs, with a twenty-year failure rate below 6% – far lower than for independent start-ups. GEM 2025's population-representative data complicates the industry's own narrative in one important respect: while the British Franchise Association reports a collapse in under-30 franchisees (27% to 7% since 2018), GEM shows 18–24-year-olds are in fact the age group most engaged with franchising as early-stage entrepreneurs.

The evidence points to rising entry costs – not declining youth interest – as the explanation, reframing the policy problem around access rather than appetite. Internationally, the chapter's comparison of regulatory regimes (the UK's light-touch model against the US, France, and Australia) finds that no single legislative approach eliminates franchisor–franchisee conflict, and that relational trust is a more consistent predictor of relationship quality than statutory protection alone. On this basis, the evidence points to a minimum statutory pre-disclosure requirement, a statutory duty of good faith, improved access to entry capital for younger and first-time franchisees, a low-cost dispute resolution mechanism, and expanded GEM–BFA data collection to track entry diversity and post-entry survival over time.

11. CONCLUSION

The binding constraint on UK entrepreneurship is not intent – it is the ecosystem required to sustain and grow it. Across youth entrepreneurship, ethnic minority survival, growth ambition, solo entrepreneurship, AI adoption, and the wider ecosystem assessment, the same pattern recurs: entrepreneurial appetite, confidence and early-stage activity are strong or rising, while the infrastructure to convert that activity into sustained, scaled businesses is weakening. This reframes the core policy question from “how do we generate more entrepreneurs” to “how do we stop losing the ones we already have.”

1. Finance: From Entry Barrier to Survival Barrier

The evidence points to a UK entrepreneurial finance system that is simultaneously insufficient and inequitably accessed:

- Youth entrepreneurs rely overwhelmingly on family and self-funding (84.3% combined) rather than formal finance.
- Ethnic minority PSED nascenters cite funding constraints as a barrier to continuing at nearly three times the rate of White entrepreneurs (45% vs 17%).
- The UK’s two finance-related EFCs (sufficiency and ease of access) are both in multi-year decline and sit significantly below France on both measures.
- Franchising entry costs have risen 52% since 2018 (£56k to £85k), pricing out younger and first-time entrants even as demand from under-25s remains the highest of any age group.

Recommendation: Develop smaller, more flexible finance products – variable repayment terms, blended with mentoring – targeted at the post-start-up survival window rather than the start-up moment itself, with explicit design attention to reducing debt-aversion barriers among minority founders and lowering the effective entry cost of franchising for young and first-time buyers.

2. Post-Start-Up Support, Not Pre-Start Encouragement

Three chapters independently converge on the same finding: the UK does not have an ambition problem.

- 84% of NEET young people want to work; 19.6% of 18–24-year-olds are already entrepreneurially active.
- High-growth ambition has more than doubled since 2022 (16% to 35%).
- PSED shows most exits are not failures of will but a mismatch between early confidence (71% thought starting would be easy) and the lived difficulty of sustaining a venture.

Recommendation: Rebalance support provision away from pipeline-generation activity (encouraging more people to start) and toward the one-to-three-year survival window – mentoring, market validation support, and realistic expectation-setting at the point of start, since lack of customers and market validation, not lack of ambition, is the recurring cause of exit.

3. Structural Barriers Disproportionately Affect Women and Ethnic Minority Founders

- Ethnic minority nascent show markedly lower continuation rates than White entrepreneurs at both one year (41% vs 64%) and two years (67% vs 81%).
- Women are more likely to report delay (31% vs 18%) and, over time, exit (30% vs 15%).
- Personal circumstances – caring responsibilities, time constraints – are cited by a majority of non-White entrepreneurs (59%) as a reason for delay.

Recommendation: Improve social and care infrastructure specifically as an entrepreneurship-support lever, not only a welfare one, recognising that time and caring pressures are a distinct and disproportionate barrier to venture continuation for women and ethnic minority founders.

4. The UK's Ecosystem is Weakening even as Market Opportunity Strengthens

The NECI decline (5.0 to 4.21 since 2020) and the broad-based fall across twelve of thirteen EFCs sit in direct tension with the UK's strongest-ever score on internal market dynamics (6.03). This is not a demand-side problem.

Recommendation: Prioritise the specific EFCs showing the steepest, most policy-addressable declines – physical infrastructure, government entrepreneurship programmes, and post-school entrepreneurial education – where the UK now trails France and Germany by statistically significant margins, rather than spreading limited resource evenly across all thirteen conditions.

5. Solo Entrepreneurship is a Growth Pathway, Not a Consolation Prize

The evidence points to a UK solo entrepreneurship picture that is more ambitious, and more durable, than is typically assumed:

- Although 80% of nascent entrepreneurs start solo, 42% of these hold high-growth expectations, exceeding the 28% average across all nascent entrepreneurs.
- Around 70% of zero-employee new business owners expect to remain solo in five years – a distinct, stable segment pursuing independence rather than growth.
- Demographic and motivational gaps between solo and employer entrepreneurs are widest at the nascent stage and narrow considerably by the new business stage.

Recommendation: Support provision should stop treating “solo” as a proxy for low ambition. Eligibility criteria for growth programmes that implicitly favour or require hiring plans risk excluding a substantial share of high-potential founders; support should instead differentiate by demonstrated ambition, not employment structure.

6. AI Adoption Is Accelerating Fastest Among the Most Ambitious

The 2024–25 comparison shows AI’s perceived relevance accelerating faster than entrepreneurs themselves anticipated, with ambition, not adoption stage, the strongest predictor of confidence:

- The share of TEA entrepreneurs rating AI “very important” to day-to-day operations nearly doubled in twelve months (29% to 45%), outpacing the more gradual adoption anticipated a year earlier.
- The AI gender gap has closed and reversed: female entrepreneurs, who lagged in 2024, are now more convinced of AI’s importance than male entrepreneurs.
- High job-expectation entrepreneurs are pulling further ahead of the general TEA population (61% vs. 41% rating AI “very important” to strategy) – and solo entrepreneurs’ early AI enthusiasm at the nascent stage does not consistently carry through to the new business stage, unlike employer entrepreneurs.

Recommendation: Target AI-related business support by ambition rather than offering it uniformly, and address why solo entrepreneurs’ early AI enthusiasm is not replicated by more established businesses – potentially a resourcing or complexity barrier distinct from the cost and implementation concerns already flagged as the one rising risk category in the wider AI findings.

7. Finance Gap for Women

- The finance gap facing women entrepreneurs is structural, not transitional – it persists across sources, cycles, and the wider international evidence base, and cannot be explained away by sector, size or ambition differences.
- The gap is concentrated less at the point of formal application and more upstream, in the composition of who supplies informal capital and who they choose to fund – gender homophily among informal investors (86% of male investors backing male founders) is doing much of the work in perpetuating the overall funding gap.

Recommendation: Diversify the informal investor base. Since homophily in informal/angel investment is a primary driver of the gap, policy and industry bodies should actively recruit and support more women as informal investors and expand mixed-gender investment syndicates, not just target more women as founders. Strengthen women’s access to formal bank and grant channels. With women trailing men in both bank finance (32% vs 37%) and grant funding (22% vs 25%), lenders and grant administrators should review referral pathways, eligibility signalling, and outreach to close these gaps at the point of first formal application.

Appendix 1: GEM Global Methodology

From the Annual Population Survey, we examine individual entrepreneurs at three key stages:

- **Nascent entrepreneurs (NAE):** The stage at which individuals begin to commit resources, such as time or money, to starting a business. To qualify as a nascent entrepreneur, the business must not have been paying wages for more than three months.
- **New business owner-managers (NBO):** Those whose business has been paying income, such as salaries or drawings, for more than three, but not more than forty-two, months.
- **Established business owner-managers (EBO):** Those whose business has been paying income, such as salaries or drawings, for more than forty-two months.

In addition, we measure general intention to start a business by asking individuals if they expect to start a business within the next three years (FUT). Finally, we ask individuals if they have sold, shut down, discontinued or quit a

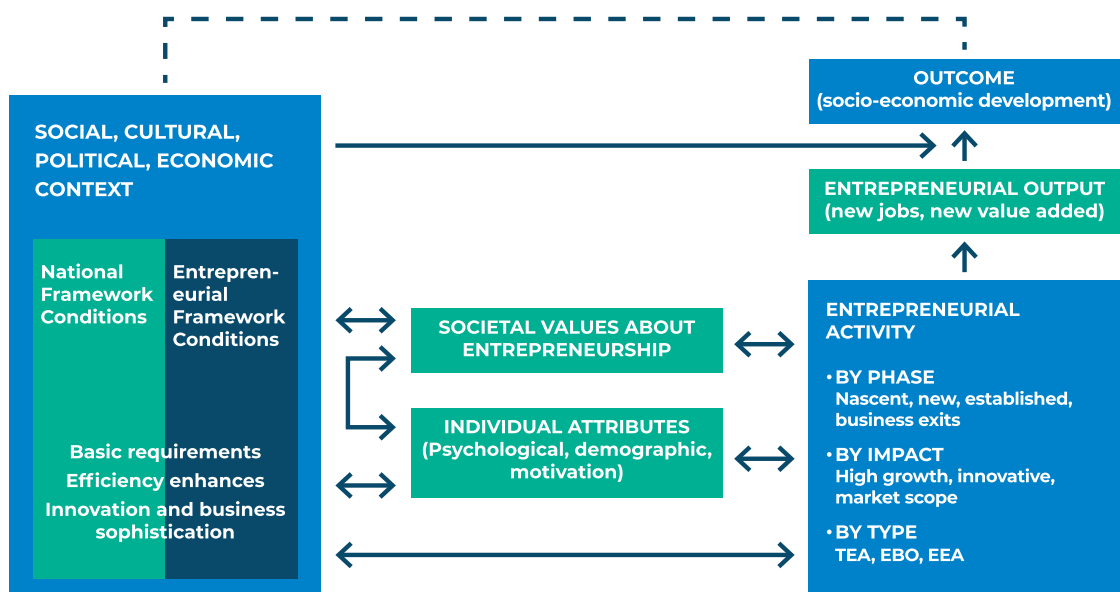
business in the past year (BC). It is important to understand that the main subject of study in GEM is entrepreneurs rather than the businesses that they run. GEM measures the entrepreneurial activity of people from intention to exit. The first two stages of active business development, the nascent entrepreneur stage and the new business owner-manager stage, are combined into one index of Total early-stage Entrepreneurial Activity, or TEA, which is represented in Figure A1.

TEA is calculated in an identical way in each country. A telephone and/or face-to-face survey of a representative sample of the adult population in each country is conducted between May and September. Respondents are asked to respond to three questions that are the basis of the TEA index: 1) “are you, alone or with others, currently trying to start a new business independently of your work?”, 2) “are you, alone or with others, currently trying to start a new business as part of your work?”,

FIGURE A1:

The Entrepreneurial Process and GEM Operational Definitions

(Source: Hill, S., Ionescu-Somers, A., Coduras, A., & Samsami, M. (2026). Global Entrepreneurship Monitor 2025/2026 Global Report: From Uncertainty To Opportunity. London: GEM, p.214) <https://www.gemconsortium.org/reports/latest-global-report>



and 3) “are you, alone or with others, currently the owner or manager of a business?” Those who respond positively to these questions are also asked filter questions to ensure they are actively engaged in business creation as owners and managers, how long they have been paying wages to employees, and other questions about cost and time to start up, sources of finance and numbers of jobs created.

A distinction is made between two types of entrepreneurs: nascent entrepreneurs (those whose businesses have been paying wages for not more than three months) and new business owner-managers (those whose businesses have been paying salaries for more than three months but not more than 42 months). The TEA index is the proportion of nascent entrepreneurs and new business owner/managers (minus any double counting, i.e., those who respond positively to both are counted once) in the working-age population.

As much of this entrepreneurial activity is pre-start-up or includes very small new businesses that do not have to register for VAT, TEA rates will not necessarily match with published official statistics on business ownership and, indeed, should not be interpreted as such. Rather, GEM enables the measurement of the *propensity* of individuals in particular countries to be entrepreneurial *given* the current social, cultural and economic framework conditions that exist there.

The methodology, sample sizes and weighting systems used for the GEM UK 2025 Adult Population Survey (APS) are explained in more detail in Appendix 2. In a major departure in 2020, the UK team decided to offer an online mode for respondents to complete the APS,

and this sat alongside the traditional mode of CATI surveys. We did this for one overriding reason, and that was the vastly increased costs of undertaking CATI surveys and the need to maintain the UK sample at around 10,000 respondents to ensure we can continue to provide data for the home nations as well as other important sub-groups of the population such as immigrants, ethnic minorities and women. The first 2,000 APS interviews in 2025 were conducted via CATI (500) and CAWI (1500), and the results were reported in the GEM Global report published in February 2026. Accordingly, the results contained in this report may differ slightly from those already published for the UK in the GEM Global report. The detailed weighting and adjustments we made to the UK APS dataset as a result of this new mixed mode survey methodology are set out in Appendix 2.

Another important change in the sample design was introduced in 2010 when 10% of respondents in each Government Office Region (GOR) were selected at random from households which had mobile phones but not fixed phone landlines. The proportion of mobile-only households in this survey was designed to match Ofcom estimates of the proportion of adults in mobile-only households in 2020³⁵ for the UK, to account for the higher mobile phone use (around 20%) of some hard-to-reach individuals, such as young men. Once again in 2025 there are no significant differences between landline only data and the full sample which includes mobile only households. Consequently, in this report, comparisons with other countries and time-based trends within the UK are made using the full sample (landline and mobile only households as well as the CATI/Online mixed method). See Appendix 2 for further details.

³⁵ This is last year for which data is available from www.statistia.com

Appendix 2:

GEM UK Sampling and Weighting Methodology

GEM UK is one of the largest, longest-running national studies of entrepreneurial activity in the world, with over 250,000 individuals interviewed since monitoring began with a sample of 1,000 adults in 1998. In 2025, 8,513 adults aged 18–80 were interviewed. The distribution of respondents is not even across the UK. This is because the Scottish Government, Welsh Government, and the Northern Ireland Department for the Economy chose to boost sampling in their nation/region in order to have more detail about entrepreneurship in their area.

The raw unweighted sample of 8,513 was distributed across 12 geographic areas within which representative sub-samples of the population aged 18–80 were taken. These areas and the sample sizes are: South West: 419; South East: 652; East of England: 453; London: 612; West Midlands: 432; East Midlands: 381; Yorkshire & Humberside: 405; North East: 181; North West: 553; Wales: 1,282; Scotland: 2,085; Northern Ireland: 1,058.

According to Ofcom, households in the UK which have access to a mobile phone but not to a fixed telephone landline increased from 14% in Q1 of 2016 to 22% in Q1 of 2020³⁶. In 2020, 20% of the unweighted GEM sample across the UK consisted of mobile-only households. At the same time, more people are using the internet and spending an increasing amount of time online each day. According to the World Bank, in 2019 the share of population using internet in the UK has reached 93%³⁷. According to Ofcom, the average time spent online each day by adults aged 18+ was 4 hours 2 minutes in April 2020; this increased by 37 minutes compared to January 2020. Internet take-up varies by age group with 100% of aged 25–34 going online³⁸. Moreover, younger age groups, and specifically young males, are less likely to respond by phone as experience of GEM UK APS of recent years clearly demonstrated.

³⁶ <https://www.statista.com/statistics/386778/share-of-calls-enabled-landlines-in-uk-households/> accessed 21/06/21

³⁷ <https://data.worldbank.org/indicator/IT.NET.USER.ZS?locations=GB/> accessed 21/06/21

³⁸ https://www.ofcom.org.uk/_data/assets/pdf_file/0027/196407/online-nation-2020-report.pdf/ accessed 21/06/21

In this changing context, the question of the choice of appropriate method for data collection to assure representativeness of the sample has never been so acute. Wherever the truth lies, it is clear that fixed line surveys are no longer fully representative of UK households, that the distribution of mobile-only households and online panels is different to that of fixed line households, and that these differences are not fixed but change over time. There are advantages and disadvantages in each before mentioned method of data collection. Online panels are representative in terms of geo-demographics, but there are some questions about the attitudinal representativeness of people who opted into online panels. On the other hand, when answering online, people have more time to re-read questions before responding – this is an important advantage considering the length and complexity of GEM APS survey. In 2020, given the disruptions that COVID-19 caused, the GEM UK team felt that it was time to introduce a blended approach to data collection. Hence, GEM UK 2020 APS marked a methodological step change: for the first year, the data was collected via random digit dialling (RDD) of landlines, mobile phone numbers and BMG's online panel network.

Every attempt is made to ensure that the results reported are as reliable and robust as possible. To do this, four sets of weights were calculated for the UK data:

- Weights for the whole UK that take the UK area sub-samples and the age, gender and ethnic minority proportion of the population of the UK (aged 18–64) into account, based on the latest available area estimates from the UK Office of National Statistics, typically mid-year estimates for the previous year.
- Sub-sample area weights that take into account the population distributions *within* GEM UK sub-sample areas by age, gender and ethnicity. These are used when we report comparisons between GEM UK sub-sample areas.
- Government Official Region (GOR) weights that create representative samples at the GOR level from all sub-samples within the same GOR.
- In addition, separate weights were constructed for England, based on balanced GOR samples for each English region, to develop a final “home nations” weight.
- Moreover, the final dataset was calibrated by using separate weights to account for differences between CATI and CAWI online data collection methods (details available on request).







DISCLAIMER

This report is based on data collected by the GEM GLOBAL consortium and the GEM UK team; responsibility for analysis and interpretation of the data is the sole responsibility of the authors.

**For further information on the
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