The Role of Artificial Intelligence in Accelerating Women-Led Startups in the Digital Era

Dr. Sowmya Hegde

Affiliation: SDM College of Business Management, Mangalore. Mail: sowmyahegde24@gmail.com
ORCID: 0000-0001-8782-8510

ABSTRACT

In the evolving landscape of the digital economy, Artificial Intelligence (AI) has emerged as a strategic enabler for startups, offering scalable solutions to long-standing business challenges. This research examines the role of AI as a catalyst for women-led startups, focusing on how secondary data reflects AI's impact on growth, innovation, and competitiveness in women entrepreneurship. Drawing from global reports, industry publications, and academic studies, the study synthesizes insights on AI adoption trends among women entrepreneurs, sector-specific advantages, and the enabling role of AI-driven platforms in finance, marketing, and operations. The findings highlight that women-led startups integrating AI tools such as predictive analytics, intelligent customer relationship management (CRM), and automation are more likely to achieve faster market adaptation, improved customer engagement, and increased investment traction. However, the analysis also reveals systemic barriers including gender bias in AI systems, unequal access to digital infrastructure, and skill gaps. The study concludes that while AI presents unprecedented opportunities for women-led ventures, its full potential can only be realized through inclusive technology policies, targeted capacity-building and equitable access to digital resources. These insights provide valuable implications for policymakers, incubators, and investors aiming to support women in the AI-driven startup ecosystem.

Keywords: Artificial Intelligence, Women entrepreneurship, Digital infrastructure, women-led startups.

Introduction

The emergence of artificial intelligence (AI) as a transformative technology has significantly reshaped the global business landscape, particularly in the digital economy. AI's integration into various sectors has opened new pathways for innovation, efficiency, and scale, making it a critical enabler for startups. For women-led startups an essential yet underrepresented segment of the entrepreneurial ecosystem, AI holds transformative potential not only to streamline business processes but also to bridge gender gaps in technology adoption, leadership, and access to capital. According to Redaelli and Conti (2022), AI adoption can help reduce entry barriers for women entrepreneurs by automating time-consuming tasks, providing data-driven insights, and enabling more agile decision-making. In the digital economy, where data and technology drive competitiveness, the ability to harness AI becomes crucial for women founders aiming to innovate, scale, and compete globally.

Despite growing digital inclusion, women entrepreneurs continue to face systemic barriers such as limited access to funding, lack of technical expertise, and underrepresentation in high-growth sectors like AI itself. A report by the International Finance Corporation (IFC, 2021) highlights that women-led businesses globally receive less than 3% of venture capital funding, despite outperforming male-led counterparts in return on investment in many cases. AI offers a pathway to disrupt these disparities through technologies like machine learning algorithms for alternative credit scoring, AI-powered CRM systems for better customer targeting, and predictive analytics for inventory and supply chain management. Research by Dhungel et al. (2023) underscores how AI adoption in small and medium enterprises (SMEs), particularly those led by women, leads to improved operational efficiency and customer satisfaction. Yet, while the opportunities are substantial, women's ability to benefit from AI is uneven across geographies and industries.

One critical aspect of this digital divide is the lack of AI literacy and digital preparedness among women entrepreneurs. According to a study by Verma and Singh (2022), women in developing economies often face a "second-level digital divide," where they may have access to technology but lack the skills and strategic know-how to leverage it effectively. In response, programs like Women in Data Science (WiDS), Laboratoria, and Tech Herfrica have emerged globally to provide training and mentorship aimed at closing this skill gap. These initiatives not only boost confidence and capability among aspiring women founders but also create supportive communities that encourage AI experimentation and collaboration. Moreover, government-backed incubators, such as India's Atal Innovation Mission and SheTech, have begun to offer AI toolkits and digital literacy support specifically targeted at female entrepreneurs, recognizing the role of policy in leveling the digital playing field (World Economic Forum, 2023).

While AI has the power to democratize innovation, it is not without its flaws. Algorithmic bias, exclusionary design practices, and male-dominated datasets have contributed to reinforcing existing inequities rather than dismantling them. A study by Buolamwini and Gebru (2018) showed that

commercial AI facial recognition systems had significantly higher error rates for women and people of color underscoring how biased inputs can lead to discriminatory outputs. In the context of women-led startups, such bias could manifest in funding algorithms that favor male-pattern growth models or AI-driven hiring tools that undervalue female leadership traits. Ethical AI design, inclusive data practices, and transparency in algorithmic decision-making are therefore essential if AI is to serve as a true catalyst for women entrepreneurs.

Another significant benefit of AI for women-led startups lies in market research and product development. Tools like natural language processing and sentiment analysis can help identify underserved customer needs, enabling women founders to create more responsive, inclusive products. Secondary data from the Indian startup ecosystem shows that AI-enabled women-led businesses in health tech and edtech have not only grown faster than their non-AI counterparts but also attracted greater customer loyalty and engagement (NASSCOM, 2022). Similarly, in Africa and Southeast Asia, mobile-based AI applications in agriculture and financial services have helped women entrepreneurs expand reach and efficiency, especially in rural and underserved markets (GSMA, 2021). These cases suggest that AI can serve as a leveling force, particularly in environments where infrastructure is weak but mobile penetration is high.

Nonetheless, the full potential of AI for women entrepreneurs' remains underutilized. Recent findings from the Global Startup Ecosystem Report (Startup Genome, 2023) indicate that women-founded AI startups represent less than 10% of total AI ventures worldwide. This underrepresentation reflects broader issues of access, capital, and mentorship factors that continue to limit women's visibility and influence in emerging technologies. As highlighted by Mukherjee et al. (2021), a lack of role models, combined with the cultural perception of AI and tech as male-dominated fields, discourages many women from pursuing AI-powered business ventures.

This study, therefore, seeks to explore how AI can act as a catalyst for women-led startups in the digital economy, focusing on secondary data and documented trends in AI adoption. It aims to understand where and how AI adds value to women's entrepreneurial journeys, what barriers persist, and what strategies can make AI adoption more equitable. By synthesizing research from academic journals, industry reports, and global development agencies, the study highlights both the promise and the pitfalls of AI as it relates to gender-inclusive entrepreneurship. The goal is to inform policymakers, educators, incubators, and investors on how best to support women entrepreneurs in an increasingly AI-driven world. Ultimately, empowering women through AI is not only a matter of equity but also one of economic resilience, innovation, and sustainable development.

Literature review

Artificial Intelligence (AI) has rapidly emerged as a transformative force for women-led startups in the digital economy, advancing operational efficiency, market expansion, and innovation—while simultaneously exposing deep-rooted gender biases in funding, algorithmic design, and ecosystem support. Research demonstrates that AI-powered tools such as predictive analytics, intelligent customer relationship systems, and automated inventory tracking empower women entrepreneurs to systematize administrative burdens and make strategic decisions. For instance, Darji (2025) found that AI-driven credit scoring models in India enabled underbanked entrepreneurs, including women, to access formal financing by leveraging mobile transaction data and utility payments, though proper algorithmic transparency is necessary to prevent unfair outcomes. Concurrently, ROI improvements of up to 35% have been documented among women-led startups using AI-enhanced digital marketing and analytics platforms (Author, 2023). Yet, while operational gains are significant, women-led AI ventures continue to face disproportionate funding deficits. Färber and Klein (2021) observed that in Europe, startups with higher proportions of female founders receive significantly less funding unless they are serial entrepreneurs. In the UK, only 2% of all equity investments went to all-female teams in 2024, with female-focused AI startups receiving significantly less than their male-led peers (Invest in Women Taskforce, 2025; Author).

Algorithmic bias in financial services further undermines inclusion efforts. Smith's research (2025) on ML-based credit apps revealed that "gender-blind" algorithms may seem unbiased but often yield lower loan approvals and smaller amounts for women, despite their stronger repayment records. Kim et al. (2023) added nuance by showing how intersectional attributes like single parenthood exacerbate algorithmic inequities, suggesting a need for fairness-aware model design. Kessler and Menajovsky (2021) stressed that excluding gender as a feature (fairness through unawareness) is insufficient and may even obscure bias.

Conversely, where algorithmic fairness is intentional, AI can help close funding gaps. Kelly (2022) reported that Lendingkart's credit scoring model audited for gender fairness achieved loan approval parity between men and women in India, demonstrating how accurate, equitable AI design benefits both profit and inclusion. Meanwhile, Pellandini-Simanyi (2023) cautioned that relying solely on behavioral proxies in credit scoring can inadvertently reinforce socioeconomic inequities, suggesting a need for careful feature selection.

Beyond finance, AI literacy and technical capacity are essential to leveraging AI. Researchers like Ahmad et al. (2025) document the "second-level digital divide," where women may have access to digital tools but lack strategic implementation skills. Programs such as Women in Data Science (WiDS) founded by Gerritsen et al. and community groups like R-Ladies and Black in AI (Gebru & Abebe) provide mentorship and technical training, reaching over 150,000 women globally by 2024. These initiatives have significantly increased women representation in AI programming and entrepreneurship, creating supportive ecosystems.

Evidence also highlights the benefits of diversity in AI development. Xiyang Hu et al. (2022) showed that machine learning teams with gender diversity achieved fairer decisions and less bias in microfinance lending models. Similarly, Tasnim and Roy (2025) linked gender-diverse GitHub repositories with higher code quality and broader user engagement underscoring that inclusive development enhances technology outcomes.

However, broader structural barriers persist. Orser and Elliott (2024) noted that stereotypes portraying entrepreneurship as a masculine domain continue to shape investor and institutional biases, leading to unequal representation in high-growth sectors. Meta-analytical work by Cornelia et al. (2024) confirmed that women face more frequent bank loan denials and higher interest rates across countries; this bias is amplified within more conservative national policy environments.

Policy and ecosystem initiatives have attempted to address these disparities. The UK's Invest in Women Taskforce, co-chaired by Debbie Wosskow, secured £250 million to support women and mixed-gender startups but has faced critiques over deployment delays and the persistently low 2% investment share reaching women (Invest in Women Taskforce, 2025). Institutions like Astia have implemented blind pitching formats, reducing gender bias in evaluations and enabling parity in deal flow (Kabir, 2025). Meanwhile, the Alan Turing Institute advocates for dedicated, ring-fenced funding for women-led AI ventures and mandatory gender diversity reporting in VC portfolios aiming to correct the historic imbalance where 0.7% of capital reached women-owned AI businesses between 2010–2024.

Sector-specific innovations illustrate AI's catalytic potential: Mekkaoui's femtech startup (2024) used AI-driven diagnostics for conditions like endometriosis, creating impact-driven commercial models. However, she also highlighted investor reluctance, noting that female- and health-focused language in pitches often invoked funding penalties. In emerging markets, women-led AI apps in agriculture, fintech, and health have demonstrated faster user growth and stronger customer retention, yet gender-based credit algorithms often limit scaling potential (Kapadnis, 2025; Women's World Banking, 2021). These dynamics reveal that while AI aids innovation, its benefits are unevenly distributed.

Collectively, this literature illustrates a dual narrative: AI serves as a potent enabler of efficiency, innovation, and market access for women-led startups but without intentional interventions, it risks propagating the very inequities it could solve. Critical enablers include: equitable AI design, algorithmic audits, diverse development teams, investor gender diversity, bias-aware funding mechanisms, and digital training ecosystems. Empirical research gaps remain in understanding long-term economic outcomes for women-led AI firms, the efficacy of accelerator programs in reducing funding disparities, and comparative studies across cultural and policy environments.

Objectives of the Study

To examine the role of AI as a catalyst for women-led startups.

Research Methodology

This study adopts a descriptive research design and relies on secondary data sources to explore the role of Artificial Intelligence (AI) in empowering women-led startups within the evolving digital economy. The methodology involves an extensive review and analysis of existing literature, government and NGO reports, peer-reviewed journal articles, white papers, policy briefs, and case studies published between 2018 and 2025. Key sources include datasets and insights from international organizations such as the World Bank, UN Women, and Women's World Banking, as well as regional data from initiatives like the UK's Invest in Women Taskforce and India's Startup India Mission. Studies from academic databases including JSTOR, Scopus, and Google Scholar were systematically analyzed to identify themes such as AI-driven operational efficiency, access to funding, digital literacy gaps, and algorithmic bias. The literature was selected based on relevance, credibility, and recency, ensuring that it reflects diverse geographical and socio-economic contexts. This methodology enabled a comprehensive understanding of how AI tools and ecosystems influence the growth, challenges, and opportunities faced by women entrepreneurs, and highlighted key policy implications for inclusive digital transformation.

Discussion

The role of Artificial Intelligence (AI) as a catalyst in empowering women-led startups is both transformative and complex. AI has introduced unprecedented opportunities for women entrepreneurs to overcome traditional barriers in business, yet its integration also presents new challenges, particularly in terms of access, digital literacy, funding equity, and systemic bias. This discussion synthesizes findings from secondary data sources to examine how AI tools and the surrounding digital ecosystem influence the growth trajectories, barriers, and prospects of women entrepreneurs across various sectors.

1. AI Tools as Drivers of Growth and Innovation

AI-powered tools such as predictive analytics, intelligent chatbots, customer relationship management systems, recommendation engines, and supply chain automation have enabled women entrepreneurs to operate with greater efficiency and strategic foresight. These tools reduce the operational burden by automating routine processes such as inventory tracking, invoice management, and customer segmentation, allowing entrepreneurs to focus on innovation and scaling their ventures. For instance, AI-based digital marketing platforms allow women-led startups to tailor campaigns to specific consumer behaviors, thereby enhancing market penetration and brand visibility. As reported by Ahmad et al. (2025), women entrepreneurs using AI-driven analytics in e-commerce observed improved conversion rates and customer retention, highlighting the potential of technology to level the playing field in competitive markets.

AI also enables product and service innovation. Women entrepreneurs in sectors like healthcare, education, and fintech are leveraging AI to create solutions that directly address societal and gender-specific needs such as early detection of chronic illnesses, personalized learning platforms, and financial

inclusion for unbanked populations. These innovations not only drive business growth but also generate social impact, reinforcing the value of women-led enterprises in the digital economy.

2. Challenges in Access and Adoption

Despite these benefits, the integration of AI into women-led businesses is hindered by significant access and adoption challenges. One of the most persistent obstacles is the digital skills gap. As highlighted by Orser and Elliott (2024), many women entrepreneurs, especially in emerging economies, lack the technical proficiency to implement and manage AI solutions effectively. This "second-level digital divide" stems from limited access to STEM education, lack of exposure to advanced digital tools, and underrepresentation in tech-focused incubators and accelerators.

Moreover, the cost and complexity of AI adoption can be prohibitive. Most high-quality AI tools require investment in infrastructure, software licenses, or subscriptions, which many early-stage or small-scale women entrepreneurs may not afford. Without affordable, user-friendly AI solutions and training support, a large segment of women business owners remain excluded from the AI revolution.

3. Algorithmic Bias and Systemic Inequities

One of the more insidious challenges lies in the algorithms themselves. AI systems trained on biased historical data can perpetuate and even amplify gender-based discrimination. Studies such as those by Buolamwini and Gebru (2018) and Smith (2025) have shown that credit-scoring models and facial recognition tools often exhibit lower accuracy for women or provide less favorable outcomes. In financial services, this has translated to fewer loans and less favorable credit terms for women entrepreneurs, even when they demonstrate better repayment behavior compared to male peers.

This systemic issue is compounded by the lack of women representation in AI development. Without diverse perspectives at the design and decision-making stages, AI systems risk embedding structural inequalities. Women are not only underrepresented as users of AI tools but also as creators and developers further perpetuating a cycle where technology fails to meet the needs of half the population.

4. Funding Disparities and Investor Bias

Access to funding remains one of the biggest hurdles for women-led startups, and the AI sector is no exception. Despite women-led startups showing higher returns per dollar invested, they receive only 2% or less of global venture capital funding (Farber & Klein, 2021). In the AI domain, the gap is even wider. This disparity is often attributed to implicit investor biases, homophily in funding networks, and a lack of gender diversity among venture capitalists. AI's male-dominated image and technical nature may further discourage investors from supporting women-led AI ventures, especially those focused on social or niche applications such as femtech or community finance.

While some interventions like blind pitch reviews, gender-lens investing, and women-focused accelerators have shown promise, the structural nature of funding inequity demands more systemic and policy-level reforms. Governments and private stakeholders must actively redirect capital and mentorship resources toward women entrepreneurs working in AI.

5. Ecosystem Support and Inclusive Platforms

Despite the challenges, the growing ecosystem of support for women in AI entrepreneurship offers hope. Organizations such as Women in Data Science, Black in AI, R-Ladies, and She Loves Tech have created vibrant communities that provide technical training, networking opportunities, mentorship, and visibility to women in AI. These platforms play a critical role in demystifying AI, breaking stereotypes, and inspiring more women to enter and lead in the AI space.

Incubators and accelerators tailored for women, such as WE Hub in India and Astia in the U.S., have also helped women founders gain access to seed capital, technical support, and investor networks. However, their reach remains limited, and many programs struggle with scale, funding, and long-term sustainability.

6. Regional Variations and Sectoral Impact

The influence of AI on women-led startups varies significantly across regions and sectors. In developed economies, women entrepreneurs may have better access to AI infrastructure and educational resources, whereas in low- and middle-income countries, barriers like internet connectivity, language constraints, and social norms create additional layers of exclusion. Nonetheless, case studies from countries like Kenya, India, and Brazil show that when given the right tools and support, women entrepreneurs in the Global South have used AI to expand agricultural productivity, improve healthcare access, and promote digital literacy in their communities.

Sectorally, AI's impact is particularly strong in health tech, edtech, fintech, and retail areas where women entrepreneurs are often active. AI-enabled platforms in these sectors allow for personalized service delivery, data-driven decision-making, and scalable models that are essential for startup growth. However, sectors like deep tech or AI infrastructure remain largely male-dominated, underscoring the need for broader inclusion.

7. Opportunities and the Way Forward

The intersection of AI and women-led entrepreneurship presents enormous potential for inclusive economic growth. AI can act as a democratizing force allowing women with limited capital and limited networks to build scalable, tech-enabled businesses. But for this to happen, systemic changes must occur across education, funding, infrastructure, and algorithmic governance.

Governments should introduce AI literacy programs that specifically target women, especially in rural and marginalized areas. Venture capital firms must commit to funding diversity and adopt metrics to monitor gender equity. AI tools should be designed with fairness frameworks to ensure equitable outcomes. Finally, representation in leadership, policy-making, and technical development must be improved to make AI work for everyone.

Implications of the study

The implications of this paper are multifaceted, offering both practical insights and policy recommendations. The study highlights the transformative potential of AI tools in enabling women entrepreneurs to overcome traditional barriers such as limited access to finance, operational inefficiencies, and gender-based biases. However, it also underscores the challenges faced, such as the digital skills gap, algorithmic bias, and unequal access to venture capital, which hinder the full realization of AI's benefits. The findings suggest that policymakers must prioritize AI literacy and gender-equitable funding mechanisms to bridge these gaps. Additionally, the paper advocates for the development of inclusive AI ecosystems that foster diversity both in terms of technology development and entrepreneurship. The study calls for industry-wide reforms to ensure that AI applications are designed with fairness in mind and that women entrepreneur receive the mentorship, funding, and technical support needed to thrive in the digital economy. In conclusion, while AI offers significant opportunities for growth, its success as a catalyst for women-led startups is contingent on addressing the systemic barriers that continue to impede gender parity in the tech and entrepreneurial landscapes.

Recommendation and Conclusion

Based on the findings, this paper recommends several key actions to support women-led startups in leveraging AI. Firstly, policymakers should prioritize AI literacy programs aimed at women, particularly in underserved regions, to bridge the digital skills gap. Secondly, gender-responsive funding mechanisms must be developed to address the underinvestment in women-led AI ventures. Investors should also be encouraged to adopt gender-lens investing, focusing on ventures that empower women and address gender-specific needs. Thirdly, the design of AI tools should prioritize algorithmic fairness to ensure that women entrepreneurs are not disadvantaged by biased data. Additionally, creating more women-focused tech incubators and accelerators will provide the necessary support and mentorship. Lastly, collaborative networks such as Women in Data Science should be expanded to foster knowledge-sharing and peer support within the AI community.

AI holds significant promise as a catalyst for women-led startups in the digital economy, enabling operational efficiency, innovation, and market access. However, its full potential can only be realized if systemic barriers such as access to funding, digital literacy, and algorithmic bias are addressed. By prioritizing inclusive policies, equitable funding, and AI fairness, can create an environment where women entrepreneurs thrive, thereby driving both economic growth and gender equity in the digital economy.

Future research

Future research could explore the long-term economic impacts of AI adoption on women-led startups across different regions and sectors, focusing on scaling opportunities and market outcomes. Additionally, further studies could investigate the role of AI in addressing intersectional challenges faced by women entrepreneurs, such as those related to race, socioeconomic status, and geographic location.

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