

Evaluation Study of Scheme
“VENTURE CAPITAL FOR SCHEDULED TRIBES”

Executive Summary

1. About the Project

This evaluation study was commissioned to examine the relevance, effectiveness, efficiency, impact and sustainability of the Venture Capital Fund for Scheduled Tribes (VCF-ST) scheme, launched by the Ministry of Tribal Affairs (MoTA) in February 2024 and managed by IFCI Venture Capital Limited (IFCI VC Ltd). The project sought to generate an in-depth understanding of how the scheme is functioning on the ground, the extent to which it has been able to reach and support tribal entrepreneurs, and the systemic and operational challenges impeding its success.

The evaluation was undertaken at a critical juncture — more than a year after the scheme’s launch. At this stage, sufficient data had emerged to identify early bottlenecks, and stakeholder experiences provided important insights into gaps between design and implementation. The project’s objectives were:

- To assess the relevance, efficiency, effectiveness, impact, and sustainability of the VCF-ST scheme.
- To evaluate the level of financial and entrepreneurial support extended to Scheduled Tribe (ST) entrepreneurs under the scheme.
- To analyze the reach and inclusivity of the scheme, particularly among women tribal entrepreneurs.
- To examine the efficacy of fund utilization and disbursement mechanisms
- To identify challenges, gaps, and bottlenecks in the implementation of VCF-ST
- To recommend policy measures and structural reforms to improve scheme performance and ensure greater impact.

By combining data analysis, field interviews, and stakeholder consultations, the project aimed not just to document challenges but also to highlight pathways for reform, ensuring that VCF-ST evolves into a truly enabling platform for inclusive tribal entrepreneurship.

2. About the Scheme

The Venture Capital Fund for Scheduled Tribes (VCF-ST) was designed as a dedicated financial intervention to support ST entrepreneurs through risk capital. With a funding window ranging between ₹10 lakh and ₹5 crore, the scheme provides assistance primarily through instruments such as debentures, equity shares, compulsorily convertible preference shares, and optionally convertible preference shares. For innovative, technology-oriented projects, support is available up to ₹30 lakh over three years, especially for those incubated in IITs, NITs, business schools, and other approved incubation centers.

The scheme mandates that applicants must operate as Private Limited Companies, with at least 51% shareholding and management control held by ST entrepreneurs. Funding typically covers up to 75% of the project cost, with promoters required to contribute 15–25%. Assistance is provided with a maximum tenure of 10 years, and repayment terms vary depending on the instrument employed.

The vision of the scheme is to provide equity or quasi-equity support to tribal entrepreneurs, enabling them to overcome barriers of collateral-based lending and to foster inclusive entrepreneurial ecosystems, expanding opportunities for ST-led businesses and contributing to employment generation, income growth, and local economic development.

3. Methodology

This evaluation of the **Venture Capital Fund for Scheduled Tribes (VCF-ST)** adopted a **mixed-methods approach**, combining both quantitative and qualitative research. The approach was carefully chosen to address the unique challenges of assessing a relatively new scheme with a very small pool of sanctioned beneficiaries (**only 2 approvals out of 17 applications** between February 2024 and July 2025). Given this, the study emphasized **qualitative inquiry** into applicant experiences while also building a **quantitative evidence base** through comparative surveys and secondary data analysis.

4. Observations and Findings

The core findings from the evaluation are summarized below:

4.1 Limited Reach and Uptake

- In 17 months since launch, only 26 applications were received, and 2 projects sanctioned. In comparison, the VCF-SC sanctioned 41 projects in a similar timeframe.
- This stark underperformance highlights serious gaps in outreach, targeting, and implementation capacity.

4.2 Complex Application Procedures

- The application process is seen as excessively technical and compliance-heavy, requiring professional inputs from CAs, engineers, lawyers, and consultants.
- Even well-qualified applicants with business or technical degrees reported difficulties completing the process independently.

4.3 Prolonged Timelines

- Over 50% of applicants reported waiting more than a year for decisions.
- Delays disrupt business contracts, raise financial risk, and undermine trust in the scheme.

4.4 Awareness Deficit

- Nearly 88% of applicants cited poor awareness as a major barrier.
- Most heard of the scheme through informal channels like friends or relatives, not official outreach.
- Government workshops and seminars had very limited penetration.

4.5 Clarity on Instruments

- Applicants were unclear about the implications of instruments like CCDs, OCDs, and equity.

- Many assumed the scheme was akin to low-interest loans, only to be surprised later by ownership dilution or repayment structures.

4.6 Heavy Compliance and Documentation Burden

- Requirements such as 15-year lease deeds and extensive legal/financial certifications impose high upfront costs.
- Such demands often precede sanction approval, placing disproportionate risk on applicants.

4.7 Collateral and Security Norms

- Despite being a venture fund, collateral requirements remain heavy, especially for asset-light businesses.
- IFCI often values property at government rates, undervaluing assets and forcing applicants to mobilize additional resources.

4.8 Structural Restriction on Firm Type

- Mandatory conversion to Private Limited Company excludes many existing proprietorships and partnerships.
- Conversion is complex, costly, and disruptive — especially for firms with existing licenses, loans, and branding under older structures.

4.9 Communication Gaps

- Applicants frequently complained about lack of communication from IFCI VC Ltd during critical stages, leading to frustration and mistrust.

4.10 Exclusion of Working Capital

- The scheme funds only capital expenditure (land, machinery, buildings), ignoring the equally vital need for working capital.
- This gap forces entrepreneurs into parallel financing arrangements.

4.11 Psychological Costs

- Applicants described feelings of demotivation, insecurity, and mistrust due to long delays and repeated document demands.
- For some, the process disrupted ongoing businesses without yielding results.

4.12 Comparative Underperformance vs VCF-SC

- The SC fund has sanctioned far more projects, proving the model can work.
- The ST fund's failure lies in design, outreach, and execution, not in the venture capital concept itself.

4.13 Missed Opportunity for Innovation Startups

- By focusing narrowly on fixed assets, the scheme excludes IT, service, and innovation-driven startups, which are often asset-light but high-growth.

5. Recommendations

Based on the study findings, the following recommendations are proposed:

5.1 Simplify the Application Process

- Upload sample application forms and document checklists on the portal.
- Develop sector-specific DPR templates and explainer videos.
- Introduce AI-based tools for guided form-filling and eligibility checks.
- Redesign the portal with mobile-first, multilingual UI/UX.
- Establish tiered compliance requirements based on fund size.

5.2 Build Awareness and Outreach

- Launch a dedicated outreach fund for sustained campaigns.
- Develop a central ST entrepreneur database in collaboration with MoTA, MSME, and TRIFED.
- Roll out an Aadi Udyami Portal as a one-stop platform for all ST financing opportunities.
- Deploy chatbots and awareness tools in multiple tribal languages.

5.3 Reform Financial Structure

- Include working capital funding as provided in the scheme of VCF-SC and VCF-BC.
- Rationalize collateral requirements, allowing alternative guarantees or waivers for projects up to ₹50 lakh.
- Adjust promoter contribution requirements, with flexibility for first-generation entrepreneurs.

5.4 Strengthen Institutional Accountability

- Link IFCI's management fee to performance, with KPIs such as applications processed, sanctions made, and disbursements completed.
- Institute an independent oversight committee with ST entrepreneur representation.
- Set time-bound decision timelines for each stage of application.

5.5 Foster Ecosystem and Support Structures

- Create a National Association of ST Entrepreneurs or centers of excellence in B-schools.
- Highlight success stories of sanctioned entrepreneurs as models and mentors.
- Partner with IITs, IIMs, and incubators to provide financial literacy, legal aid, and business mentoring.
- Support co-working spaces, incubation hubs, and shared infrastructure tailored for ST businesses.

6. Conclusion

The evaluation highlights a sharp divergence between the intent and impact of VCF-ST. Entrepreneurs welcomed the scheme's launch, expressing happiness that the government had recognized the needs of ST entrepreneurs. However, enthusiasm has been dampened by complex applications, poor outreach, collateral hurdles, and delays.

The scheme's relevance is unquestionable — tribal entrepreneurs face structural disadvantages such as limited collateral, lack of generational wealth, and exclusion from mainstream finance.

Yet, its efficiency and impact remain low due to procedural rigidity and limited institutional capacity.

Key bottlenecks such as the lack of a tribal entrepreneur database, absence of a dedicated outreach budget, and the requirement to convert to private limited companies have particularly limited the applicant pipeline.

For VCF-ST to succeed, reforms must go beyond minor adjustments. The scheme must adopt simplified, applicant-friendly processes; stronger inter-ministerial coordination; flexible financing models; and proactive ecosystem-building. If these measures are implemented, VCF-ST can evolve into a pioneering platform that not only funds tribal enterprises but also builds trust, inclusion, and long-term entrepreneurial resilience.