

**Report on third party evaluation of Venture Capital Fund schemes for Scheduled Castes (VCF–SC), Backward Classes (VCF–BC) and the Ambedkar Social Innovation and Incubation Mission (ASIIM)**

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**EXECUTIVE SUMMARY**

**1. Introduction**

This evaluation study was undertaken to assess the Venture Capital Fund schemes for Scheduled Castes (VCF–SC), Backward Classes (VCF–BC) and the Ambedkar Social Innovation and Incubation Mission (ASIIM), implemented by the Ministry of Social Justice and Empowerment (MoSJE) and managed by IFCI Venture Capital Limited (IFCI VC Ltd). The study aimed to understand how these schemes are functioning on the ground, the extent to which they have supported entrepreneurs from marginalized communities and the bottlenecks impeding their success.

The evaluation was conducted during a critical phase when sufficient data and beneficiary experiences had become available to assess early outcomes and implementation gaps. Specifically, the project sought to:

- I. To examine the problems, challenges and constraints in the implementation of the scheme and suggest policy measures for effective implementation of the scheme.
- II. Study of criteria adopted for identification of eligible SC and BC entrepreneurs and methods applied for motivating them to undertake financial inclusion.
- III. To conduct the Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of the scheme.
- IV. To ascertain the efficacy of the Venture Capital scheme of MoSJE which has been running since 2015 and help us with recommendations for determining the contours of a new VC fund planned to be launched later this year.
- V. To identify the reasons for the least response from States where the population of the target group is maximum.

- VI. To ascertain the equity versus debt components of the investments made and recommend the proportion of them for the future.
- VII. To go in-depth into the default rates of the funded companies and ascertain the broad reasons and see how that default rate compares to similar investments made in the invested industries.
- VIII. To validate the proportion of funds spent on IT, capacity-building, mentorship, outreach, etc. and compare that with the industry norm.
- IX. Analyse the distribution of investment size and recommend upper and lower limits of the size.
- X. Identify the collateral requirements for the funding and recommend changes if any.
- XI. Recommend how the outcome of the fund can be analysed based on the objectives of the fund and how it can be tracked.

The study used a mixed-methods approach, integrating quantitative data with qualitative insights from beneficiaries, IFCI officials and incubator representatives.

## **2. About the Schemes**

Entrepreneurship has increasingly been recognized as a vital instrument for achieving inclusive economic growth and social empowerment in India. In pursuit of this goal, the Ministry of Social Justice and Empowerment (MoSJE) launched a series of innovative financial interventions to promote entrepreneurship among marginalized social groups, particularly Scheduled Castes (SCs) and Backward Classes (BCs).

The Venture Capital Fund for Scheduled Castes (VCF–SC) was introduced in January 2015, managed by IFCI Venture Capital Funds Ltd, with the objective of providing concessional financial support and risk capital to SC entrepreneurs. It aimed to empower first-generation entrepreneurs to overcome the limitations of collateral-based lending and to establish themselves as job creators rather than job seekers. Building on this model, the Venture Capital Fund for Backward Classes (VCF–BC) was initiated to extend similar equity support to entrepreneurs from other backward classes.

In 2020, MoSJE further launched the Ambedkar Social Innovation and Incubation Mission (ASIIM) as a sub-scheme under VCF–SC. ASIIM was designed to promote innovation-led

entrepreneurship among SC youth, students and researchers by providing equity funding of up to ₹30 lakh over three years for early-stage startups incubated in recognized Technology Business Incubators (TBIs). The scheme's vision was to foster an enabling ecosystem for SC innovators through mentorship, incubation and access to venture funding thereby bridging the gap between social justice and innovation-driven economic development.

Collectively, these three flagship schemes represent a significant shift in India's approach to social empowerment from welfare-based interventions to entrepreneurship-led transformation, aimed at building a sustainable and self-reliant ecosystem for marginalized communities.

### **3. Methodology**

The evaluation draws on a combination of quantitative and qualitative methods, including beneficiary surveys, key informant interviews (KIIs) with officials from MoSJE, IFCI Venture, fund managers and screening committee members, as well as focus group discussions (FGDs) with beneficiaries and incubators. Additionally, 36 detailed case studies were analyzed to provide grounded insights into the lived experiences of SC and BC entrepreneurs supported under these schemes. The evaluation is situated at a crucial juncture: nearly a decade since the launch of VCF-SC and five years into ASIIM's implementation. This is a moment to reflect on the trajectory of progress, emerging bottlenecks and sustainability prospects and to generate actionable policy recommendations for improving scheme performance and long-term impact. Evaluating these schemes is particularly important because they operate at the intersection of social justice, financial inclusion and innovation policy. The findings are expected to inform the Ministry's future strategies for empowering marginalized entrepreneurs and to strengthen institutional mechanisms for equitable participation in India's entrepreneurial economy.

## **4. Key Observations and Findings**

### **4.1 Achievements and Positive Outcomes**

The three schemes collectively have made meaningful progress in creating pathways for SC and BC entrepreneurship, with visible results under the ASIIM component. IFCI Venture has sanctioned over ₹35 crore in financial assistance, supporting 118 innovations and 169 SC entrepreneurs (including 40 women). These ventures span a wide range of sectors - from

agriculture, renewable energy and IT to healthcare, manufacturing and education demonstrating the schemes' sector-agnostic and pan-India reach.

Through ASIIM, over 50 Technology Business Incubators (TBIs), including leading institutions such as IIM Calcutta Innovation Park, IIT Mandi Catalyst, KIIT-TBI and SINE IIT Bombay, have been onboarded. Six ASIIM-supported companies have already obtained patents and one beneficiary was recognized by the Hon'ble Prime Minister during the launch of the PM-SURAJ Portal signaling the growing national visibility of SC innovation. The creation of a Mentorship Network under IFCI has further contributed to ecosystem building, with 92 mentors facilitating over 230 sessions to guide and connect budding entrepreneurs with industry experts.

#### **4.2 Challenges and Bottlenecks**

Despite these notable achievements, several structural and operational challenges persist across the schemes:

- **Limited Identification and Outreach:** There remains a significant gap in identifying potential SC/BC entrepreneurs, as most incubators and financial institutions do not maintain social category-wise data. This limit targeted outreach and results in low application inflow from eligible groups.
- **Complex Documentation and Compliance Burden:** Many beneficiaries reported facing difficulties in navigating extensive compliance requirements, such as company registration, share allotment, utilization certificates and statutory filings. These processes delay fund disbursement and deter early-stage innovators.
- **Reluctance toward Equity-Based Funding:** A majority of applicants continue to perceive financial assistance as a grant rather than an equity-linked investment. Limited financial literacy and lack of clarity on venture instruments such as OCPS/CCPS create apprehension and hinder fund recycling.
- **Inconsistencies in Processing and Communication:** Field feedback and KIIs highlight procedural delays and communication gaps between applicants, fund managers and IFCI. The absence of transparent timelines and feedback mechanisms undermines trust and efficiency.

- **Incubation-Stage Vulnerabilities under ASIIM:** Many ASIIM-supported startups are still at ideation or proof-of-concept stages, requiring prolonged incubation, sustained handholding and structured transition pathways toward commercialization.
- **Inadequate Convergence with Broader Startup Ecosystem:** The schemes function largely in isolation from other government initiatives such as Startup India, MSME, or MeitY programs, limiting cross-learning, co-funding and scaling opportunities.
- **Disparities in TBI Charges and Utilization:** The high accommodation and service costs charged by TBIs often consume the majority of incubation funds, leaving limited resources for core project development.

## **5. Recommendations**

Based on the findings, several actionable recommendations emerge across design, implementation and ecosystem dimensions:

1. **Simplify Procedures:** Introduce multilingual, step-by-step online guidance, document templates and automated status tracking.
2. **Enhance Outreach:** Launch coordinated awareness campaigns through state agencies, MSME networks and social media in regional languages.
3. **Strengthen Gender and Youth Inclusion:** Create dedicated funding windows for women and under-30 entrepreneurs, supported by mentorship and training.
4. **Improve Institutional Capacity:** Standardize IFCI communication and incubator performance through clear KPIs and feedback loops.
5. **Address Equity and Financial Literacy Gaps (ASIIM):** Conduct pre-funding orientation sessions and develop easy-to-understand financial instrument guides.
6. **Expand Sectoral and Regional Focus:** Promote participation from new industries such as renewable energy, digital services and agritech while expanding outreach to underserved states.
7. **Facilitate Follow-on Funding:** Establish investor connect platforms linking beneficiaries with venture funds, angel investors and CSR-based financing.
8. **Improve Digital Infrastructure (I-Mentor Portal):** Redesign the portal with guided forms, vernacular options, real-time tracking and integrated helpline support.

9. Strengthen Coordination with TBIs and Incubators: Establish structured data-sharing and quarterly review mechanisms between IFCI and TBIs for better alignment.
10. Establish Performance-Based Monitoring: Define KPIs for IFCI and link management fees to performance metrics like disbursement rate and beneficiary reach.
11. Create Oversight and Grievance Redressal Mechanism: Form an independent oversight committee and introduce a structured, time-bound grievance system.
12. Encourage Policy Continuity and Scale: Develop a unified Social Venture Umbrella Fund integrating VCF–SC, VCF–BC and ASIIM for sustained, scalable impact.
13. Ensure Timely Processing and Screening: Increase Screening Committee frequency and enforce time-bound, transparent decision-making.

## **6. Analytical Reflections:**

The evaluation underscores a key paradox: while the conceptual foundation of the schemes is both visionary and socially transformative, their implementation mechanisms remain overly bureaucratic and procedurally rigid. The ambition to promote equity-linked entrepreneurship among marginalized groups must be matched by institutional flexibility, financial literacy and ecosystem collaboration.

The findings suggest that the schemes have succeeded in creating a visible base of first generation SC and BC entrepreneurs, yet the transition from funding to sustainability remains fragile. Most supported ventures continue to rely heavily on state assistance and have yet to establish market viability or investor confidence.

Sustainability therefore demands a multi-layered approach - integrating mentorship, compliance support, post-funding monitoring and partnerships with accelerators, industry bodies (FICCI, CII, NASSCOM) and educational institutions (IITs/IIMs/STPIs). The development of a

structured transition framework from ASIIM to VCF–SC and other growth stage funds would ensure continuity and scalability of successful enterprises.

**Conclusion:**

The Venture Capital Fund for Scheduled Castes, Venture Capital Fund for Backward Classes and Ambedkar Social Innovation and Incubation Mission collectively mark a significant institutional commitment to bridging the structural divide between social equity and economic opportunity. They have begun to alter the entrepreneurial landscape for marginalized communities by enabling access to risk capital and innovation ecosystems.

However, their long-term success hinges on addressing persistent challenges, including awareness, accessibility, procedural complexity and alignment with the broader startup ecosystem. With strategic reforms, enhanced coordination and sustained mentorship, these schemes have the potential to evolve from policy experiments into foundational pillars of inclusive innovation realizing Dr. B.R. Ambedkar’s vision of social justice through economic empowerment.