RDI Fund – India’s Rs. 1 Lakh Crore Deep-Tech Financing Initiative

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RDI Fund Latest News

- An investigation has revealed that 15 of the 22 private companies selected for funding under India’s Rs. 1 lakh crore Research, Development and Innovation (RDI) Fund have investment links with members of the fund’s selection committee, raising concerns over transparency in the selection process.

Research, Development and Innovation (RDI) Fund

- The Research, Development and Innovation (RDI) Fund is a flagship initiative of the Government of India aimed at strengthening the country’s deep-tech ecosystem through long-term, affordable financing.
- Announced in 2025, the fund has a corpus of Rs. 1 lakh crore and seeks to bridge the financing gap faced by Indian technology companies developing cutting-edge innovations.
- Unlike conventional bank lending, the RDI Fund provides collateral-free, low-interest, long-tenure loans to private sector entities engaged in research and innovation.

- **Objectives**
  - Promote indigenous research and innovation.
  - Support the commercialisation of advanced technologies.
  - Reduce dependence on imported critical technologies.
  - Strengthen India’s deep-tech ecosystem.
  - Encourage private sector investment in research and development.
  - Accelerate the transition from laboratory research to market-ready products.
- **Priority Sectors**
  - Artificial Intelligence (AI)
  - Quantum technologies
  - Space technologies
  - Defence technologies
  - Robotics
  - Semiconductors
  - Clean energy
  - Digital healthcare

Institutional Framework

- The RDI Fund is administered through a multi-tier institutional mechanism.
- **Anusandhan National Research Foundation (ANRF)**
- The fund is housed under the ANRF, a statutory body established under the Ministry of Science and Technology. The ANRF has been created to:
  - Promote scientific research.
  - Strengthen university-based research.
  - Mobilise additional resources for R&D.
  - Foster industry-academia collaboration.
- A Special Purpose Fund (SPF) has been created within the ANRF to serve as the custodian of the RDI Fund.
- **Second-Level Fund Managers (SLFMs) –** Instead of directly financing companies, the ANRF channels funds through SLFMs.
- Currently, two organisations have been designated as SLFMs:
  - **Technology Development Board (TDB)** under the Department of Science and Technology.
  - **Biotechnology Industry Research Assistance Council (BIRAC)** under the Department of Biotechnology.
- The Government intends to empanel additional organisations, including private sector entities, as SLFMs in the future.

Funding Mechanism

- The RDI Fund provides financial assistance through soft loans rather than grants or equity investments.
- **Loan Features**
  - Eligible companies can receive loans covering up to 50% of the total project cost.

- **Collateral-free financing**.
  - Interest rates of approximately 2-4%.
  - Loan tenure of up to 15 years.
- The objective is to support high-risk technological innovation that often struggles to obtain conventional commercial finance.

Eligibility Criteria

- The scheme is designed for Eligible Technology Entities (ETEs).
- To qualify, a technology must have reached at least Technology Readiness Level (TRL)-4.
- TRL is an internationally accepted framework for measuring the maturity of a technology.
  - TRL-1: Basic scientific principles observed.
  - TRL-4: Technology validated under laboratory conditions.
  - TRL-9: Technology proven in real-world operational environments.
- Only technologies at TRL-4 or above are eligible because they have progressed beyond basic research and demonstrate commercial potential.
- Applications are evaluated based on Scientific merit, Technological feasibility, Financial viability and Commercial potential.

Selection Process

- The responsibility for selecting eligible companies rests primarily with the Investment Committees constituted by each SLFM. For example:
  - The Technology Development Board’s Investment Committee consists of 11 private-sector members and one non-voting government representative acting as secretary.
- While SLFMs formally approve the funding, companies that are not recommended by the Investment Committee are generally not selected, making these committees central to the decision-making process.

Current Status of the Fund

- The first funding round has already begun. According to the Government:
  - 124 applications were received by the Technology Development Board.
  - 51 applications have been evaluated.
  - 22 companies have been selected.
  - A total of Rs. 2,192 crore has been sanctioned.
  - 73 applications remain under evaluation.
- The second round of funding is expected to be finalised shortly.

Concerns Regarding Transparency

- The recent investigation has raised questions regarding governance and conflict of interest.
- It found that 15 out of the 22 companies selected in the first funding round reportedly have investment relationships with seven members of the Investment Committee.

- Although no violation of the existing rules has been established, the findings have triggered a debate on whether additional safeguards are necessary when allocating public funds.
- **Suggested Safeguards**
    - Inclusion of scientists and academicians from institutions such as the **IITs** and **Indian Institute of Science (IISc)** in Investment Committees.
    - Independent external assessment of project valuation and funding requirements.
    - Mandatory public disclosure of conflict-of-interest declarations by committee members.
    - Greater transparency regarding evaluation criteria and selection decisions.
- Such measures could improve public confidence while maintaining the fund's objective of supporting high-quality innovation.

Significance of the RDI Fund

- The RDI Fund represents one of India's largest public investments in deep-tech innovation. It is expected to:
    - Bridge financing gaps in high-risk technology sectors.
    - Strengthen indigenous technological capabilities.
    - Support the commercialisation of research.
    - Enhance India's competitiveness in emerging technologies.
    - Contribute to the objectives of **Atmanirbhar Bharat** and Viksit Bharat.
- However, the credibility and long-term success of the initiative will depend not only on the availability of finance but also on transparent, merit-based governance.

Source: IE
