

Small and Medium Enterprises Growth Fund (SME Growth Fund)

Providing Capital to India's Future Champions

Syllabus: PIB Analysis

- The **Small and Medium Enterprises Growth Fund (SGF)** is a new initiative aimed at providing growth capital to India's high-potential Small and Medium Enterprises (SMEs).
- As part of the **Union Budget 2026-27 announcements**, the Union Cabinet has approved a **₹10,000 crore commitment** for establishing the Fund.
- It seeks to create a pipeline of Indian enterprises capable of becoming **sectoral and global champions**.



Classification of SMEs

Under the revised MSME classification effective from **April 2025**:

- **Small enterprises:** Investment up to **₹25 crore** and annual turnover up to **₹100 crore**.
- **Medium enterprises:** Investment up to **₹125 crore** and annual turnover up to **₹500 crore**.

MSMEs are central to India's economic development, contributing significantly to **employment, manufacturing, exports, innovation and regional industrialisation.**

Importance of the MSME Ecosystem

According to the **Economic Survey 2025-26**, MSMEs contribute:

- **31.1% of GDP**
- **35.4% of manufacturing output**
- **48.58% of exports**

As of **6 October 2026**, registrations under **Udyam and the Udyam Assist Platform (UAP)** had reached around **9.78 crore**, reporting approximately **43.28 crore employment opportunities.**

Female-owned enterprises account for around **37.6%** of registrations.

The registered MSME base includes approximately **4.08 crore trading enterprises, 3.77 crore service enterprises** and **1.93 crore manufacturing enterprises.**

Operational Framework

The SME Growth Fund will function as a **direct equity investment fund** structured as an **Alternative Investment Fund (AIF).**

Unlike conventional credit-based support, it will provide **patient, long-term equity capital** to enterprises with demonstrated business viability and scalability.

The Fund will particularly focus on:

- **Manufacturing-oriented SMEs**
- Adoption of **advanced technologies**
- Expansion of production capacity
- Productivity improvement
- Export competitiveness
- SMEs in **Tier-II and Tier-III industrial clusters**
- Integration with domestic and global value chains

Why is a Dedicated Fund Needed?

- Existing equity funding mechanisms often concentrate on **early-stage and micro enterprises**, leaving a financing gap for SMEs entering the next stage of growth.
- At this stage, businesses require substantial long-term capital to cross critical **growth inflection points.**

The Fund can help SMEs:

1. Scale their operations and manufacturing capacity.
2. Adopt advanced technologies.
3. Undertake strategic investments and acquisitions.

4. Foster innovation.
5. Enter international markets.
6. Integrate into global value chains.
7. Generate quality employment.



Expected Impact

- The SGF is expected to strengthen **innovation, productivity and competitiveness** while supporting enterprises operating in sectors of national importance.
- By enabling capacity expansion and technological upgrading, it can generate employment and help promising firms evolve into **sectoral champions**.
- The initiative can also promote **balanced regional development** by supporting enterprises located in industrial clusters beyond major metropolitan centres.

Complementary MSME Support

The Fund will operate alongside existing government programmes, including:

- **CGTMSE** - Credit and finance support
- **PMEGP** - Employment generation
- **PM Vishwakarma** - End-to-end support for traditional artisans
- **ESDP and ASPIRE** - Entrepreneurship and skill development
- **RAMP, ZED and Tool Rooms/Technology Centres** - Technology and productivity enhancement
- **MSME SAMBANDH and SC/ST Hub** - Public procurement support

Conclusion

The **₹10,000 crore SME Growth Fund** represents a shift from merely providing credit to facilitating **long-term growth equity** for promising SMEs.

By addressing the equity gap, encouraging technological adoption, strengthening manufacturing and integrating firms into global value chains, it can accelerate **innovation-led industrialisation and employment generation**.

The initiative complements reforms in **digitalisation, credit access and ease of doing business**, supporting the broader objectives of **Atmanirbhar Bharat and Viksit Bharat@2047**.

It therefore has the potential to transform high-potential Indian SMEs into competitive enterprises and make economic growth more **inclusive, geographically dispersed and sustainable**.

Reference

[PIB](#)

