



Cabinet approves Commitment of Rs.10,000 Crore towards establishment of the SME Growth Fund for direct equity investments in Small and Medium Enterprises to create future champions

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The Union Cabinet, chaired by Prime Minister Shri Narendra Modi, today approved the Government of India's commitment of Rs.10,000 crore towards the establishment of the SME Growth Fund (SGF) aimed at catalysing growth-oriented capital for India's Small and Medium Enterprises (SMEs) and enabling the emergence of champion Indian enterprises across manufacturing, services, technology, innovation-driven sectors, and strategic value chains as per Para 28 of Union Budget 2026-27. This was in part of the holistic set of announcements that were made in Union Budget 2026-27 focussing on providing equity, liquidity and professional support for the MSME ecosystem as a whole.

There are existing funds which provide equity support but majority of them focus on early-stage enterprises and cover majorly Micro enterprises. A structural gap exists for equity growth capital for Small and Medium Enterprises.

The landmark initiative reflects the Government's commitment towards realizing the vision of Viksit Bharat 2047 by strengthening India's entrepreneurship ecosystem, deepening the domestic capital market for growth-stage enterprises, and creating a new generation of Indian companies capable of competing at the global level.

SMEs constitute the backbone of the Indian economy, contributing significantly to employment generation, exports, manufacturing output, and innovation. While various initiatives have enhanced access to credit for SMEs, a gap remains in the availability of long-term risk capital required by enterprises seeking to scale, innovate, expand internationally, adopt advanced technologies, undertake acquisitions, and transform into industry leaders. The SME Growth Fund is designed to address this critical financing gap by providing patient growth equity capital to high-potential SMEs with demonstrated business viability and scalability.

The Fund is envisioned as a transformational instrument to support enterprises at critical inflection points in their growth journey. Majority allocation from SGF will be made towards small and medium manufacturing focused enterprises. Fund will also consider SME's operating in industrial clusters in Tier II and Tier III cities

By providing long-term capital, the initiative will enable Indian SMEs to scale operations, invest in technology and manufacturing capacity, expand into international markets, integrate into global value chains, and undertake strategic investments. The Government expects the Fund to accelerate the emergence of a strong pipeline of Indian companies with the scale, innovation capability, and competitiveness required to become champions in their respective sectors.

The Government's commitment to the SME Growth Fund complements its ongoing efforts to strengthen the SME sector through reforms, digitalization initiatives, credit support mechanisms, ease of doing business measures, public procurement reforms, startup promotion initiatives, and production-linked incentive programmes.

Under the initiative, the Government of India will provide an aggregate commitment of Rs.10,000 crore to the Alternative Investment Fund (AIF) established under the SGF framework. By enabling manufacturing enterprises to expand capacity, adopt advanced technologies and achieve greater scale, the SGF is expected to improve scale, productivity, and strengthen export competitiveness. Investments across industrial clusters, including those in Tier-II and Tier-III cities, will support balanced regional industrial development, reinforce local supply chains and generate high-quality employment opportunities.

With this initiative, the Government reaffirms its commitment to empowering India's entrepreneurs and fostering a new generation of competitive enterprises. By catalysing investment in high-growth SMEs, the Fund will help create champions, drive innovation-led industrialization, and generate quality employment opportunities across the country. The initiative will serve as a key pillar in advancing the vision of Viksit Bharat @ 2047.

MJPS

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