



BACKGROUNDERS
Press Information Bureau
Government of India

Small and Medium Enterprises Growth Fund

Providing Capital to India's Future Champions

06 October, 2026

A New Growth Capital Push for SMEs

Small and Medium Enterprises (SMEs) form the backbone of the Indian economy, contributing to employment, exports, manufacturing output and innovation. To support their growth, the Union Cabinet has approved a commitment of **₹10,000 crore** towards establishing the **SME Growth Fund (SGF)**.

The Fund will provide patient equity capital to high-potential SMEs with demonstrated business viability and scalability. It aims to support the emergence of champion enterprises across manufacturing, services, technology, innovation-driven sectors and strategic value chains.

Classification of SMEs

Enterprises are classified as micro, small or medium based on investment in plant and machinery or equipment, and annual turnover. Under the latest criteria (effective from April 2025), a **small enterprise** has investment of up to **₹25 crore** and turnover of up to **₹100 crore**. A **medium enterprise** has investment of up to **₹125 crore** and turnover of up to **₹500 crore**.

As **part of the holistic set of announcements made under the Union Budget 2026-27**, the initiative focuses on providing **equity, liquidity and professional support** to the MSME ecosystem.

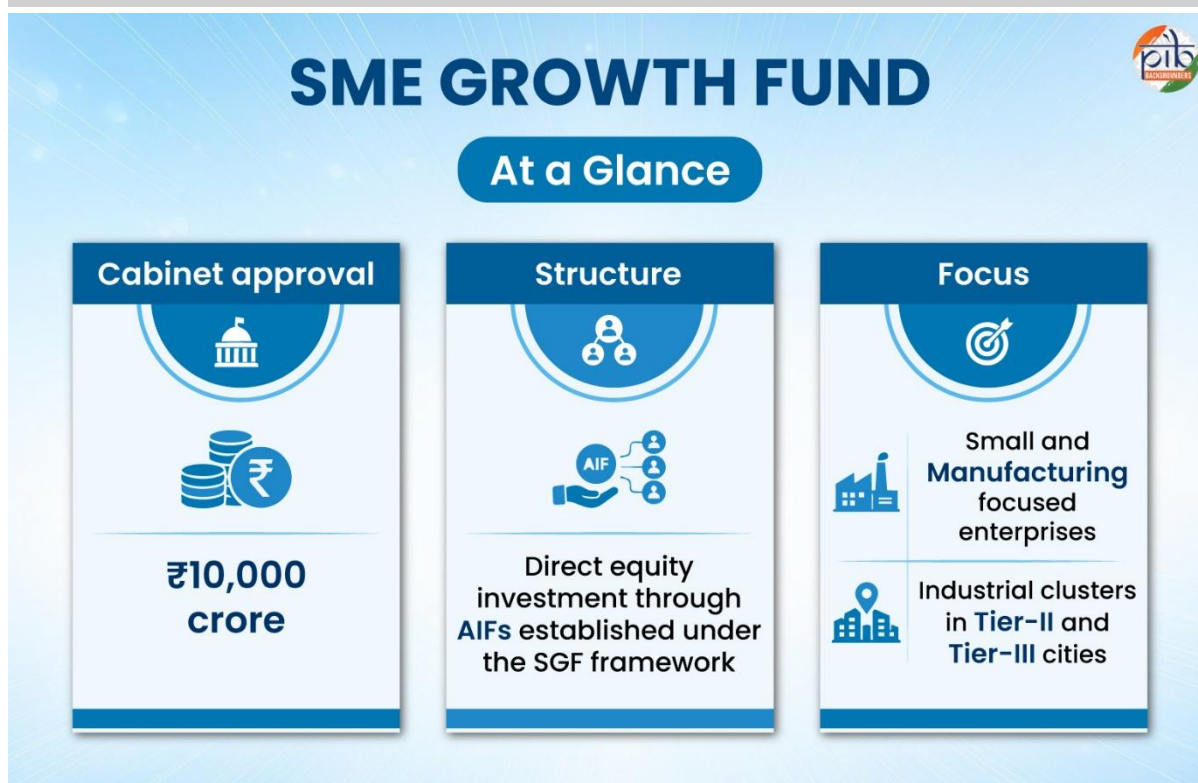
India's MSME Ecosystem

Contribution to the Economy: According to the Economic Survey 2025-26, **MSMEs account for 31.1% of GDP, 35.4% of manufacturing output and 48.58% of exports.**

Expanding Formal MSME Base: As of **6 October 2026**, total MSME registrations under **Udyam and the Udyam Assist Platform (UAP)** reached **~9.78 crore**. Registered MSMEs have also reported **~43.28 crore** employment opportunities.

Women's Participation in MSMEs: Female-owned enterprises account for **37.6%** of total registrations.

MSMEs Across Key Economic Activities: The registered base is spread across trading, services and manufacturing. **Trading** accounts for around **~4.08 crore registrations**, followed by **services** at **~3.77 crore** and **manufacturing** at **~1.93 crore**.



Operational Framework of the SME Growth Fund

Investment Structure and Selection

The SME Growth Fund is designed as a **direct equity investment fund** and will operate in the form of **Alternative Investment Fund (AIF)** established under the SGF framework.

Strategic Focus of the SME Growth Fund

What are AIFs?

An Alternative Investment Fund (AIF) is a **privately pooled fund** established in India that raises money from investors and invests it according to a **defined policy**.

a) Manufacturing at the Core: A major share of the SME Growth Fund's allocations will be directed towards **small and medium manufacturing-focused enterprises**.

The Fund is intended to support firms seeking to expand **manufacturing capacity**, adopt **advanced technologies**, improve **productivity** and strengthen **export competitiveness**.

b) Extending Growth to Industrial Clusters: The Fund will also consider SMEs operating in industrial clusters in **Tier-II and Tier-III cities**.

This is expected to support balanced **regional industrial development**, strengthen **local supply chains** and generate **quality employment opportunities**.

Why SMEs Need a Dedicated Growth Fund?

Despite the wide presence of MSMEs across the economy, existing equity funds largely focus on early-stage enterprises covering Micro enterprises. This creates scope to further expand access to growth equity capital for Small and Medium Enterprises.

Such capital becomes important as SMEs seek to scale further. It can also help enterprises navigate **critical inflection points in their growth journey** and move towards greater scale and competitiveness. These investments can support promising SMEs in developing into industry leaders.

How Long-Term Growth Capital Enables SME Expansion	
Scale operations	Undertake acquisitions
Foster innovation	Integrate into global value chains
Adopt advanced technology	Undertake strategic investments
Invest in manufacturing capacity	Expand into international markets



Impact on Innovation, Growth and Employment

The Fund is expected to strengthen the growth of high-potential SMEs across key sectors. Its impact aims to extend to enterprise scale-up, competitiveness and employment generation.

- It is expected to **support enterprises operating in sectors of national importance**.
- It will also help SMEs **expand capacity** and **scale operations**, supporting **employment generation**.
- The initiative aims to build a **strong pipeline of Indian companies** with the scale, manufacturing capability and competitiveness required to become **sectoral champions**.

A Broader Support Ecosystem for MSMEs

MSMEs receive support across several areas, including finance, employment generation, skills, technology, end-to-end assistance and public procurement.

Focus Area	Key Implementing Schemes
Credit and Finance Support	Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)
Employment generation	Prime Minister's Employment Generation Programme (PMEGP)
End-to-end support	PM Vishwakarma
Training and Entrepreneurship Development	MSME Skilling, Entrepreneurship and Skill Development Programme (ESDP), ASPIRE
Technology Infrastructure and Enablement	Raising and Accelerating MSME Performance (RAMP), Zero Defect (ZED) Scheme, Tool Room and Tech Centre
Public Procurement	MSME SAMBANDH, SC/ ST Hub

Conclusion

The SME Growth Fund complements ongoing efforts to strengthen the SME sector through **reforms, digitalisation, credit support and ease of doing business measures**. By catalysing investments, the Fund will **promote innovation-led industrialisation** while advancing the vision of **Atmanirbhar Bharat** and **Viksit Bharat@2047**.

This support for smaller enterprises reflects **India's broader effort to make growth more inclusive**, with opportunities extending across the country.

References

Cabinet:

<https://www.pib.gov.in/PressReleasepage.aspx?PRID=2319532®=48&lang=1>

Ministry of Micro, Small & Medium Enterprises (MSME):

<https://www.msme.gov.in/ministry/about-us/details/Title%3DWhat%27s-MSME-IzMzITMtQWa>

<https://dashboard.msme.gov.in/>

Securities and Exchange Board of India:

https://www.sebi.gov.in/sebi_data/faqfiles/jan-2017/1485861425527.pdf

PIB Archives:

<https://www.pib.gov.in/FactsheetDetails.aspx?ModuleId=16&NoteId=150826&id=150826&lang=2®=48>

PIB Research