

Rs 10,000 cr Fund of Funds for MSMEs to be operational soon: SBI Chairman

To provide Rs 50,000 crore equity support to stressed MSME units, a Fund of Funds announced as part of the Rs 20.97 lakh crore Aatmanirbhar Bharat Abhiyan package is expected to get operation soon, State Bank of India Chairman Rajnish Kumar said on Monday. The objective of the Rs 10,000 crore Fund of Funds scheme is to help MSMEs with growth potential at a time when they are facing severe shortage of equity and low revenues. Talking about various steps taken to help MSMEs, he said banks have announced an emergency credit line for such businesses to improve their liquidity which has been hit by the outbreak of COVID-19. Another liquidity enhancement measure was through support by way of a subordinated debt which was guaranteed by the government for the troubled MSMEs, he said. "Fund of funds, which I presume would also get operationalised very soon. So these take care from the point of view of finance," he said at a virtual event. Finance Minister Nirmala Sitharaman in May had announced the Fund of Funds (FOF) will help MSMEs with growth potential and viability even as they face severe shortage of equity.

Moreover, the fund will be operated through a Mother Fund and a few daughter funds to enable MSMEs expand in size and capacity and would also encourage them to list on the main board of stock exchanges, she had said.

The FOF scheme is intended to help those businesses who are in their nascent and initial stages, where there are almost no prospects to raise funds through the help of professional corporations or venture capitalists. The scheme proposes to buy up to 15 per cent growth capital in high credit MSMEs. Speaking about other initiatives of the bank, the SBI chairman said the bank recently launched a gold loan scheme for MSMEs and sanctioned Rs 88 crore under this product within one month. "In a way it is monetization on the ideal gold at least for businesses...safety of your jewellery we are ensuring you don't have to even pay locker and this product has received very good traction and we are planning to Further build up this product," he added.