

## Secha Capital Fund II aims to create impact through investment

According to a study by the Small Enterprise Development Agency (SEDA), small to medium sized enterprises (SMEs) contribute 66% to economy-wide employment. Despite this, many South African SMEs are unable to recruit young, top achieving talent, cannot afford management support and are excluded from key value chain relationships. Their biggest barriers to growth remain access to finance and operational support.



Source: [pixabay.com](https://pixabay.com)

“SMEs are the drivers of economic activity and job creation in South Africa. Yet, limited resources, ineffective supply chain procedures and unfamiliarity with new technology are among the main reasons for their inhibited growth,” says Rushil Vallabh, co-founder and managing director of Secha Capital, an early-stage operation-focused private equity fund.

After the success of their first fund, Secha has announced the first close of its second fund – a R400 million operations-focused private equity fund, which aims to invest in established SMEs in the fast-moving consumer goods, agribusiness, manufacturing and healthcare sectors.

Secha Capital Fund II will invest up to R12 million into established Southern African SMEs for minority equity stakes. Complementing growth capital with human capital, the impact investment model aims to solve key pain points and accelerate growth in the small business sector. The second fund will onboard four operator-investors every three years to help grow over 15 SMEs.

“We find and fund SMEs that others do not, often investing in businesses in fragmented sectors founded by previously ignored entrepreneurs. We believe that we can continue to find and grow small businesses that need support for the execution and implementation of new technologies,” says Vallabh.

By working alongside entrepreneurs, the Secha team supports SMEs as operators, not investors.

“Our operator-investors join the business to offer operational support and strategic guidance. They work closely with the team to help businesses scale efficiently, and as a result employ more people in sectors that are traditionally large contributors to the labour force.”

Their first fund, which established proof of concept, invested in a range of African businesses, from plant-based body and haircare brand, Nativechild, to networking marketing company Wukina, which empowers women to start their own businesses selling high-quality Brazilian and Peruvian wigs.

With a focus on providing patient capital to established SMEs in the "missing middle", Secha Capital's model is unique to the private equity and impact investing space in Africa. Through joining the SME team, they aim to address the management gap and help the business reach their full potential through a twelve-month accelerator toolkit.

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