



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)



Kerala State MSME Policy



MSME & Startup Committee, ICAI

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Message from Committee Leadership

Dear MSME & Startup Stakeholders,

We are pleased to share details about the ICAI MSME Clinic, an initiative designed to provide valuable guidance, support, and professional assistance to MSMEs and Startups across the country. This weekly walk-in, pro-bono advisory service aims to address key challenges faced by MSMEs, including finance, accounting, technology support and marketing.

About ICAI MSME Clinic

The ICAI MSME Clinic will be hosted every Friday by ICAI branches, where MSMEs and Startups can receive expert advice from two dedicated advisory desks:

- **Business Support Desk:** Led by Chartered Accountants specializing in MSME and Startup advisory, financial planning, compliance, and business strategy.
- **Institutional Support Desk:** Led by Bankers and Government Representatives, offering assistance with credit access, grievance redressal, and awareness of government schemes.

Introduction to the State-Specific MSME Policy

We are also excited to present the State-Specific MSME Policy, an essential resource for MSMEs & Startups in the ICAI MSME Clinic initiative. As part of this initiative, the Committee has developed a Resource Handbook and State-Specific MSME Policies, aimed at enhancing the knowledge base of MSMEs and Startups.

These State-Specific Handbooks serve as practical and accessible tools for navigating the unique opportunities, policies, and regulatory frameworks specific to each state. By consolidating available schemes, incentives, and support across states, we aim to provide MSMEs & Startups with the guidance they need to grow at the grassroots level and develop the capacity.

Vision of ICAI MSME Clinic

Through consistent, pro-bono engagement and sustainable operations, each branch becomes a local hub and incubation centre of MSME transformation, bridging professional excellence with grassroots economic development. ICAI aims to empower MSMEs & Startups annually, driving financial literacy, compliance discipline, and business growth.

Acknowledgement

We would like to extend our sincere gratitude to **CA. Prateek Kumar Khemka** for their tireless efforts and contributions in preparing the **State-Specific MSME Policy of Kerala**, which will play a crucial role in this initiative.

MSME & Startup Commitment Growth

The MSME & Startup Committee, ICAI, is deeply committed to ensuring the success of the ICAI MSME Clinic and providing continuous support to MSMEs & Startups. Together, we look forward to contributing to the sustainable growth and empowerment of MSMEs & Startups, which are the backbone of the Indian economy.

CA Gyan Chandra Misra
Chairman
MSME & Startup Committee, ICAI

CA. Sanjay Kumar Agarwal
Vice Chairman
MSME & Startup Committee, ICAI

1. MSME in Kerala

Kerala sits at the south-western tip of the Indian peninsula and ranks among India's most developed states in human capital, literacy, and quality of life. Its MSME sector has grown sharply over the past few years — spurred by the Kerala Industrial Policy 2023, the Year of Entrepreneurship campaign, and a significant step-up in budgetary support through the State Budget 2026-27.

The Kerala State Budget 2026-27 reports that the Entrepreneurship Year campaign has so far seeded 3.82 lakh+ enterprises, drawn investments of ₹25,227.53 crore, and generated employment for 8.16 lakh+ people — over one lakh of them women-led ventures.

MSMEs remain Kerala's primary engine for job creation — they deliver employment at lower capital outlay than large industry, bring industrialisation to rural and backward districts, and disproportionately benefit women, SC/ST communities, minorities, and economically weaker sections.

Kerala's traditional industries — Coir, Cashew Processing, Handloom, Khadi, and artisan crafts — remain a core part of the MSME base. The State Budget 2026-27 raised the Coir allocation to ₹110.64 crore, Cashew to ₹56 crore, and Traditional Industries overall to ₹242.34 crore.

Why is the policy important for the state?

Policy reviews of Kerala's industrial framework tend to be written for journalists or lawyers, not practitioners. A manufacturer in Ernakulam deciding whether to apply for a K-RIIS subsidy needs plain answers: who qualifies, what the benefit is worth, what the ceiling is, and what strings are attached. This compendium is structured to answer those questions directly — each scheme is covered under Definitions, Period, Applicability, Benefits, and Terms.

Key Initiatives for MSMEs

Mission 1000 – Scale-Up Programme

Mission 1000 is the State's flagship MSME scale-up programme to take 1,000 enterprises to an average turnover of ₹100 crore. As per Budget 2026-27, 434 entrepreneurs have been selected (up from 256 reported earlier) and 105 Detailed Project Reports (DPRs) have been approved. Budget allocation: ₹35 crore for FY 2026-27.

New: Mission 1,00,000

A brand-new scheme launched in Kerala Budget 2026-27 — Mission 1,00,000 — aims to upgrade 1,00,000 Nano and Micro enterprises by providing financial and technical support so that each enterprise reaches a minimum annual turnover of ₹1 crore. Budget allocation: ₹4 crore for FY 2026-27.

Private Industrial Parks – New Components

The State Budget 2026-27 adds three new components to the Private Industrial Parks scheme: Pravasi Industrial Park, Women Industrial Park, and Traditional Industrial Park. Of 38 approved private industrial parks, eight are now functional. Allocation enhanced to ₹20 crore.

New: Rural Apparel Parks & Rural Electronics Assembling Parks

The Kerala Budget 2026-27 proposes setting up Rural Apparel Parks and Rural Area-Based Electronic Assembling Parks/Units in collaboration with local self-government institutions. Allocation: ₹10 crore each. These parks aim to create employment and enhance value addition in rural areas.

New: Kerala University for Skill Development & Entrepreneurship

A new institution — Kerala University for Skill Development & Entrepreneurship — is being established through PPP model to produce graduates equipped for industrial demands. Initial allocation: ₹25 lakh for feasibility study and DPR preparation.

Infrastructure & Industrial Parks

- Life Science Park (Phase II) + Medical Devices Park: ₹35 Cr + ₹30 Cr allocated for completion.
- Petrochemical Park, Kochi (KINFRA): ₹17 Cr – to be commissioned in 2026-27; expected to attract ₹10,000 Cr investment and 10,000 jobs.
- Kochi-Palakkad High-Tech Industrial Corridor: 1,350 of 1,710 acres acquired; implementation ongoing.
- Vizhinjam International Multipurpose Deep-Sea Port: ₹17 Cr for industrial/logistics infrastructure + ₹4 Cr for land acquisition + ₹100 Cr for KINFRA loan plan.
- Mini Food Parks: ₹4 Cr (Cheruthony, Idukki) + ₹8 Cr (Kunnukara, Ernakulam) – under KINFRA.
- IT-cum-Industrial Park, Kottarakara + Kollam Industrial Park Expansion: ₹10 Cr each – through KINFRA.
- Multi-sectoral Logistics Facility, Kannur: ₹2.5 Cr.
- New Industrial Parks: Kannur (₹5 Cr), Kasaragod (₹2.5 Cr), Ernakulam (₹2 Cr).
- Unity Mall, Thiruvananthapuram (One District-One Product): ₹6 Cr for completion.

2. State Specific Incentive Schemes – Fiscal & Non-Fiscal Benefits to MSMEs

Kerala offers direct fiscal and non-fiscal incentives to enterprises across manufacturing, services, and priority sectors. The Budget 2026-27 raised allocations across every major MSME scheme — the sections below set out who qualifies and what they can claim.

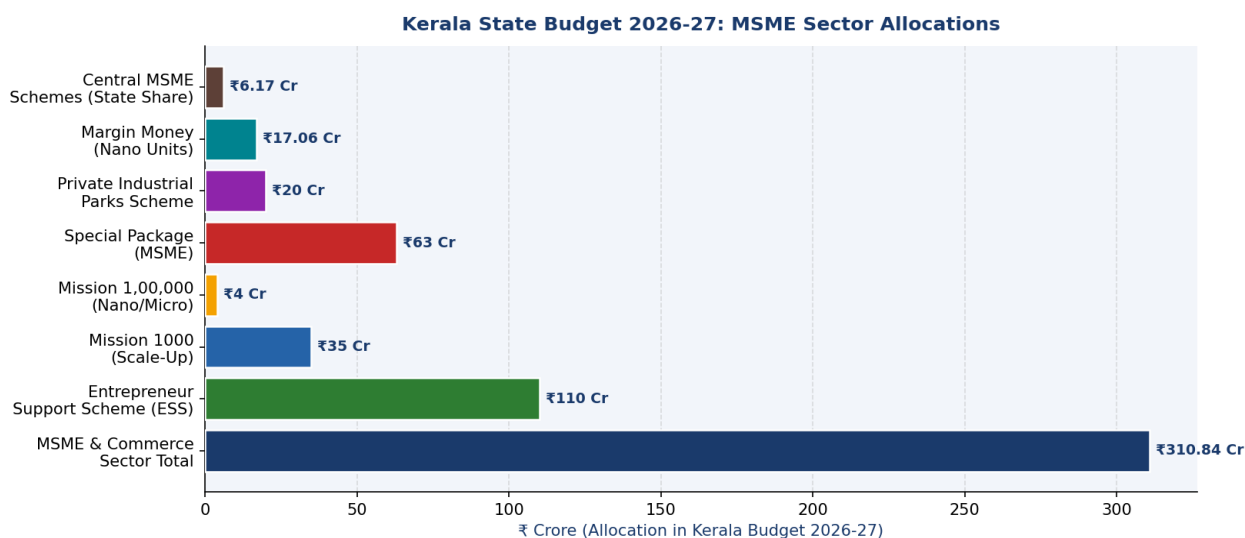


Figure 5: Kerala State Budget 2026-27 – MSME Sector Allocations

2.1 Kerala Responsible Industry Incentive Scheme (K-RIIS)

Field	Details
Name of Scheme	Kerala Responsible Industry Incentive Scheme (K-RIIS)
Governing Policy	Kerala Industrial Policy 2023
Budget 2026-27 Context	₹1,417.26 Cr total Industries sector allocation; ₹310.84 Cr for MSME & Commerce
Objective	Foster inclusive, sustainable, Industry 4.0-ready ecosystem in 22 Priority Sectors
Applicability	MSMEs and Large/Mega enterprises in 22 Priority Sectors
Number of Incentive Categories	18 distinct categories
Administering Agency	KSIDC / Directorate of Industries and Commerce, Govt. of Kerala
Online Application	https://www.ksidc.org/investinkerala/incentive-schemes/

2.1.1 Definitions

Eligible Enterprise: A Micro, Small, Medium, Large, or Mega enterprise (per revised limits effective 1 April 2025) operating in any of the 22 Priority Sectors, having obtained Udyam Registration and satisfied all applicable conditions.

Fixed Capital Investment: Investment in land, building, plant & machinery (including pollution control equipment) in the approved project.

Champion MSME (Budget 2026 concept): An MSME that qualifies for the ₹10,000 crore SME Growth Fund based on criteria to be notified by the Central Government. Kerala's K-RIIS benefits are complementary to national Champion MSME benefits.

2.1.2 Policy Period and Applicability

The Kerala Industrial Policy 2023 is continuously evolving with amendments and sub-policies based on industry requirements. The MSME classification limits per S.O. 1364(E) dated 21 March 2025 (effective 1 April 2025) apply. Union Budget 2026-27 has not revised these limits further.

2.1.3 Terms & Conditions for Extending Incentives

1. Enterprise must obtain Udyam Registration before applying for any incentive.
2. Application for incentives must be submitted within one year from the date of commencement of commercial production.
3. All applications are submitted online through K-SWIFT portal or through the DIC concerned.
4. Enterprise must not have defaulted on any applicable tax payment.
5. Incentives are disbursed on reimbursement basis (except scale-up loans and low interest loans).
6. Physical inspection of the enterprise may be carried out by KSIDC/DIC at any stage.
7. Any excess incentive paid will be recoverable from the enterprise with interest.
8. Enterprises may now also separately access the ₹10,000 crore national SME Growth Fund (Union Budget 2026) and Self-Reliant India Fund (₹2,000 crore top-up) in addition to K-RIIS incentives.

2.1.4 All 18 K-RIIS Incentive Categories

Sl.	Incentive Category	Project Category	Description
1	Low Interest Loans	MSME	Loan @ 4% p.a. (via 6% interest subvention), max ₹10 Lakh. Kerala Bank and scheduled commercial banks.
2	Capital Subsidy Incentive	MSME	Micro: up to 45%, max ₹40 Lakh Small: up to 45%, max ₹100 Lakh Medium: up to 45%, max ₹200 Lakh. Limits per revised MSME classification (Apr 2025).
3	Electricity Duty Exemption	MSME	100% exemption for 5 years from date of commencement of commercial production.

Sl.	Incentive Category	Project Category	Description
4	IPO Route Financing	MSME	50% reimbursement of IPO expenses (max ₹1 Crore) for listing on BSE/NSE SME Exchange.
5	Investment Subsidy	Large, Mega	10% of fixed capital investment, max ₹10 Crore, in phases.
6	SGST Reimbursement	Large, Mega	100% reimbursement on capital investment for 5 years.
7	Employment Enhancer Incentive	Large, Mega	25% of monthly wages (max ₹5,000/person/month) for 1 year when >50% jobs are local/women. Transgender: ₹7,500/month.
8	Stamp Duty Waiver	All Categories	Up to 100% in Govt./notified Private Industrial Parks. 100% for women, SC/ST, PH & Transgender entrepreneurs anywhere in the State.
9	Private Industrial Estates Support	All Categories	Funding support up to ₹3 Crore per eligible private industrial estate. Budget 2026-27: Pravasi, Women, and Traditional IP added.
10	Trade Fair Incentive	All Categories	100% of stall charges (max ₹5 Lakh/year) for one domestic + one international fair.
11	IP Creation Subsidy	All Categories	50% of expenditure (max ₹30 Lakh) for patent, copyright, trademark, GI registration.
12	Quality Certification	All Categories	50% of certification expenses (max ₹25 Lakh/unit/year) for CE, FDA, ISO, BIS marks.
13	Sustainability Incentive	All Categories	25% of expenses (max ₹25 Lakh) for ETP, rainwater harvesting, Zero Discharge systems, e-waste recycling.
14	IR 4.0 Incentive	All Categories	20% of cost of AI/ML software, automation, IoT machinery (max ₹25 Lakh/unit during policy period).
15	R&D Incentive	All Categories	20% of R&D cost with Kerala universities (max ₹1 Crore/unit).
16	Startup Scale-Up Loan	All Categories	KSIDC provides scale-up loans up to ₹1 Crore to startups at preferential rates.
17	Made in Kerala Branding	All Categories	50% reimbursement of cost of obtaining Made in Kerala voluntary quality certification.
18	PLI Top-Up Incentive	All Manufacturing	20% of fixed capital (max ₹1 Crore) for PLI-shortlisted units – in addition to all other incentives.

2.2 Entrepreneur Support Scheme (ESS)

Field	Details
Name of Scheme	Entrepreneur Support Scheme (ESS)
Budget 2026-27 Allocation	₹110 crore (enhanced significantly; ₹203.56 Cr disbursed to 3,431 entrepreneurs in last 4 years)
Objective	Capital investment subsidy for new manufacturing MSMEs
Maximum Capital Subsidy	Up to 30% of P&M cost, max ₹30,00,000
Interest Subvention	Up to 6% p.a. (effective 4%); 8% for SC/ST and women
MSME Limits Applied	Per S.O. 1364(E): Micro ₹2.5Cr/₹10Cr; Small ₹25Cr/₹100Cr; Medium ₹125Cr/₹500Cr
Terms & Conditions	Single subsidy per investment; physical DIC inspection required; Udyam Registration mandatory

2.2.1 Definition

ESS is an **umbrella scheme** merging all self-employment schemes into one simplified programme. It came into existence with effect from **1st April 2012** to encourage the setting up of better MSME enterprises in Kerala.

2.2.2 Policy Period

- Continuing scheme; **Budget 2026-27 allocation: ₹11,000 lakh (₹110 crore)**
- 30% of earmarked assistance reserved for micro-enterprises
- ~20% of beneficiaries expected to be women entrepreneurs

2.2.3 Applicability

All eligible **Micro, Small and Medium Enterprises (MSMEs)** in Kerala — manufacturing, service, and job-work sectors — including expansion, diversification, and modernisation projects.

2.2.4 Terms & Conditions

Eligible Fixed Capital Investment components:

- Land and land development costs
- Building, essential office infrastructure
- Plant and machinery, electrification
- Testing equipment, generator, other energy-generating equipment
- Pollution control equipment
- Investment in water recycling and rainwater harvesting (if used for industrial purpose)

2.2.5 Assistance Rates:

Category	Rate	Ceiling
General MSME	15% of Fixed Capital Investment	₹30 Lakhs
Women / Youth / SC-ST / NRK	25% of Fixed Capital Investment	₹40 Lakhs
Priority Industries (additional)	+10%	₹10 Lakhs
Backward Districts (Idukki, Wayanad, Kasaragod, Pathanamthitta) – additional	+10%	₹10 Lakhs
Maximum cap in any case	—	₹40 Lakhs

2.3 New Scheme: Mission 1,00,000

Field	Details
Name of Scheme	Mission 1,00,000
Year Introduced	Kerala State Budget 2026-27 (new scheme)
Budget Allocation	₹4 crore (initial allocation for FY 2026-27)
Objective	Upgrade 1,00,000 Nano and Micro enterprises to achieve a minimum annual turnover of ₹1 crore each
Type of Support	Financial assistance + technical support (DPR, mentoring, technology linkage)
Target Beneficiaries	Nano enterprises (≤ 5 HP connected load) and Micro enterprises ($\leq ₹2.5$ Cr investment)
Administered by	Directorate of Industries and Commerce, Govt. of Kerala
Relation to Mission 1000	Complementary – Mission 1000 targets 1,000 MSMEs for ₹100 Cr turnover; Mission 1,00,000 targets 1 lakh nano/micro enterprises for ₹1 Cr turnover

2.3.1 Definition

A new initiative that aims to **identify, support and upgrade 1,00,000 nano and micro enterprises** across Kerala so that each enterprise reaches a **minimum annual turnover of ₹1.00 crore**.

2.3.2 Policy Period

- **Introduced in Budget 2026-27**
- Budget allocation: **₹400 lakh (₹4 crore)** for 2026-27

2.3.3 Applicability

Enterprises from **manufacturing, service and trade sectors** are eligible for scale-up support. Project approved by a **District Level Committee**.

2.3.4 Terms & Conditions

Component	Rate	Maximum Limit
Fixed Capital Investment assistance	40% of fixed capital investment for scale-up	₹2 lakh per unit
Working Capital assistance	50% of interest paid on working capital loan (reimbursement basis)	₹1 lakh per unit
Maximum total assistance	—	₹3 lakh per unit

2.4 Mission 1000 – Scale-Up Programme (New)

Field	Details
Name of Scheme	Mission 1000
Budget 2026-27 Allocation	₹35 crore
Objective	Scale up 1,000 Micro Enterprises to Small and Small to Medium – to reach ₹100 Cr average turnover
Status (Budget 2026-27)	434 entrepreneurs selected; 105 DPRs approved
Support Provided	Detailed Project Report preparation, financial linkage, technology support, mentoring, market linkage
Target	Upgrade micro → small and small → medium enterprises
Official Website	https://industry.kerala.gov.in

2.4.1 Definition

Mission 1000 aims to provide support to **upgrade Micro Enterprises to Small Enterprises and Small Enterprises to Medium Enterprises**. The goal is to establish **1,000 MSMEs with an annual turnover of ₹100 crore each**, creating a combined turnover of ₹1,00,000 crore.

2.4.2 Policy Period

- Continuing scheme (launched as part of Kerala’s “Entrepreneurship Year” campaign from 2022-23)
- **Budget 2026-27 allocation: ₹3,500 lakh (₹35 crore)**
- As of 2026-27: 434 entrepreneurs selected, 105 DPRs approved

2.4.3 Applicability

Any **manufacturing or service enterprise** in Kerala that:

- Intends to scale up, AND
- Has been **selected under the MSME Scale-up Mission**

Approved by a **District Level Committee**.

2.4.4 Terms & Conditions

Component	Details	Maximum Limit
DPR Preparation	Cost of preparing Detailed Project Report for scale-up	As per actuals
Fixed Capital Investment	40% of fixed capital investment incurred for scaling up	₹200 lakh
Working Capital Loan	50% of interest paid on working capital loan (reimbursement)	₹50 lakh

2.5 Margin Money Grant to Nano Units

Kerala Budget 2026-27 sets aside ₹17.06 crore as margin money grants for nano enterprises (connected load ≤5 HP). The grant cuts the own-contribution requirement on loan-linked projects, making it easier for the smallest units to access bank credit.

2.6 Special Package Scheme for MSMEs

The Budget 2026-27 allocates ₹63 crore under the Special Package Scheme for MSMEs — a top-up outside the K-RIIS framework, directed at specific clusters and sectors flagged by the Department of Industries and Commerce.

3. Industry Specific Incentive Schemes – Fiscal & Non-Fiscal Benefits

3.1 Traditional Industries –Allocations

Sector	Kerala Budget 2026-27 Allocation	Key Initiatives
Coir Sector	₹110.64 Crore	Productivity & modernisation (₹20 Cr); Production & Marketing Incentive (₹11 Cr); R&D (₹7 Cr); Market Development (₹10 Cr); Price Stabilisation Fund (₹36 Cr); Industrial Scale Coir Pith Processing (new scheme, ₹3 Cr)
Cashew Sector	₹56 Crore (+ ₹41 Cr revolving fund)	Mechanisation, modernisation, marketing (₹56 Cr); Revolving Fund to KCB (₹41 Cr); Cashew industry rejuvenation (₹30 Cr); Agency for cashew cultivation (₹7 Cr)
Handloom & Powerloom	₹59 Crore	Marketing, export promotion, modernisation, quality assurance, raw material supply, weaver welfare. Hantex revitalization: ₹20 Cr. Textile Industry Modernisation (new scheme): ₹1 Cr
Handicrafts	₹4.34 Crore	32 types of handicraft products; Bamboo industry: ₹1.5 Cr
Khadi & Village Industries	₹16.70 Crore	12,500+ workers given annual incentive; exhibitions and production support
Traditional Industries Total	₹242.34 Crore	Enhanced from previous year; covers modernisation, product diversification, effective marketing

3.2 Priority Sector Industry Schemes

3.2.1 Life Sciences & Biopharma

Life Science Park Phase 2: ₹35 crore for completion; Medical Tech Innovation Park within KSIDC's Bio360 Life Sciences Park being developed. Union Budget 2026 Biopharma SHAKTI (₹10,000 crore over 5 years) enhances the opportunity for Kerala's pharma cluster.

3.2.2 Electronics & ESDM

Electronic Hub (KELTRON): ₹20 crore for electronic package testing facility. Electronics Components Manufacturing Scheme outlay raised to ₹40,000 crore nationally (Budget 2026) – benefits Kerala's ESDM parks and KELTRON JVs. IT/ESDM sector allocation: ₹548.05 crore.

3.2.3 Rare Earth Corridor

Kerala is one of four States identified for dedicated Rare Earth Corridors. This creates a new MSME opportunity chain: mineral sands mining → rare earth processing → permanent magnet manufacturing → supply to EV/Electronics sectors.

3.2.4 Petrochemical & Chemical Parks

Petrochemical Park, Kochi: ₹17 crore; to be commissioned in 2026-27. Expected to attract ₹10,000 crore investment and 10,000 jobs. Union Budget 2026 proposes 3 dedicated Chemical Parks nationwide – Kerala can apply under challenge mode.

3.2.5 Graphene

India Innovation Centre for Graphene (IICG): Central Government accorded Administrative Sanction of ₹86.40 crore; ₹6.50 crore State share allocated. Graphene Aurora scheme (Digital University + IGEIC): ₹3.80 crore State share.

3.2.6 Aerospace, Defence & Space

K-SPACE (Space, Aerospace & Defence): ₹57.50 crore allocated. Drone R&D Park to be established at Kottarakkara by K-SPACE in cooperation with KASE: ₹5 crore.

3.2.7 Food Technologies

Mini Food Parks at Cheruthony (Idukki) and Kunnukara (Ernakulam): ₹4 Cr + ₹8 Cr through KINFRA. 10 Food Processing Parks being developed across State. National Institute of Food Technology (Union Budget 2025) complements Kerala's food tech initiatives.

4. Scheme for Financial Support to MSMEs

4.1 Kerala MSME Venture Capital / Fund of Funds

Kerala Budget 2026-27 puts ₹13 crore (₹3 crore budget share + ₹10 crore additional) into the State's Fund of Funds — KSUM's mechanism for channelling venture capital into early-stage startups. KSUM's total allocation this year is ₹99.52 crore. The Union Budget 2026-27 separately launches a ₹10,000 crore national Fund of Funds, which Kerala startups can tap in parallel.

4.2 New: "New Innings" Scheme

The "New Innings" scheme (₹4 crore, Budget 2026-27) brings senior citizens into the startup ecosystem as entrepreneurs, mentors, and consultants. It's the first Kerala scheme specifically targeting this demographic.

4.3 SME Growth Fund

Union Budget 2026-27 creates a ₹10,000 crore SME Growth Fund to build Champion MSMEs. Eligibility criteria will be notified by MoMSME; Kerala MSMEs that qualify can draw on this national fund on top of their K-RIIS entitlements.

4.4 Self-Reliant India Fund Top-Up

The Self-Reliant India Fund (established 2021) gets a ₹2,000 crore top-up in Union Budget 2026-27, keeping risk capital flowing to micro enterprises. Kerala has one of the country's densest micro-enterprise bases, so this replenishment matters here more than in most states.

At a Glance

Support	Type	Quantum
K-RIIS Investment Subsidy	Capital	Per priority-sector band
K-RIIS Interest Subvention	Recurring	Up to 5% for 5 years
K-RIIS SGST Reimbursement	Recurring	5 years from commencement
K-RIIS Patent Reimbursement	One-off	₹1 lakh per patent
K-RIIS ZED/ISO Reimbursement	One-off	Per scheme
OFOE Subvention	Recurring	Loan ≤ ₹10 lakh, 5 years
Mission 1000 Capital Subsidy	One-off	Up to ₹200 lakh
Mission 1000 WC Subsidy	Recurring	Up to ₹50 lakh
MSME Insurance Reimbursement	Recurring	50% premium, ≤ ₹2,500
CMEDP / KAMS	Loan	At 5% effective
Power Tariff Subsidy	Recurring	₹1/unit for 3-5 years
Stamp Duty / Registration	One-off	Reimbursement

5. Scheme for Technical Support to MSMEs

5.1 K-SWIFT – Single Window Clearance

K-SWIFT integrates all State-level licenses and clearances. Non-Red category MSMEs with investment up to ₹50 crore can operate for 3 years without certain prior State approvals. Budget 2026 (Central): Over 350 reforms including GST simplification and Labour Codes rationalization are improving the regulatory environment further.

5.2 District Industries Centres (DICs)

14 DICs across Kerala provide registration, Finance Clinics, incentive processing, and Export Facilitation. Budget 2026 introduces Corporate Mitras (ICAI/ICSI/ICMAI professionals) to assist MSMEs in compliance at affordable costs – DICs will be key coordination points for this service.

5.3 Technology Clinics & Innovation Centres

Technology Clinics in industrial clusters are being enhanced. New Technology Innovation Zone (Cochin): ₹20 crore. India Innovation Centre for Graphene: ₹6.50 crore State share. Culture & Creativity Incubator (Cochin): ₹2 crore (new scheme in Budget 2026-27).

5.4 KSUM – Startup Ecosystem (Budget 2026-27)

KSUM allocation: ₹99.52 crore (includes 3 new schemes). Number of startups has grown from 800 (2017-18) to 6,477 (2024-25). Investment increased from ₹280 crore to ₹6,983 crore in the same period. KSUM complements the national Fund of Funds (₹10,000 crore) announced in Union Budget 2026.

5.5 KIED – Entrepreneurship Development

KIED continues as the State apex body for entrepreneurship training and education. Entrepreneurship Clubs in colleges, EDPs, Skill Development Programmes. The new Kerala University for Skill Development & Entrepreneurship (Budget 2026-27) will complement KIED's work with formal degree programmes.

At a Glance

Support	Description
Composite Licence	Mega-project single-window, 7 working days
K-RIIS portal	Integrated application/sanction/disbursement
MSME Clinics	Diagnostic and handholding for ailing MSMEs
Statutory Grievance Redressal	Time-bound dispute resolution
Kerala Brand	State-origin certification
Make-in-Kerala	Import substitution / procurement preference
KIED Training	Skill and entrepreneurship development
KSUM Incubation	Space, mentoring, FabLab access
KSIDC Land Allotment	10% upfront under Unified Regulations 2024
Industrial Park Tenancy	KINFRA / KSIDC built-up space

6. Focused Areas – Procedure, Export Promotion & Target Beneficiaries

6.1 Procedure for Availing MSME Incentives (Updated Budget 2026)



Figure 6: Step-by-Step Process for Availing Kerala MSME Incentives (Budget 2026: Corporate Mitras assist compliance)

1. Obtain Udyam Registration at <https://udyamregistration.gov.in> (mandatory; free, paperless, self-declaration).
2. Register on K-SWIFT portal (<https://kswift.kerala.gov.in>) and complete business profile.
3. Select applicable incentive scheme; submit application with all supporting documents online.
4. Submit signed hard copy to the General Manager, DIC, of the concerned district.
5. DIC conducts physical inspection of the enterprise to verify capital investment and commencement date.
6. DIC issues Certificate of Commencement of Commercial Production and Fixed Capital Investment.
7. Sanction Order issued; incentive disbursed on reimbursement basis through enterprise's bank account.
8. For SME Growth Fund (Budget 2026): Apply through the national portal to be notified by MoMSME once scheme is operational.
9. For TReDS benefits (Budget 2026): Register on TReDS platform (A.TReDS/RXIL/M1Xchange); link with GeM for government purchase data.
10. For Corporate Mitras assistance (Budget 2026): Contact nearest ICAI/ICSI/ICMAI chapter or DIC for certified para-professional referral.

6.2 Priority-Sector-Based Industrialisation

Kerala's industrial policy designates 22 priority sectors, each assigned a nodal officer, a dedicated committee, and sector-specific incentives. The table below lists each sector, the reason for its inclusion, and the agency that leads it.

SI No	Priority Sector	Strategic Rationale	Anchor Agency
1	Aerospace and Defence	Proximity to Bengaluru cluster; ISRO presence	KSIDC
2	AI, Robotics and Other Breakthrough Technologies	Engineering talent; KSUM ecosystem	KSUM/KSIDC
3	Ayurveda	Traditional knowledge; raw-material base	Department of Ayush

SI No	Priority Sector	Strategic Rationale	Anchor Agency
4	Biotechnology and Life Sciences	Life Sciences Park, Thiruvananthapuram	KSIDC
5	Design	Design education base	KIED
6	Electric Vehicles	EV charging infra; KSEB tariff	KSIDC
7	Electronic System Design and Manufacturing	KELTRON; Maker Village	KSIDC/KSUM
8	Engineering Research and Development	Engineering education base	KSIDC
9	Food Technologies	Plantation and marine raw material	KINFRA
10	Graphene	National Graphene Mission alignment	KSIDC
11	High Value-Added Rubber Products	Natural rubber producer state	Rubber Park
12	Logistics and Packaging	Maritime location; Vizhinjam port	KSIDC
13	Maritime Sector	Cherthala maritime cluster (announced)	KSIDC
14	Medical Equipment	25% of India's medical equipment	KSIDC/Lifesciences Park
15	Nano Technology	Nanobiotic capacity	KSIDC
16	Pharmaceuticals	Cluster at Kakkanad and Cherthala	KSIDC
17	Recycling and Waste Management	Suchitwa Mission alignment	LSGD
18	Renewable Energy	ANERT; solar policy	ANERT
19	Retail Sector	Domestic consumption base	DIC
20	Tourism and Hospitality	Existing tourism brand	KTDC
21	3D Printing	Adjacency to design and EV	KSUM
22	(additional)	Specific notification	Per scheme

6.3 Export Promotion Measures

- Made in Kerala Certification: 50% reimbursement for quality branding opening national/international market access.
- Trade Fair Incentive: 100% of stall charges (max ₹5 Lakh/year) – one domestic + one international.
- E-Commerce Courier Cap Removal (Budget 2026): Complete removal of ₹10 lakh/consignment cap on courier exports – directly benefits Kerala artisans and small manufacturers.

- IPO Route Financing: 50% of listing expenses (max ₹1 Crore) for BSE/NSE SME Exchange.
- Exporter MSME CGTMSE: Term loans up to ₹20 crore with enhanced guarantee (Budget 2025, continues in Budget 2026).
- Cochin SEZ (CSEZ): Additional duty exemptions and EOU benefits.
- Indian Cashew & Cocoa Programme (Budget 2026): Premium global brand by 2030 – benefit for Kerala’s cashew processing MSME cluster.
- Rare Earth Corridor (Budget 2026): Export opportunity in rare earth permanent magnets for EV/Electronics sectors.

6.4 Who Can Participate and Target Beneficiaries

Beneficiary Category	Special Provisions (State + Union Budget 2026-27 Combined)
Women Entrepreneurs	100% stamp duty waiver; 50% reservation OFOE; 8% interest subvention; ₹5,000/month employment incentive; Women Industrial Park (Budget 2026-27 new); Stand-Up India & SC/ST/Women first-time entrepreneur loans (₹2 Cr, Budget 2025 continues)
SC/ST Entrepreneurs	100% stamp duty waiver; 8% interest subvention; CGTMSE collateral-free; Stand-Up India; PMEGP 35% rural subsidy; Priority procurement: 4% reserved from 25% MSME procurement mandate
Persons with Disabilities	100% stamp duty waiver; PMEGP special category; OFOE eligibility; Priority DIC processing
Transgender Entrepreneurs	100% stamp duty waiver; ₹7,500/month employment incentive for employers; OFOE eligibility; PMEGP special category
Nano/Micro Enterprises	Mission 1,00,000 (Budget 2026-27 NEW – ₹4 Cr); Margin Money Grant (₹17.06 Cr); Self-Reliant India Fund top-up (₹2,000 Cr, Budget 2026); MSME Udyam Credit Card (₹5 lakh credit)
Startups	KSIDC Scale-Up Loans ₹1 Cr; Fund of Fund ₹13 Cr (State Budget 2026-27); CGTMSE ₹20 Cr cover; National Fund of Funds ₹10,000 Cr (Budget 2026); "New Innings" for senior entrepreneur-mentors
MSMEs supplying to CPSEs	TReDS mandatory for CPSE purchases (Budget 2026) – guaranteed payment within defined timelines; CGTMSE guarantee on TReDS invoice discounting
Exporter MSMEs	CGTMSE term loans up to ₹20 Cr; courier cap removed (Budget 2026); Cashew/Coir/Rubber quality certification 50% reimbursement; Rare Earth Corridor access
Rural & Traditional Industry	Mission 1,00,000; Mahatma Gandhi Gram Swaraj initiative (Budget 2026); Legacy Cluster Revival (200 clusters nationally); Rural Apparel Parks + Rural Electronics Parks (Kerala Budget 2026-27)
NRI / Pravasi Keralites	Pravasi Industrial Park (new component, Budget 2026-27); NRI JV encouragement with KSIDC; Invest Kerala platform

7. Department of Industries and Commerce – Kerala: Directory

7.1 Organisation Structure

The Department of Industries and Commerce is headed by the Minister of Industries. Administrative head: Additional Chief Secretary (Industries). The Directorate of Industries and Commerce at Vikas Bhavan, Thiruvananthapuram is headed by the Director of Industries and Commerce. 14 District Industries Centres (one per district), 2 Common Facility Service Centres (Changanacherry, Manjeri), and a Documentation Centre (Thiruvananthapuram) function under the Directorate.

7.2 Key Officials

Sl.	Designation	Location	Contact
1	Additional Chief Secretary (Industries)	Secretariat, Thiruvananthapuram	0471-2302774 industriesdirectorate@gmail.com
2	Director of Industries and Commerce	Vikas Bhavan, Thiruvananthapuram	
3	Joint Director (Development)	Directorate of Industries, Vikas Bhavan	
4	Joint Director (Handloom & Textiles)	Directorate of Industries, Vikas Bhavan	

7.3 District Industries Centre (DIC) Addresses – All 14 Districts

Sl.	District	Address	Phone	Email
1	Thiruvananthapuram	Water Works Compound, Vellayambalam, TVM – 695 003	0471-2326756	tvmdic@gmail.com
2	Kollam	Asramom, Kollam – 691 002	0474-2747261	dickollam@gmail.com
3	Pathanamthitta	Kozhenchery, Pathanamthitta – 689 641	0468-2214639	dicpathanamthitta@gmail.com
4	Alappuzha	Mumtaz Building, Near Govt. Guest House, Kalappura, Alappuzha – 688 007	0477-2241632	gmdicalp@gmail.com
5	Kottayam	Ozhathil Lane, Nagampadom P.O., Kottayam – 686 001	0481-2570182	dickotm@gmail.com
6	Idukki	Idukki Colony P.O., Cheruthoni, Idukki – 685 602	04862-235410	dicidk@rediffmail.com
7	Ernakulam	Kunnumpuram-Civil Station Road, Kakkanad P.O. – 682 030	0484-2421461	gm.ekm.dic@kerala.gov.in
8	Thrissur	Ayyanthole P.O., Thrissur – 680 003	0487-2360647	gm.tsr.dic@kerala.gov.in

Sl.	District	Address	Phone	Email
9	Palakkad	Behind Civil Station, Palakkad – 678 001	0491-2505456	dicpalakkad@gmail.com
10	Malappuram	Civil Station Compound, Uphill, Malappuram – 676 505	0483-2737405	gm.mlp.dic@kerala.gov.in
11	Kozhikode	Gandhi Road, Vellayil P.O., Nadakkav, Kozhikode – 673 011	0495-2765770	diccalicut@gmail.com
12	Wayanad	Muttill P.O., Kalpatta, Wayanad – 673 122	04936-202485	dicwyd@gmail.com
13	Kannur	Civil Station, Kannur – 670 002	0497-2700928	dickannur@ymail.com
14	Kasaragod	Vidyanagar, Kasaragod – 671 123	04994-255749	dickasaragod@gmail.com

7.4 Key Agencies

Agency	Address	Website/Contact
KSIDC	Keston Road, Kowdiar, TVM – 695 003	www.ksidc.org 0471-2318922
KINFRA	KINFRA Film & Video Park, Kazhakuttam, TVM – 695 585	www.kinfra.org 0471-2412555
KIED	Chalikkavattom, Vazhakkala, Ernakulam – 682 021	kied.info 0484-2550322
KVIB	Mission Quarters, Thrissur – 680 001	www.kvib.kerala.gov.in 0487-2420953
KSUM	Integrated Startup Complex, Kalamassery, Ernakulam	www.startupmission.kerala.gov.in
K-SPACE	Thumba Equatorial Rocket Launching Station area, TVM	www.kspace.kerala.gov.in
Kerala Bank	Baker Hill, Thiruvananthapuram – 695 001	www.keralamercantilebank.in 1800 425 1916
K-SWIFT Helpline	Online: https://kswift.kerala.gov.in	Toll Free: 1800 890 1030 (8AM–8PM)

8. FAQs for State-Specific Policies – Kerala (Updated Budget 2026-27)

Q1. Are there any special provisions for women entrepreneurs?

Yes — several provisions are specifically for women. Stamp duty is waived 100% statewide. Interest subvention is 8% (vs. 6% for the general category), and the Employment Enhancer pays ₹5,000/month when women make up more than half the workforce. OFOE reserves 50% of slots for women applicants. The Budget 2026-27 adds a dedicated Women Industrial Park. Stand-Up India term loans up to ₹2 crore remain available for first-time women entrepreneurs, and over 1 lakh women-led ventures have already been set up under the Year of Entrepreneurship.

Q2. Does the State offer subsidies or incentives for specific industries?

Yes – 22 Priority Sectors under K-RIIS. Budget 2026-27 adds: (1) Rare Earth Corridor (Kerala specifically named in Union Budget 2026); (2) Biopharma SHAKTI (₹10,000 Cr – Life Science Park Phase 2 and Pharma Zone positioned to benefit); (3) Electronics Components Manufacturing (₹40,000 Cr national outlay – KELTRON/Electronics Hardware Park benefit); (4) Rural Apparel Parks + Rural Electronics Parks (new in Kerala Budget 2026-27, ₹10 Cr each); (5) Cashew premium brand (Kerala primary beneficiary); (6) Coconut Promotion Scheme (Kerala leading State).

Q3. What are the State's export promotion measures?

Budget 2026-27 key additions: (1) E-commerce courier cap REMOVED (no more ₹10 lakh limit) – enables Kerala artisans/MSME exporters via Flipkart, Amazon, etc.; (2) Indian Cashew premium brand target by 2030; (3) Rare Earth Corridor export opportunity. Existing: Trade Fair Incentive (100%, ₹5L/year); Made in Kerala brand (50% cost); IPO Route (50%, ₹1Cr); CGTMSE for exporters (₹20Cr guarantee); Cochin SEZ duty exemptions; DICs as Export Facilitation Centres.

Q4. What funding or financial assistance is available for entrepreneurs?

There are options at every scale. At the smallest end, nano units can tap the Margin Money Grant (₹17.06 crore pool) and the MSME Udyam Credit Card (₹5 lakh credit line). Micro and small enterprises have K-RIIS loans at 4% and capital subsidies of up to 45% (capped at ₹40–200 lakh by category), plus ESS grants of up to 30% (₹30 lakh ceiling). Startups can access KSIDC Scale-Up Loans of up to ₹1 crore and the Kerala Fund of Funds (₹13 crore). At the national level, the Union Budget 2026-27 adds a ₹10,000 crore SME Growth Fund and a ₹2,000 crore top-up to the Self-Reliant India Fund.

Q5. How can startups/MSMEs benefit from incubation and innovation support?

Budget 2026-27 additions: (1) National Fund of Funds ₹10,000 Cr for startups (Union Budget 2026); (2) "New Innings" scheme ₹4 Cr – senior citizen entrepreneur-mentors (Kerala Budget 2026-27); (3) Culture & Creativity Incubator ₹2 Cr (Cochin, Kerala Budget 2026-27); (4) Drone R&D Park at Kottarakkara (₹5 Cr, by K-SPACE); (5) Technology Innovation Zone Cochin ₹20 Cr; (6) KSUM allocation ₹99.52 Cr (includes 3 new schemes); (7) Graphene Aurora (Digital University + IGEIC, ₹3.80 Cr State share); (8) KSIDC Innovation Acceleration Scheme; (9) Industry-Academia R&D Incentive: 20% funding with Kerala universities (max ₹1 Cr/unit).

Q6. Are there tax exemptions or financial relaxations under this policy?

Yes: (1) 100% Electricity Duty Exemption for 5 years (K-RIIS, all MSMEs); (2) Up to 100% Stamp Duty Waiver (Govt./notified Parks; 100% for women/SC/ST/PH/Transgender anywhere); (3) SGST Reimbursement 100% (Large/Mega, 5 years); (4) GST simplification (Reform Express, Budget 2026 – 350+ reforms including GST simplification); (5) Interest subvention up to 6% (effective rate 4% p.a.); (6) Electricity Duty exemption waiver available to nano household enterprises; (7) Open Access renewable energy for industrial units.

Q7. What is the process to apply for these schemes or benefits?

Start with Udyam Registration (udyamregistration.gov.in — free, paperless), then register on K-SWIFT (kswift.kerala.gov.in) and submit your application with supporting documents online. A signed hard copy goes to the GM of your district DIC, who arranges a physical inspection. Once the DIC issues the Commencement Certificate, the sanction order follows and the incentive is disbursed by reimbursement. For the SME Growth Fund, watch for the MoMSME notification and apply on the national portal when it goes live. For TReDS, register on any of the three platforms (A.TReDS / RXIL / M1Xchange) and link your GeM account. Need help? Call the K-SWIFT helpline at 1800 890 1030.

Q8. Which nodal agency/department implements this policy?

Primary: (1) Dept. of Industries & Commerce, Govt. of Kerala; (2) Directorate of Industries & Commerce, Vikas Bhavan, TVM; (3) KSIDC (K-RIIS, industrial parks); (4) 14 DICs (ground implementation); (5) KINFRA (industrial parks, infrastructure); (6) KVIB/KVIC (PMEGP, Khadi); (7) Kerala Bank (MSME loans); (8) KSUM (startup ecosystem). NEW: (9) Ministry of MSME GoI (SME Growth Fund, TReDS mandate); (10) ICAI/ICSI/ICMAI (Corporate Mitras).

Q9. Who are the key contact persons for assistance?

Director of Industries & Commerce: Vikas Bhavan, TVM – 0471-2302774 | industriesdirectorategmail.com. KSIDC (K-RIIS): Keston Road, Kowdiar, TVM – 0471-2318922 | www.ksidc.org. K-SWIFT Helpdesk: 1800 890 1030 (Toll Free, 8AM–8PM). KSUM: www.startupmission.kerala.gov.in. KIED: 0484-2550322 | kied.info. Kerala Bank (MSME Loans): 1800 425 1916. ICAI Kochi Chapter (Corporate Mitra): www.eirc-icai.org. District DIC: see Section 13.3 for all 14 addresses.

Q10. How does this policy align with Central Government initiatives?

Budget 2026-27 key alignments: (1) Champion MSMEs: K-RIIS + Mission 1000 + Mission 1,00,000 complement ₹10,000 Cr SME Growth Fund; (2) TReDS: Kerala Finance Clinics (14 DICs) support mandatory TReDS for CPSEs; (3) Corporate Mitras: ICAI/ICSI/ICMAI will deploy via Kerala's DIC network; (4) Rare Earth Corridor: Kerala specifically named – KINFRA parks and KSUM ecosystem ready; (5) Biopharma SHAKTI: Life Science Park Phase 2 + Pharma Zone positioned to attract; (6) Cashew + Coconut: Kerala is primary State beneficiary; (7) Startup India: KSUM + Fund of Fund complement national ₹10,000 Cr Fund of Funds; (8) Mahatma Gandhi Gram Swaraj: Kerala's Khadi/Coir/Handloom allocations are the State counterpart.

9. References

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- Kerala Budget 2026-27 – Annual Plan Statement, DBE Volumes 1-3, Explanatory Memorandum (Uploaded archive: Union_Budget_and_State_Budget.zip)
- Union Budget 2026-27 Speech – Finance Minister Nirmala Sitharaman, 1 February 2026 (Uploaded document: budget_speech.docx)
- Union Budget 2026-27 Key to Budget Documents (<https://www.indiabudget.gov.in/>)
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- PIB Press Release: “Budget 2025-26: Fuelling MSME Expansion” – Ministry of MSME, 4 February 2025 (<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2099687®=3&lang=2>)
- Kerala Responsible Industry Incentive Scheme (K-RIIS) – KSIDC (<https://www.ksidc.org/investinkerala/incentive-schemes/>)
- Directorate of Industries and Commerce, Kerala (<https://industry.kerala.gov.in>)
- Invest Kerala Global Summit 2025 – Policies and Incentives (<https://investkerala2025.kerala.gov.in/policies-and-incentives/>)
- KINFRA – Kerala Industrial Infrastructure Development Corporation (<https://www.kinfra.org>)
- KIED – Kerala Institute for Entrepreneurship Development (<https://kied.info>)
- Udyam Registration Portal – Ministry of MSME (<https://udyamregistration.gov.in>)

DISCLAIMER

This compendium has been updated to incorporate: (1) Union Budget 2026-27 announced on 1 February 2026 by Finance Minister Nirmala Sitharaman; (2) Kerala State Budget 2026-27 presented on 29 January 2026 by Finance Minister K.N. Balagopal; (3) Kerala Industrial Policy 2023 (K-RIIS framework); and (4) MSME classification limits per MoMSME Notification S.O. 1364(E) dated 21 March 2025 (effective 1 April 2025). The views expressed are based on publicly available information. The Institute of Chartered Accountants of India may not necessarily subscribe to all views. Members/Readers should exercise professional judgment and verify current ground realities before acting on any provision. The Committee and the ICAI disclaim any liability arising from the use of this compendium. For the most current information, visit industry.kerala.gov.in, www.ksidc.org, and www.indiabudget.gov.in.



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Startup Portal:
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msme.icai.org