



GOVERNMENT OF TAMIL NADU

# TAMIL NADU **FINTECH POLICY** 2021

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INDUSTRIES DEPARTMENT  
GOVERNMENT OF TAMIL NADU



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## 1.1. Overview

Tamil Nadu is the second largest economy in India, with a Gross State Domestic Product (GSDP) of over Rs. 19.02 lakh crore in FY 2020-21 at current prices. The State's economy has grown consistently at 10.87% in the last decade. The Services sector is a significant contributor to the State economy accounting for a 49.4% share of the GSDP in FY 2020-21. Robust growth across the Services and Manufacturing sectors has been fundamental to Tamil Nadu's high per capita income levels and improved quality of life for residents. Concomitantly, the State's per capita income was 94% higher than the national average in FY 2020-21.

In the current context, the onset of the COVID-19 pandemic has disrupted the traditional operating models of brick-and-mortar businesses including banking & financial services and has accelerated the adoption of digital alternatives. FinTech firms which utilise information technology to enhance the delivery of financial services & products, have benefitted from this shift.

This wave of growth in FinTech is being driven by a mix of startups and large firms -



Startups providing specific and targeted financial products to tap into consumer segments hitherto not serviced by traditional financial institutions.



Large financial institutions increasing their FinTech offerings, through the services of firms providing digital infrastructure and/or in-house technology solutions to compete with new entrants/products and retain market share.



Large and medium Information Technology firms enhancing their current platforms by providing financial services leveraging upon their existing consumer relationships and technology experience.

The Government of Tamil Nadu recognises the role of large firms and startups in the FinTech sector and seeks to encourage and support them through this Policy.



## 1.2. Tamil Nadu's Legacy as a Financial Hub

Historically, Tamil Nadu has been a pioneer in the financial sector with Chennai being at the forefront of several financial innovations and initiatives. Chennai is known for its financial acumen and had established its first bank, The Madras Bank in 1682 (eventually merged into SBI). The first cooperative bank in India, The Madras Urban Cooperative Bank was set up in Chennai in 1906. The country's first private mutual fund was also set up in Chennai in 1993, subsequent to the Government of India allowing private players to manage and operate mutual funds. The State has witnessed the growth of several banks and NBFCs, both in the public and private sector, including microfinance vehicles such as Chit Funds.

## 1.3. Inherent Advantages of Tamil Nadu

FinTech firms depend on four key pillars, namely, Domain Knowledge in Finance, Information Technology, Infrastructure, and Diversified & Inclusive Markets, all of which are all well established in Tamil Nadu. Today, the financial services sector contributes nearly 5% to Tamil Nadu's GSDP and has grown at a Compounded Annual Growth Rate (CAGR) of 10.15% in the last decade. The State boasts of the highest credit-deposit ratio in the country and attracts significant FDI in Banking Financial Services and Insurance (BFSI) services every year.

Information Technology (IT), especially Data Analytics has a strong and well-developed ecosystem in Tamil Nadu. IT contributed to Rs. 1.39 lakh cr. in exports and employed 7.4 lakh people during FY 2019-20. There are more than 640 startups in Software as a Service (SaaS) and Deep Tech (artificial intelligence, robotics, and block chain) across the State, with a combined revenue of \$1 billion and a workforce of 15,000 employees. Chennai, in particular, is hailed as a SaaS capital as several SaaS companies are based in the city, including two home-grown unicorns – Zoho and Freshworks.



In addition to domain expertise, FinTech firms require physical as well as IT infrastructure to grow. Tamil Nadu ranks 1<sup>st</sup> nationally with 46 operational Special Economic Zones (SEZ) including 8 ELCOSEZs for IT/Information Technology Enabled Services (ITeS) firms. The State also has a well-developed IT infrastructure with 6 submarine cable landing stations connecting the State with international destinations and 14.8 Tbps bandwidth. With such robust IT connectivity infrastructure, the State is emerging as a major investment destination for data centres having signed MoUs worth Rs. 18,800 cr. in FY 2019-2020. Tamil Nadu also offers state-of-the-art-infrastructure with 4 international airports, 2 additional domestic airports, and 4 large seaports.

Further, 51% of the total banking outlets in Tamil Nadu are concentrated in eight districts of Chennai, Coimbatore, Kancheepuram, Madurai, Tiruvallur, Tiruchirappalli, Tirunelveli and Salem, indicating a large addressable market in the State for FinTech firms. Furthermore, several marquee financial institutions in the world have chosen Chennai to house their Information Technology and core financial processing operations. Specifically, on the Information Technology front, the city is home to top Information Technology services and product companies having significant focus towards the financial services industry and serve the needs of most of the Fortune 500 companies. Besides, large domestic enterprises and multi-national corporations (MNC) in the manufacturing sector conduct their core finance, accounting and other high-end financial processing out of Chennai and other cities in Tamil Nadu. The State, thus, offers a diversified as well as an inclusive market for the FinTech sector to grow. FinTech firms could leverage this market to offer solutions to both domestic and international enterprises.

The sound Financial and IT ecosystem has been aided by the skilled and talented workforce available in the State. Tamil Nadu has a highly qualified, productivity-oriented, and English-speaking human resource pool and is home to several premier institutions such as IIT, IIM, NIT, Anna University, Madras School of Economics, IFMR, Great Lakes, Loyola Institute of Business Administration, Madras Institute of Management Studies, Chennai Mathematical Institute, and other public and private sector institutions. The State contributes nearly a million graduates to the human resource pool each year and has one of the highest contributions of graduates and post-graduates in the fields of finance, accounting and related academic disciplines.

Tamil Nadu has developed capabilities in these four areas over the last few decades. By leveraging these capabilities and harnessing its immense potential, Tamil Nadu can grow and develop into a major FinTech hub.

## 1.4. Need for Policy

India has a growing base of internet users, especially in rural areas, who will play a key role in increasing the internet adoption rate. India stands second in the EY FinTech Adoption Index rankings, with the adoption of FinTech having accelerated from 52% in 2017 to 87% in 2019. In the rankings, India stands next to China and is ahead of other developed countries by a significant margin. As of 2020, India has over two thousand FinTech firms, of which, 5% are from Tamil Nadu. With its inherent advantages, Tamil Nadu has an immense potential to grow in this space.

FinTech firms with their user-friendly-based offerings are able to target segments of the population that are unbanked and otherwise not serviced by traditional financial institutions. This dovetails with the State's goal of inclusive development.

Tamil Nadu's potential for growth in the FinTech sector underlines the need for a dedicated policy to accelerate FinTech investments and enable nurturing, fostering, and development of the FinTech ecosystem in the State.

## 1.5. Scope

This Policy covers firms utilizing Information Technology to drive innovation in the design and delivery of financial services. It specifically covers firms that widen the coverage and reach of these services to improve financial inclusion through reliable, swifter, and cost-effective methods.

This Policy adopts the definition of FinTech as per the Financial Stability Board and RBI - *"technologically enabled financial innovation that could result in new business models, applications, processes, or products with an associated material effect on financial markets and institutions and the provision of financial services"*. Firms that are engaged in one or more of the operations under this definition and listed in Table 1 would be covered under this Policy.



**Table 1 – FinTech Scope**

Category	Products/Platforms/Services	Technologies
Payments, Clearing & Settlement	<ul style="list-style-type: none"> <li>• Mobile and Web-based Payments</li> <li>• Digital Currencies</li> <li>• Crowdfunding</li> <li>• Peer to Peer Lending</li> <li>• Smart Contracts/ Trade Finance</li> <li>• Cloud Computing</li> <li>• e-Aggregators</li> <li>• Robo Advisory</li> <li>• e-Trading</li> <li>• Credit Rating</li> <li>• eKYC</li> <li>• Asset Management</li> <li>• Equity and Debt Research</li> <li>• Securities Market</li> <li>• Custody, Trusteeship and Settlement</li> <li>• Marketplace</li> <li>• Online Broking</li> <li>• Insurance/Policy &amp; Claims Management</li> <li>• Neo/Digital Banking</li> <li>• Underwriting Services</li> <li>• Regulatory Services – AML, Transaction Monitoring</li> <li>• Payment Gateways</li> <li>• White Label Software</li> <li>• APIs</li> <li>• Remittances</li> </ul>	<ul style="list-style-type: none"> <li>• Data Science</li> <li>• Big Data</li> <li>• Artificial Intelligence &amp; Robotics/ Machine Learning</li> <li>• Security &amp; Authentication – Cybersecurity</li> <li>• Biometrics</li> <li>• Blockchain</li> <li>• Internet of Things (IoT)</li> <li>• Mobile POS</li> <li>• NFC/ RFID</li> <li>• Augmented Reality/Virtual Reality</li> </ul>
Deposits, Lending & Capital raising		
Market Provisioning		
Investment Management		
Data Analytics & Risk Management		
Exchanges and Markets		
Insurance		
Global Capability Centers/IT & ITeS		

This Policy will be valid till 31.12.2025. Operational guidelines and clarification may be issued from time to time.

## 2.1. Vision

Transform Tamil Nadu into a leading global destination for FinTech firms by 2025.

## 2.2. Mission

- Increase financial inclusion and fintech adoption rate in Tamil Nadu by promoting digital solutions for the traditional financial sector.
- Develop a comprehensive and concerted program with government agencies to provide a one-stop shop solution to existing and new FinTech firms in the State.
- Facilitate seamless and transparent Business-to-Business (B2B), Business-to-Consumer (B2C), Government-to-Government (G2G), Government-to-Business (G2B), and Government-to-Citizen (G2C) financial transactions efficiently.
- Develop industry-academia linkages to create a FinTech knowledge ecosystem comprising universities, research institutions, design & innovation labs, and FinTech firms.
- Develop, attract, and nurture talent in the fields of finance and digital technologies.
- Develop the necessary infrastructure required for attracting and promoting the next generation of FinTech firms.
- Develop partnerships with other leading FinTech centres across the world.

## 2.3. Goals

- To become the leading State in the country in terms of growth of new FinTech firms incorporated during the Policy period.
- Develop a FinTech city in the State with 1 million square feet of working space for FinTech firms with a world class FinTech Innovation Hub/FinTech Lab.
- Set up Skill Centres for FinTech in the State in partnership with premier institutes & private firms which shall also serve as Centres of Excellence (CoEs) to support entrepreneurs/ SMEs/ startups in the State.

To position Tamil Nadu as an established hub for FinTech firms, the State shall focus its efforts on creating an enabling ecosystem for FinTech. Tamil Nadu has already undertaken several initiatives to address the requirements of FinTech firms in skill development, educational infrastructure, and physical infrastructure.

## 3.1. FinTech Cell

The Government of Tamil Nadu has set up a dedicated FinTech Cell in Guidance to support the FinTech sector in the State. The FinTech Cell shall undertake promotion, facilitation, and advisory activities such as:

- a.** Encourage FinTech firms especially startups, to participate and represent the State in national and international banking, finance, and FinTech programmes such as seminars, conferences, exhibitions, and events.
- b.** Organise regular interactions with other FinTech hubs such as Singapore and London.
- c.** In association with TANSIM and FinBlue, collaborate with various national investment promotion agencies and associations such as NASSCOM, to host marketing events and promote Tamil Nadu.
- d.** Conduct hackathons, business challenges, and annual award events to identify the leading FinTech firms in the State and support in the development of the FinTech ecosystem.
- e.** Support the FinTech Governing Council in interactions with the Government of India, regulators, other Government & non-Government agencies necessary to ensure policy-level support.
- f.** Provide facilitation support in the form of location advisory, incentives applications, approval and clearances.



## 3.2. FinBlue

The Government of Tamil Nadu in collaboration with the Ministry of Electronics and Information Technology (MeitY), Government of India and Software Technology Parks of India (STPI) set up FinBlue - a Centre of Excellence for FinTech in Chennai in 2019. In 2021, FinBlue conducted Pitchfest 2.0, during which it received 345 applications from startups and selected 26 startups from domains such as lending, payment, asset management, remittances, risk & compliance, investment research, and tax.

FinBlue has been designed to identify startups with a potential to create disruptive products or services by way of screening mechanisms such as Hackathons and challenges. FinBlue provides business/organizational support in the startups phase, mentoring and technical support through industry partners, access to financial resources (Angel Funding, Seed Funding, and Venture Capital), and access to networking facilities and markets. It has partnered with several notable institutions such as IIT Madras, National Payments Corporation of India (NCPI), PayPal, NatWest Group, Yes Bank, ICICI Bank, and Amazon, among others.

The FinBlue Sandbox consists of APIs exchange, Core Banking Software (CBS), analytical & performance monitoring tools providing a real time environment to FinTech startups which are involved in developing and testing their prototype FinTech products. The APIs exchange is a comprehensive interface which provides a common digital platform for banks, financial institutions and startups. The State shall work together with STPI to create a co-sandboxing with RBI in achieving the Regulatory Sandbox, which shall help RBI to gauge the regulatory changes needed. The FinBlue Marketplace will connect FinTech firms with investors, BFSI industry representatives and Knowledge partners. It shall provide FinTech firms a unique opportunity to interact with domestic and global investors and secure funding support. FinBlue also provides premium plug-and-play co-working space for tech startups, access to the FinTech ecosystem, and a platform to support Go-to-Market strategy.



FinBlue shall also endeavour to publish an annual report on the performance and progress of the FinTech sector using a FinTech Index with parameters such as funding secured by firms, number of fintech startups per segment, Fintech adoption rate, best performing FinTech firm per segment by revenue/users. Based on such reports, the FinTech Governing Council shall undertake strategic initiatives for the development of the FinTech sector in the State.

### **3.3. Development of Chennai as a FinTech Hub**

The Tamil Nadu Industrial Development Corporation Limited (TIDCO) will develop a FinTech city in Chennai with a built-up space of at least 1 million square feet in a phased manner. The FinTech City will develop as the fulcrum of financial services and related activities, largely driven by next-generation technologies in Tamil Nadu. The FinTech City shall largely be virtual, interconnected digitally with an iconic building in Chennai and other FinTech centres in Tier 2 & 3 cities.

The FinTech City would house entities across a wide spectrum of financial, IT and banking services. These include financial regulatory institutions, trade insurers and regulators, IT firms providing Banking Financial Services and Insurance (BFSI) services, digital technology services such as blockchain, automation and robotics, industry sandboxes, artificial intelligence, and data analytics.

Standalone projects/buildings hosting FinTech services shall also be provided with uninterrupted power supply and communication infrastructure. Space shall be reserved for Incubators and Accelerators and would be provided at concessional rental rates.

Specialized financial services funding agencies such as Private Equity (PE) firms, Venture Capital (VC) firms would also be encouraged to set up operations in the FinTech City to establish the necessary funding ecosystem for FinTech firms. The State shall also look at setting up plug-and-play co-working facilities for FinTech firms and Risk Capital Providers. The Government shall encourage and assist in the establishment of an Innovation Hub to attract financial institutions that seek to engage in R&D activities.



**Proposed FinTech City**  
Nandambakkam, Chennai



### 3.4. Promoting Digital Payment Zones in the State

The Government of Tamil Nadu shall encourage digital payments by developing Digital Payment Zones in the State in a phased manner. The State shall, as a pilot project, develop a Digital Payment Zone in Chennai within a 5 km radius of the FinTech City. Within these zones, the Government shall accelerate FinTech adoption by encouraging digital payment modes such as UPI, Mobile Wallets, Point of Sale (PoS), and Micro-ATMs for C2G (Consumers/Business to Government), G2C (Government to Consumers), B2C (Business to Consumers), and C2B (Consumers to Business) transactions related to utilities, transportation, taxes, goods and services.

### 3.5. Regionally Balanced FinTech Development

TIDCO will develop Neo-TIDEL parks in Tier 2 & 3 cities with state-of-the-art plug-and-play office space in various sizes to suit the needs of small and large players. These parks spanning 5-10 acres shall be located in prime locations with excellent last mile connectivity. The Neo-TIDEL parks will have dedicated labs for FinTech. The facilities shall have failsafe power and communication infrastructure with backup arrangements.

### 3.6. FinTech Registry

The State will set up a FinTech Registry for FinTech firms in Tamil Nadu. This Registry, managed by the FinTech Cell, shall enable the State to track and monitor the progress of FinTech firms effectively. The FinTech Registry would also be used as a common platform to help facilitate discussions between FinTech players to boost collaboration and development in the sector.



### 3.7. Skill Development & Education Infrastructure Initiatives

The Government of Tamil Nadu recognizes the need for skill development initiatives to boost the FinTech ecosystem in the State and shall undertake the following measures:

- Provide online and offline continuous learning programs with industry relevant curriculum to students, working professionals, and startups across the State in vernacular languages to enable the development of a skilled talent pool for FinTech in the State.
- Facilitate curriculum redesign in engineering institutions to impart knowledge of FinTech to students.
- Collaborate with various FinTech firms to establish a pipeline of employment opportunities for skilled personnel.
- School Education Department shall design online and offline curriculum and training, in vernacular languages for improving financial literacy among students, leveraging best practices from across the globe.
- Utilise schemes such as Government of India's Financial Education Programme for Adults (FEPA) and Financial Literacy and Credit Counselling Centres in banks for increasing financial awareness in the underprivileged and financially excluded sections of the society.
- Tamil Nadu State Development Corporation (TNSDC) shall develop an Apex Skill Development Centre (APSDC) for Banking, Financial Services and Insurance (BFSI) which will offer courses on FinTech and serve as a Centre of Excellence. The APSDC shall be established in a PPP mode as a Special Purpose Vehicle with TNSDC and an industry partner.



### 3.8. Encouraging FinTech Adoption

The Government of Tamil Nadu has implemented several governance measures to spur the adoption of FinTech in the State. The Integrated Financial & Human Resources Management System (IFHRMS) is a government wide transformation to utilise technology in improving the financial activities of the State Government and ensure robust management of State Finances. The State has also implemented an e-challan system which enables online payments for different government services. Additionally, for Government procurements below Rs. 20 lakh, startups registered with TANSIM have been provided with relaxations on payment of Earnest Money Deposit (EMD), prior turnover requirements, prior experience requirements, and waiver of tender cost. These enabling provisions for easing governmental procurement shall also be applicable to FinTech startups.

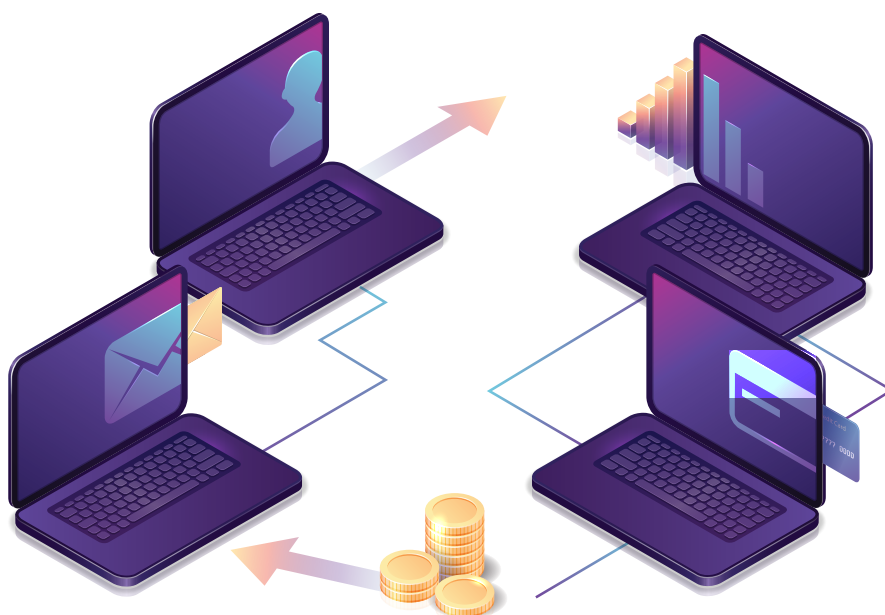


## 4.1. Power Infrastructure

One of the main requirements for an Information Technology driven enterprise is the availability of high-quality and uninterrupted power. Tamil Nadu is a power surplus State and a leader in renewable power generation. The Government of Tamil Nadu launched a scheme in 2017 of signing Memorandum of Understanding (MoU) with TANGEDCO for providing uninterrupted power supply to Industries/Developers with an electrical demand of 10 MVA and above or with investment above Rs. 100 crores. This shall also be extended to FinTech firms in designated FinTech parks of the State promoted by Government Agencies.

## 4.2. Connectivity Infrastructure

Tamil Nadu has excellent Optical Fiber Communication (OFC) network and availability of reliable and large bandwidth. With 6 Submarine Cables, Chennai has one of the largest bandwidths among Indian cities (14.8 Tbps). The Submarine Cable linking Chennai with Singapore has significantly increased the existing bandwidth capacity to India. It is the second fastest-growing communications route in the world. South-East-Asia–Middle East–Western Europe 4 (SEA-ME-WE 4), which has a landing point in Chennai, is an optical fiber submarine communications cable system that carries telecommunications between Singapore, Malaysia, Thailand, Bangladesh, India, Sri Lanka, Pakistan, United Arab Emirates, Saudi Arabia, Sudan, Egypt, Italy, Tunisia, Algeria, and France. The State is also focusing on increasing fiber capacity and more submarine cable landings to improve international connectivity and has at least 3 more submarine cable projects in the pipeline.



Tamil Nadu, thus, provides islands of high-speed connectivity on par with the best in the world for the FinTech players. The Government has undertaken various projects to improve tele-density and broadband penetration in the State and ensure reliable and efficient telecom networks throughout the State with the Bharat Net and Tamil Net projects. Tele-density, which is measured as the number of telecom connections per hundred people is 30% higher in Tamil Nadu at 116.94 vis-à-vis India's tele-density of 90.1. The proliferation of internet services to people in rural areas through these programmes shall help in driving the demand for FinTech services.

### 4.3. IT Infrastructure & Cybersecurity

Tamil Nadu is also emerging as a hub for commissioning, operation, and maintenance of Data Centres. The Government of Tamil Nadu has also set up the State Data Centre, Cloud Computing Facilities, and Common Service Centres for improving the access of citizens to online Government services.

The State has also set up an exclusive full-fledged Disaster Recovery Centre (DRC) in Tiruchirappalli which is the first of its kind in India. The DRC will ensure continuity of critical e-Governance applications in the State during calamities.

The Government of Tamil Nadu, cognisant of growing cyber-security threats has released the Tamil Nadu Cybersecurity Policy 2020 to develop a comprehensive security risk reduction strategy that envisions a cybersecurity architecture for the State supported by the Security Operations Centre (SOC-TN) and Computer Emergency Response Team (CERT-TN). CERT-TN will function as the State's dedicated nodal agency to monitor, detect, assess and respond to cybersecurity issues faced by the Government.



## 4.4. Single Window Clearances

Establishing a FinTech firm requires approvals from different departments for land, building, electrical inspection, and labour. The Government of Tamil Nadu is working on improving the ease and reducing the cost of doing business through the following initiatives :-

- i) Reducing the compliance burden by undertaking sustained reforms to reduce and simplify 286 compliances required by businesses under various Acts/Rules and Regulations.
- ii) The upgraded Tamil Nadu Single Window Portal offers 100 digitised services to investors, with an additional 100 digitised services to be added by FY 22, thereby transforming the process to become faceless, contactless, and paperless.

The nodal agencies (M-TIPB/Guidance) shall be responsible for facilitating FinTech firms to obtain necessary approvals within the stipulated time without impediments.

## 4.5. Administrative and Labour Support

FinTech firms operating in the State would be provided with administrative and labour support as mentioned below-

- Exemption from Acts & Self Certification as per the prevailing Tamil Nadu IT Policy.
- The State has been taking several steps to facilitate ease of doing business in the State with respect to labour laws. The Government has implemented the Online Inspection System with the objective of bringing in more transparency in the inspection procedures. In particular, startup establishments are exempt from online inspection under the labour laws for a period of 3 years from the date of commencement of work/business (except branches of establishment existing beyond 3 years). Establishments submitting a combined annual return for labour and having no violations consecutively for 3 years are also exempt from inspection under the labour laws.



## 4.6. Relaxation in Planning Permissions

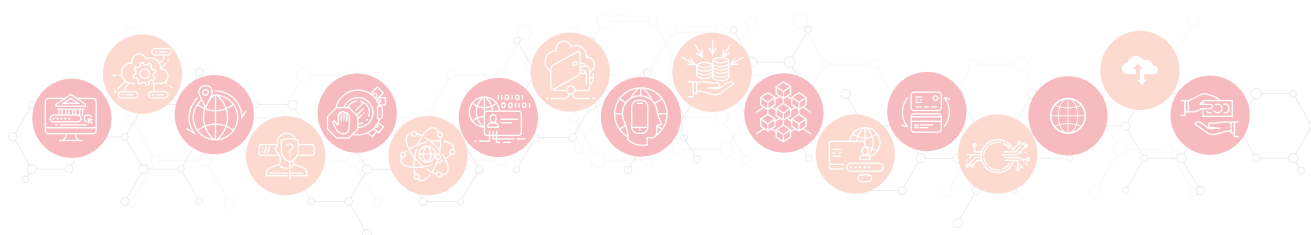
Leading real estate agencies have stated that Chennai is a preferred destination for corporates due to the availability of high-quality office spaces at competitive prices vis-à-vis other cities. Tamil Nadu provides favourable concessions to IT firms in the form of FSI benefits under the Tamil Nadu Combined Development Building Rules 2019 viz. incidental activities allowed for up to 10% of the total floor area, and additional FSI of 0.5 without premium FSI charges for high rise developments. These shall be extended to FinTech firms which will further strengthen Chennai's position in the FinTech space. Effectively, FinTech firms in high rise developments shall have an FSI of 3.75 with no additional premium FSI charges.

Further, the Government of Tamil Nadu recognises the importance of last mile connectivity & transit-oriented development for FinTech Hubs. Hence, existing & new properties within a distance of 500m from the central line of metro rail corridors, shall be provided a concession of 50% on the normal premium FSI rates applicable.

## 4.7. Ease of Living

Ease of doing business in the State transcends business transactions and encompasses the daily aspects of ease of living for a firm's workforce. Social infrastructure is a critical component to support a firm and its workforce. Tier 1 & 2 cities such as Chennai and Coimbatore offer a good balance of cultural heritage and a cosmopolitan environment for their residents. The Ease of Living Index 2020 published by the Ministry of Housing and Urban Affairs ranked Chennai and Coimbatore as 4th and 7th respectively on the list of most liveable cities with a population greater than 1 million.

Salem and Vellore were ranked 5th and 6th respectively in the list of most liveable cities with a population of less than 1 million. Tamil Nadu strives to improve the Ease of Living for the firms and its workforce with the aim of making its cities including Tier 2 and Tier 3 cities, a preferred destination in India.



There are many FinTech firms in the startup space that begin with seed funding and then scale through subsequent series of funding. The State is cognisant of the risks associated with startups and the difficulty in accessing credit during the initial phase. Thus, the Government of Tamil Nadu endeavours to support FinTech firms through multiple funding avenues. The Sanctioning Authority (as defined in Section 7.2 of this Policy) shall endorse FinTech firms for funding assistance. The FinTech Cell shall support FinTech firms in applying to the concerned Government agencies for funding.

## 5.1. Tamil Nadu Startup Seed Grant Fund

The Tamil Nadu Startup Seed Grant Fund created under the TN Startup and Innovation Policy 2018 provides grant financing to support early-stage financing requirements of the startups for research & innovation purposes. At least Rs. 5 cr. would be earmarked from this fund for FinTech startups. The eligibility criteria under Tamil Nadu's Startup Seed Grant Fund shall be suitably relaxed for FinTech firms.

## 5.2. Tamil Nadu Emerging Sector Seed Fund

The Government of Tamil Nadu recognizes the scope of sunrise sectors and has set up a broad-based Emerging Sector Seed Fund with a corpus of Rs. 500 crore through TIDCO/ Tamil Nadu Infrastructure Fund Management Corporation (TNIFMC). At least Rs. 20 crore would be earmarked from this fund to provide venture capital for supporting the early-stage financing requirements of eligible FinTech startups.

## 5.3. Digital Accelerator under Yaadhum Oorae

The Government of Tamil Nadu has announced a 'Digital Accelerator' scheme under Yaadhum Oorae with American Tamil Entrepreneurs Association (ATEA) to promote startups investing from USA in Tamil Nadu from various fields such as IT/Healthcare/EV/emerging areas on IoT, AI, Cloud Computing /SDGs. It is proposed that a grant of 10% of capital raised may be provided towards operational and capital expenditure, up to Rs. 1 cr. per startup. Similar funds may be created for startups that contribute to innovation, from other countries with Tamil diaspora.

The sanction of the grants shall be evaluated by the Sanctioning Authority and funded from the Tamil Nadu Startup Fund of Funds. During FY 2020-21, 75 applications were received under this accelerator programme; with 5 startups across various sectors including FinTech were shortlisted and provided grants during the Tamil Nadu Investment Conclave 2021 held in July 2021.

## 5.4. State Innovation Fund

The State, through its Tamil Nadu Innovation Initiatives supports innovation in process/practice/approach/technique or Information Technology, which is new or novel to public service delivery. Innovative ideas shall be nurtured by special innovation programs (such as Innovation Voucher Program). 25% of the project cost may be provided as a grant to eligible agencies such as State Universities/State agencies. FinTech firms are encouraged to approach eligible agencies for partnership with their proposals. The Government shall issue the necessary guidelines for adding FinTech to the areas notified by the State Planning Commission.



The Government of Tamil Nadu is cognisant of the roles essayed by the different FinTech stakeholders and intends to support and nurture them by providing a customised set of incentives for each. Thus, in addition to supporting FinTech startups and large firms venturing into the FinTech sector, the Government shall also support Angel Funds, Private Equity, Venture Capital Funds and Incubators.

## 6.1. FinTech Startups

Any entity which satisfies all of the following criteria will be deemed eligible to avail incentives under this Policy: -

- i. Any entity (public or private) incorporated in India which has commenced sales operations from Tamil Nadu on or after 01.04.2020
- ii. Any entity which has been recognised as a Startup by TANSIM/FinBlue/Startup India initiative

(OR)

Any entity which has been selected as part of RBI/any other financial sector sandbox initiative, incubated at a government-recognized Atal incubation centre of any academic institution.

iii. Any entity which has a registered office or branch office undertaking core design and software development of FinTech product/service in Tamil Nadu, adhering to international standards such as ISO 9001, ISO 27001 etc.



The Government will promote regionally balanced development in the State through the provision of higher incentives for firms setting up in Tier 2 and Tier 3 cities of the State. The detailed list is provided in Annexure 1.

Balanced Regional Development Incentive Stratification	
Cities (Corporations/Municipalities)	Incentive Limit Multiplier
Tier 1	1
Tier 2	1.5
Tier 3	2

The *incentive limits* for FinTech firms in Tier 3 cities shall be doubled while those setting up in Tier 2 cities shall have their *incentive limits* increased to 1.5 times, where applicable. The incentives offered under this section shall be subject to the following conditions: –

- Firms eligible under this Policy can avail the incentives provided under this Section for a maximum period of 3 years or until 31.12.2025, whichever is earlier.
- Eligible firms which have commenced sales on or after 01.04.2020, can avail a back-ended subsidy for the incentives accrued in FY 2020-21.
- Expenses claimed under one category cannot be claimed under a different category (e.g. – expenses claimed under Marketing Support cannot be claimed under Operational Expenses Support).
- The firm applying for incentives shall submit an undertaking that they are engaged in core design and software development of a FinTech product/service in Tamil Nadu.
- The incentives will be limited to the extent of operations in Tamil Nadu.



### 6.1.1. Operating Expenses Support

75% of operating expenses shall be reimbursed by the State Government up to an *incentive limit* of Rs. 5 lakh per year. This shall include:

- Expenses like rent, electricity, power, water charges, internet access, and other tariffs payable.
- Statutory charges payable to Government of Tamil Nadu.
- Company registration expenses, including professional charges for the same.
- Expenses related to technical support for creation of lab/innovation hub for sandbox.
- Research and development expenses including Intellectual Property creation such as patents, copyrights, and trademarks, Proof of Concept activities (inclusive of professional service support – consultancy, cyber security testing, IT audit, training, change management).
- Expenses related to professional services like legal and accounting services.
- Expenses related to sales.
- Expenses related to tax and legal advisory services.
- Expenses on furniture, hardware, office supplies, maintenance, and repair activities.
- Membership fees paid by FinTech firms to be a part of recognised international councils.
- Expenses related to listing the firm on the stock exchanges (international stock exchange listing fee reimbursement subject to regulatory approvals).



### 6.1.2. FinTech Accelerator Kit

The State shall provide FinTech startups with a FinTech Accelerator Kit to reduce initial product development costs and help scale their business swiftly. The FinTech Accelerator Kit shall provide FinTech startups free credits with TANSIM's ecosystem partners in segments such as cloud services, financial data services, payment gateways up to an *incentive limit* Rs. 5 lakh per year.

### 6.1.3. Marketing Support

The State shall provide 50% reimbursement of expenses incurred for promotional events, other national and international events or reimbursement of expenses towards digital marketing areas such as social media, web design up to an *incentive limit* of Rs. 2 lakhs per year.

#### 6.1.4. SGST Reimbursement

The State shall reimburse 100% of Net SGST paid by the firm up to an *incentive limit* of Rs. 5 lakhs per year.

### 6.1.5. Employment Assistance

Employment Assistance in the form of reimbursement of expenses incurred towards Employee Provident Fund (EPF) shall be provided based on the core staff (staff engaged in design and software development of the FinTech product/service) employed and working in Tamil Nadu as provided in Table 2.



**Table 2 - Employment Assistance**

Headcount (Annual)	Reimbursement Assistance - % of employer's annual employee EPF contribution		
	Tier 1	Tier 2	Tier 3
10-50	12%	18%	24%
50-100	18%	24%	36%
100+	24%	36%	48%

Note: Incentive Limit Multiplier shall not be applicable for Employment Assistance

### 6.1.6. Skill Development Support

The State shall reimburse 100% of the fees associated with skill development, leadership development, and professional qualification courses completed through skilling institutes/training centres recognised by NSDC/NASCOM/RBI/Government of Tamil Nadu/Top 20 NIRF engineering/management institutes, up to an *incentive limit* of Rs 3 lakh per year.

## 6.2. Structured Package of Incentives

A structured package of incentives would be extended to firms with investment greater than Rs. 50 crore and direct employment for 300 people or more over a period of less than 3 years on a case-to-case basis.

The first 5 large FinTech firms shall also be eligible for a relocation incentive of 50% of the cost of relocation up to an *incentive limit* of Rs. 10 crore during the Policy period.



## 6.3. Risk Capital Providers

The Government recognises the critical role played by Angel Funds, Private Equity, Venture Capital Funds and Incubators (hereinafter collectively referred to as “Risk Capital Providers”) in providing access to risk capital for FinTech startups and are essential for the development of a FinTech startup ecosystem. Angel Funds, Private Equity, Venture Capital Funds registered with SEBI along with incubators recognised by Startup India Seed Fund scheme shall be eligible for the incentives listed below.

### 6.3.1. FinTech Listing Fees Support

Risk Capital Providers shall be provided with a 100% reimbursement of fees associated with the listing of FinTech firms from Tamil Nadu in their portfolio on a stock exchange (domestic/international) up to a maximum of Rs. 2.5 lakh/firm.

### 6.3.2. Rental Fee Support

Risk Capital Providers shall be provided with a rental fee support to set up in the State to promote the growth of the FinTech ecosystem:

- a) Angel Funds, Private Equity, Venture Capital Funds, and Incubators shall be eligible for concessional lease rental payments in FinTech hubs established by the Government of Tamil Nadu during the policy period.
- b) Incubators in non-Government hubs, shall be eligible for reimbursement of 50% rental fees limited to Rs. 2 lakhs per startup per year subject to a maximum of Rs. 10 lakhs per year during the policy period.

### 6.3.3. Matching Grant

The Government of Tamil Nadu through an appropriate agency shall invite and partner with different angel funds, private equity, venture capital funds and incubators. The selected partner agency shall identify and evaluate FinTech firms suitable for funding purposes. Eligible firms shall qualify for an equity-free grant of the capital raised limited to Rs. 1 crore per firm towards their operational and capital expenditure incurred in Tamil Nadu. The partner agency shall also support the Government in the development of a tracking framework to monitor the progress of the firms funded under this initiative.

## 7.1. FinTech Governing Council

The Government will set up a FinTech Governing Council under the chairmanship of the Honourable Minister for Industries with the following members for monitoring the progress and implementation of this Policy and oversight of FinTech initiatives:

- Honourable Minister for Industries, Government of Tamil Nadu – (Chairman)
- Chief Secretary, Government of Tamil Nadu – (Vice-Chairman)
- Secretary, Industries Department, Government of Tamil Nadu
- Secretary, Finance Department, Government of Tamil Nadu
- Secretary, Information and Technology Department, Government of Tamil Nadu
- Secretary, Micro, Small and Medium Enterprises Department, Government of Tamil Nadu
- MD & CEO, Guidance, Department of Industries, Government of Tamil Nadu – (Convener)
- Mission Director, Tamil Nadu Startup and Innovation Mission
- CEO FinBlue / Director, STPI Centre Chennai
- Up to three members from the FinTech sector

The Governing Council for FinTech may form sub-committees to address various themes in this Policy such as marketing and branding, business development and outreach, partnerships, education, venture capital, and regulation. The FinTech Governing Council may enlist the support of experts, specialist institutions in each of these areas, as and when required.



## 7.2. Sanctioning Authority

The Sanctioning Authority shall be a sub-committee formed from the main Governing Council as defined in Section 7.1, with a minimum quorum of three members. The Sanctioning Authority thus formed, shall be responsible for the sanctioning of incentives defined in Section 6, as well as endorsing applications for funding as defined in Section 5.

## 7.3. Implementing Agency

The State Industries Promotion Corporation of Tamil Nadu (SIPCOT) will be mandated as the implementing and disbursal agency for all the incentives listed in this Policy.



## 8.1. Annexure 1 –List of Corporations/Municipalities

Category	Corporations/ Municipalities
Tier 1	Chennai Metropolitan Area
Tier 2	Coimbatore, Dindigul, Erode, Hosur, Madurai, Nagercoil, Salem, Thoothukudi, Thanjavur, Tiruchirappalli, Tirunelveli, Tiruppur, Vellore
Tier 3	Other Corporations/ Municipalities

This list of corporations/ municipalities may be notified by the Government of Tamil Nadu from time to time.





# Notes





GOVERNMENT OF TAMIL NADU

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