



GOVERNMENT OF TAMIL NADU

TAMIL NADU STARTUP AND INNOVATION POLICY 2023



DEPARTMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES



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1. PREAMBLE

India has a robust Startup ecosystem that has the potential to make the country a Superpower. It is described as “the poster child” of emerging markets for its vast commercial potential for Startups. India, though the third largest economy in the world, is ranked fourth in the Asia-Pacific Startup Ecosystem only next to Singapore, Australia and China as per the Startup Ecosystem Report, 2022, and expected to contribute 15% to the global growth in the coming years.

Tamil Nadu is one of the most progressive States in the country and has been the engine of the nation's economic growth. It is on the frontline in all development parameters. With 4% of the nation's land mass and 6% of the nation's population, the State contributes 9% of the nation's GDP. The State's vision of reaching the US\$ One Trillion economy is supported by its varied strengths. According to the National Institutional Ranking Framework (NIRF) 2022, Tamil Nadu has the highest number of institutions among the top 100 ranking; in the Ease of Doing Business, Tamil Nadu ranks third with the creation of the Single Window Portal Clearance. Aiding this development and concentrating on equitable progress, Tamil Nadu is a pioneer State in the country to establish Social Justice Schemes. The State has formulated policies and schemes that ensure socio-economic development and environmental sustainability. There has been a tremendous push for infrastructure development and job creation in the State in the last two years. It is the knowledge hub of the country and about a million graduates get added to the talent pool every year. The State also has the largest annual turnout of skilled workforce in the country. Tamil Nadu is ranked among the top three States in research and development in the country.

Tamil Nadu has a vibrant Startup ecosystem that nurtures social entrepreneurship at its core. The State is represented by Chennai and Coimbatore as two of the top 400 Startup Cities Globally as per the Blink Startup Ecosystem Report, 2022. The Indian Startup Ecosystem Report 2022 ranks Chennai as the country's fourth top Startup hub. Coimbatore, Madurai, Tiruchi, Salem and Vellore are recognised as emerging hubs. Overall, Tamil Nadu offers fundamentally sound building blocks necessary to create a distinctive democratic Startup ecosystem. Tamil Nadu has witnessed a notable increase in the number of registered Startups, exceeding 7,000 in September 2023 and has attracted significant venture capital investments over the past two years. Tamil Nadu is now committed to attaining the top ranks in the National and International ecosystems, across measures, with the collaborative efforts of various stakeholders in the Startup ecosystem.





The policy period of the first Tamil Nadu Startup and Innovation Policy was 2018-23. The challenges exposed by the COVID pandemic and the fast-changing technological landscape now calls for more innovative and vigorous measures to foster innovation and entrepreneurship. Our startups are expected to be not just engines of economic growth; they are game changers in alleviating poverty, reducing inequality and increasing social mobility. The revamped 'Startup and Innovation Policy' of the State will be the fuel to accelerate and scale Startups and increase their share in the State's GDP as well as Social Capital.

The main focus of this policy framework is to establish a democratised ecosystem that fosters innovation and entrepreneurship, transforming the State into a land of opportunities for the development of both technologically groundbreaking and socially impactful enterprises by individuals from all walks of life.

2. VISION

The vision is for Tamil Nadu to become one of the top 20 global Startup destinations by 2032, based on internationally recognized criteria, and to enable groundbreaking innovative and wealth creating ventures while also establishing a supportive Startup ecosystem that emphasises distributed wealth creation, innovative job opportunities, triple bottom line accountability, investor trust, ethical and logical revenue models, and democratised equal growth opportunities for other nations to emulate.

3. MISSION

-  To upscale Startups' contribution towards the State's GDP share.
-  Provide Startups in Tamil Nadu a conducive environment and seamless enablement throughout their journey.
-  Provide and support business expansion by creating access to both domestic and global markets.
-  Implement a robust system to integrate intellect minds and infrastructure, thereby attracting Investments for Tamil Nadu Startups.

- ⚙️ Evolve with the market trends and upscale existing Startups into power brands with employment generation capacity and potential Startup investors.
- ⚙️ Establishing Tamil Nadu as the premier State for intellectual talent pool for Startups.
- ⚙️ Position Tamil Nadu as a model State in promoting equitable progress in the country and beyond.
- ⚙️ To promote Startups towards sustainable business solutions through ESG framework.

4. OBJECTIVES

The State has set out the following objectives for the policy period.

- ⚙️ Facilitating the establishment of 15,000 Startups across various sectors and regions in the State.
- ⚙️ Elevating Tamil Nadu's position as one among the top 3 Startup ecosystems in India.
- ⚙️ Ensuring balanced growth of Startups in Tier II and III cities while maintaining focus on established metro hubs.
- ⚙️ Establishing Tamil Nadu as the top State for incubation ecosystems.
- ⚙️ Ranking Tamil Nadu among the top 3 States in terms of investments.
- ⚙️ Positioning Tamil Nadu as the leading State for Startups and companies founded by individuals from SC/ST communities and women.
- ⚙️ Promoting START STEPs (budding entrepreneurs) and scaling up existing Startups by connecting the stakeholders and incentivizing this synergy.
- ⚙️ Creating an exclusive talent pool adhering to the Startup Culture by establishing strategic alliances and partnership with different key stakeholders.
- ⚙️ Incentivizing Startup support services during their early years.

-  Dedicated support to Startups by creating Sectoral Forums.
-  Creating Startup investment-friendly ecosystem by attracting Angels, HNIs, VCs and building a collective pool of funds.
-  Facilitating networking opportunities among the Startup stakeholders by connecting Mentors, Investors with Startups.
-  Strategically positioning Tamil Nadu as a knowledge and innovation hub in the global arena by establishing Global Liaison Offices.
-  Empowering entrepreneurs to compete globally and make a mark in the global ecosystem.
-  Formulating programmes that will reaffirm a commitment in the State ecosystem to be more democratic and productive through hand holding at every stage, simplified rules and regulations, easy availability of funds in the form of grant or equity and nurturing the local ecosystems through regional hubs and satellite offices.
-  Creating a platform for corporate procurement from Startups in association with multiple corporate associations.

5. DEFINITIONS

5.1. Start STEP

An aspiring non-registered entity or individual who develops an idea with a business model based on product / process / service innovation that is potentially scalable and generates wealth and employment or creating a sustainable social impact business model.

5.2. Startup

A Startup is a registered entity which meets the following criteria:

- 5.2.1.** Incorporated as a Private Limited Company or a Registered Partnership Firm or a Limited Liability Partnership
- 5.2.2.** The entity should not have exceeded 10 years from the date of incorporation

- 5.2.3.** The entity should not have an annual turnover exceeding INR 50 crore for any of the financial years since its incorporation
- 5.2.4.** The entity should not have been formed by splitting up or reconstructing an already existing business
- 5.2.5.** The entity should work towards an innovation or show an incremental development or improvement of a product, process or service and should have a scalable business model with potential for creation of wealth & employment.
- 5.2.6.** Business ventures by persons from socially marginalized communities that apply proven innovative techniques in other sectors to the economic and social problems of their communities will also be considered as Startups.

5.3. State Recognition

The State Nodal Agency will create a mechanism for recognizing Startups to apply and avail schemes of this policy and any new schemes that may be announced in the future. A business entity registered in Tamil Nadu which meets the definition as per para 5.2 of this policy will be recognized as 'State Recognized Startup'.

6. NODAL AGENCY

StartupTN, the Nodal Agency of Tamil Nadu, is responsible for promoting Startup and innovation activities in the State. It was established as a Section 8 company under the Department of Micro, Small and Medium Enterprises in 2021 and is led by a dedicated team headed by the Mission Director, who serves as the Nodal Officer for implementing various initiatives outlined in the Startup and Innovation Policy. The mission is governed by a Board of Directors appointed by the Government of Tamil Nadu, which periodically reviews and guides progress.

The success of any Startup Mission is to enable the Startup community with a conducive environment which will create a connected, complementary platform for its stakeholders.

7. DETERMINANTS OF THE STARTUP ECOSYSTEM



StartupTN has identified Seven Determinants to enable a solid architecture of the State Startup Ecosystem which is envisaged to function in a synchronised manner. Given the current global socio-economic trends and the rapid technology transformations, this policy is designed to enable the Determinants to complement one another. Through this seamlessly integrated model, the physical or intellectual assets developed or established can be ploughed back into the system to nurture the Startup community. In short, the policy's architecture is designed to enable both the community's transformative mindset and the emergence of path breaking Startups.

The following are the Seven Determinants identified:

-  **Startup Literacy**
-  **Innovation Landscape**
-  **Investment Ecosystem**
-  **Access to Market**
-  **Startup Support Centres**
-  **Stakeholder Engagement**
-  **Equitable Growth**

The determinants of Tamil Nadu's Startup and Innovation Policy will be measured using technology and data-driven indicators. This approach will ensure that the impact of the policy is quantifiable and can be monitored over time. To further enhance the effectiveness of the policy, an Advisory Board will be established to provide guidance and expertise in its implementation. The board will consist of experts in various fields related to Startup and innovation activities, who will work closely with the Nodal Agency to ensure that the policy's goals are achieved. By leveraging technology and data-driven indicators and engaging the expertise of the Advisory Board, Tamil Nadu's Startup and Innovation Policy is well-positioned to make a significant impact on the State's innovation & entrepreneurship ecosystem.