

# IT POLICY OF TAMIL NADU - 2002

## 1. Vision

To put the smile of prosperity on the face of every citizen of Tamil Nadu by leveraging Information Technology (IT) to create value and wealth for a knowledge-based State.

## 2. Background

- 2.1 Tamil Nadu has emerged as a center for IT investments in IT services and IT Enabled Services (ITES).
- 2.2 Tamil Nadu has the required key resources of skilled and educated manpower, higher standard of educational institutions, good infrastructure, effective cost of operation and a committed Government.
- 2.3 Steps have been taken to use IT as an active tool in enhancing productivity, transparency and efficiency.
- 2.4 IT friendly environment has been created for all stakeholders of the new digital economy.
- 2.5 Tamil Nadu is working towards an IT revolution. IT has pervaded all the key segments.
- 2.6 Tamil Nadu was the first State to come out with an IT policy. Its pioneering concepts like Right Of Way (ROW) and Computer Education in Schools have become all India role models.
- 2.7 A communication revolution is taking place in Tamil Nadu with availability of large International and National Bandwidth for both Basic and Value Added Services by several Public / Private Service Providers.

## 3. Objectives

- 3.1 To establish Tamil Nadu as the Destination of Choice for IT investments.
- 3.2 To upgrade the quality of life for the citizens through e- Governance and IT applications in Government.
- 3.3 To empower people in the rural areas so as to bridge the Digital Divide.
- 3.4 To develop Research and Development initiatives.
- 3.5 To promote use of Tamil in Information Technology.

## **4. Way Forward**

- 4.1 For a successful way forward for translating the objectives, involvement, commitment and monitoring from the highest level is needed.

The Government of Tamil Nadu has created: -

- 4.1.1 A State level "Tamil Nadu Information Technology Council" (TNITC) chaired by the Honourable Chief Minister and having representatives from the Government, Industry and Academia.
- 4.1.2 An Executive Committee of the "Tamil Nadu Information Technology Council" to be headed by Chief Secretary comprising of selected representatives from the Tamil Nadu Information Technology Council.

## **5. Definitions**

The following are the definitions of the terminology used in this Policy.

- 5.1 IT Companies will include IT Services (ITS), IT enabled Services (ITES), Private Communication Providers (PCP's), Software industries including Services and Training Institutions as covered in IT Policy 1997, IT maintenance & servicing units and hardware units as covered in IT Policy 1997.
- 5.1.1 IT Services are broadly defined as systems integration, processing services, Information Services (IS) outsourcing, packaged software support and installation, hardware support and installation and IT training and education
- 5.1.2 IT enabled Services are human intensive services that are delivered over telecom networks or the internet to the range of business segments which will include
- Medical Transcription
  - Legal Database processing
  - Digital content development / animation
  - Remote Maintenance
  - Back office operations - Accounts, Financial services
  - Data Processing
  - Call Centres

- Engineering and Design
- Geographic Information Services
- Human Resources Services
- Insurance Claim Processing
- Payroll Processing
- Revenue Accounting
- Support Centres
- Website Services
- Business Process Outsourcing ( BPO's)

5.1.3 Private Communication Providers include Class A, Class B and Class C - Internet Service Providers, Right of Way Memorandum of Understanding (MOU) holders, Basic Service Providers and Value added service providers like Kiosk Operators under the Rural Access to Services through Internet Project.

## **6. Destination of Choice**

IT in Tamil Nadu will be synonymous with the entire State. The IT exports from Tamil Nadu has grown from Rs. 3116 Crores in 2000 - 2001 to Rs.5223 Crores in the year 2001 - 2002 constituting 14.7% of all India exports. The Government of Tamil Nadu will launch special drives for making its cities vibrant and innovative, customer-focused and conforming to international standards in quality of life indicators to make the entire State a knowledge powerhouse to capture 20% of Indian market by the end of the Tenth Plan period.

### **6.1 Concessions extended to the IT industry:**

#### **6.1.1 Fiscal Incentives**

IT Industry will continue to enjoy facilities of unrestricted movement of capital equipment including hardware, peripherals, captive power generation sets, UPS sets and Telephone Exchanges, subject only to Sales Tax payments.

An industry set up anywhere in Tamil Nadu having an investment of

- Rs.50 Crores and above and below Rs.100 Crores is eligible for a Capital subsidy of Rs. 25 Lakhs.

- Rs.100 Crores and above and below Rs.200 Crores is eligible for a subsidy of Rs.50 Lakhs
- Rs.200 Crores and above is eligible for a subsidy of Rs.100 Lakhs.

Capital subsidy as applicable to electronics industries at 20% of fixed assets subject to a maximum of Rs.20.00 lakhs will be available for all IT industries, irrespective of their location in the State. Where the unit is also eligible for capital subsidy for backward / most backward areas, this special subsidy will become part of such subsidy.

New industrial units (small, medium or major) where more than 40% of the total workers employed are women shall be eligible for an additional Capital subsidy of 5% of investment in fixed assets subject to a ceiling of Rs.10 lakhs.

Relaxation of FSI (Floor Space Index) to the extent of 100% will be given in designated IT Parks. Such requests need to be addressed to the concerned Regional Development Authorities.

50 % exemption of the Stamp Duty and the Registration Fee will be given at the time of purchase of a land/ building for IT industries. This will be conditional to the concerned company putting up the facilities to commence the operations within twelve months from the date of the transaction. The certification in this regard will be undertaken by ELCOT.

Apart from development of software and hardware Industry through ITPs / STPs the Government will also encourage software development outside the Parks by giving such stand-alone units the same incentives as the Units in the ITPs / STPs. There will be no locational restrictions for setting up units exclusively engaged in software development / training.

An Information Technology Park (ITP) will be treated as an "industry" and be eligible for backward area capital subsidy benefits. Private ITP developers will be given assistance in land acquisition and re-zoning, wherever required. The Government will also facilitate provision of water, power connection and roads. ITP promoters will be assisted in obtaining necessary cable and satellite links for connectivity. ELCOT will be the nodal agency for the above.

All Software Industries including Services and Training Institutions in IT will be entitled to "Industry" status. Such units shall be eligible for all concessions and incentives applicable to Industries. For the purpose of this clause, accredited Training Institutions will also be eligible to claim industry status, subject to certain norms which will enable them to obtain Term Loans and Bank Finance at industry rates.

Certification for Software training will be governed by existing standards prescribed by the Department of Communication and Information Technology, Government of India. For quality certification of training in hardware, servicing and maintenance, ELCOT will be the Nodal Agency to prescribe minimum standards for eligibility.

Government will provide continuous power supply for Low Tension units as per LT Tariff III-C and for High Tension units as per HT Tariff I-A to Information Technology industries whether set up in ITPs or in stand-alone locations and also ensure quality of power as required by the industry.

For the purpose of power tariff, IT maintenance and servicing units and hardware units will be treated as Industrial and not Commercial consumers and electricity tariff as applicable to Industry consumers will be charged.

Special concessions will be given to the IT companies giving employment opportunities to the physically challenged persons. Government of Tamil Nadu will collaborate with leading institutions for the development and promotion of specific software for the use of physically challenged persons.

#### 6.1.2 Administrative Incentives

- i) All software industries will be exempted from the purview of Tamil Nadu Pollution Control Act. Hardware units will require clearance from Pollution Control Board as applicable to other industries.
- ii) In addition to the exemption already given from Chapter II of the Tamil Nadu Shops and Establishments Act 1947, further exemption from the provisions of Chapter III of the Tamil Nadu Shops and Establishments Act covering sections 12 to 16 will be granted for IT Companies.

- iii) The Tamil Nadu (Industrial Establishments) National and Festival Holidays Act, 1959 is applicable to IT companies. Under Rule 6A of the National and Festival Holidays Rules 1959, the software companies if they require their employees to work on a National or Festival Holiday, have to send a notice in Form 6A to the Inspector having jurisdiction over the area in which the software company is situated. IT companies will be exempted from the provisions of Rule 6A and Rule 7 of the Tamil Nadu Industrial Establishments (National and Festival Holidays Rules 1959.)
- iv) IT Companies will be permitted to self certify that they are maintaining the registers and forms as contemplated under
  - Tamil Nadu Shops and Establishments Act and the Rules framed there under.
  - Payment of Wages Act
  - Minimum wages Act
  - Workmen Compensation Act
  - Contract Labour Act
  - Employees State Insurance Act
  - Employment Exchanges Compulsory Notification of Vacancies Act
  - Payment of Gratuity Act
  - Equal Remuneration Act

This self certification by the IT companies will be regarded as sufficient compliance with the requirements of the different Acts and the Rules made there under regarding the maintenance of registers and filing of the returns. The first filing shall be manual. Thereafter, the subsequent returns shall be maintained in electronic form. Any distortion of facts while making self certification will be dealt with stiff penalties.

#### 6.1.3 Physical Incentives

- i) Under the Open Space Reservation (OSR) Rules under the Development Control Rules, 1999 of the Chennai Metropolitan Development Agency, the requests of the IT companies for maintaining the space will be considered favourably.

- ii) Tamil Nadu will be positioned to attract investments in areas of Disaster Recovery and Business Process Continuity. As part of the initiative, Government will undertake to ensure that sufficient bandwidth and power is made available to an IT Company at alternative locations throughout Tamil Nadu. The standard norms for assistance for disaster will be extended to the IT industry also.
- iii) Motor Vehicles Act has been amended to enable the IT Companies to make use of hired privately owned omnibuses to transport their employees between their residences and work place.
- iv) In all the Technology Parks set up by Government & Joint Ventures, there will be an Executive Authority of the Park, which will function as the Single Window for all statutory clearances required for the units, within the Parks. In the case of private sector Technology Parks, ELCOT will assist in getting all clearances fast.
- v) Annual awards for excellence (which will include export performance) will be instituted by the Government for IT industries. The Government will also encourage IT companies to attain "Certificates of Excellence".

#### 6.1.4 Infrastructural Incentives

Separate task forces on Cyber Security, Prevention of Cyber Crimes and IT infrastructure will be established.

### **6.2 Promotional Initiatives:**

#### 6.2.1 Approach

- i) The experience gained from the successful promotional efforts which resulted in projecting Tamil Nadu as the 'Detroit of South-Asia' will be utilised to display similar market savvy approach to make Tamil Nadu to emerge as Knowledge-Capital of India.
- ii) Government will take effective steps to create a brand equity for Tamil Nadu and encourage participation in International / National events to position Tamil Nadu as the Destination of Choice. Government will manage



a Destination of Choice Fund (DOCF) for these initiatives in association with corporates and professional bodies.

- iii) Potential areas in ITES will be given preference so as to effectively increase exports from Tamil Nadu. A specific policy for ITES sector will be brought out.
- iv) Government will encourage and send business delegations in Public-Private Partnership to emerging markets so as to create necessary networking environment to tap the large global market for the Small and Medium Enterprises (SME) sector of Tamil Nadu. Sufficient enabling environment for teaching foreign languages will be created, so that opportunities in major markets in non-English speaking countries like Germany, Japan, France etc., could be tapped.

Government of Tamil Nadu will also facilitate the participation of SME's in Government approved International / National IT trade shows and exhibitions so as to enable them to tap new markets. A 30 % subsidy will be allowed in respect of the stall rent payable by the participating SME units with turnover not exceeding Rs. 10 Crores in the preceding year.

Simultaneously, the market base for the large players operating in Tamil Nadu will also be enhanced in areas like financial software services, multimedia, design services through effective use of International channels and forums wherever needed.

- v) A separate policy with industry specific incentives to attract hardware investments to the State will be formulated.
- vi) Government recognises the need to put in effective mechanism to deter infringement of Intellectual Property Rights (IPR), Software piracy and crimes associated with Internet and IT. With the passage of IT ACT 2000 by Government of India, sufficient enabling mechanism including training for the law enforcing authorities will be put in place to deal with cyber crimes.
- vii) The availability of English speaking IT skilled manpower in abundance will be leveraged to position Tamil Nadu to attain a dominant share in the



export market in key areas like IT training and educational sector, outsourced processing services including backend work in industry verticals such as Finance, Insurance, Banking and Airlines.

- viii) Domain expertise in non-IT areas will be synergised with IT Industries to expand their base of activities and level of penetration. This will promote Business Process Outsourcing (BPO's) for MNC's.
- ix) ITES afford a unique employment opportunity in the State. Skilled and Semi Skilled IT Professionals will find a place in ITES Industry.
- x) Computer Education programme in the Government schools will be extended to enable the youth to pick up adequate computer skills down to 6th standard in a phased manner. Specialised training required for ITES employment will be built into the colleges training programme.
- xi) The Government will promote Tamil Nadu as a favoured ITES destination. Keeping in view the cost-effective nature of this sector, action will be taken by the Government in
  - Creating sector specific infrastructure facilities
  - Amendment to legal and regulatory framework
  - Creating a conducive environment

### 6.2.2 Social Initiatives

Corporate health services, golf courses, International schools and such other special needs will be made available for business houses by encouraging private initiatives.

### 6.2.3 Infrastructural Initiatives

Knowledge Industry Townships (KITs) will be created in the IT highway in Chennai through a Public Private Partnership program.

Infrastructure like ELNET Software city and TIDEL in Chennai, TEX CITY at Coimbatore etc., have acted as beacons for software industries. A Special Purpose Vehicle (SPV) will be created to own and take forward the initiatives to position

Coimbatore, Madurai, Trichy, Tirunelveli and Salem as the best Tier II cities for IT investments. Specific focus will be made to attract substantial portion of the ITES market as well as BPO's market.

#### 6.2.4 Physical Initiatives

Enabling mechanism will be created so that existing Infrastructure in industrial estates like Perungudi/Maraimalai Nagar/Ambattur could be put into use in a cost effective manner by IT Companies.

### 6.3 Human Resources Development Initiatives :

6.3.1 Basic training in computers will be introduced in all schools from the high school level. The endeavour will be to cover all schools within a 5-year period. Training of teachers will also be done in a phased manner over the 5-year period. In addition to Government sponsored training programmes, State Government will facilitate and co-ordinate with other sponsors like INTEL, IBM, APPLE, etc., for training of teachers.

6.3.2 Government of Tamil Nadu will encourage IT Companies to obtain ISO 9000 process certification. Small Scale Industries (SSIs) will be eligible to claim the incentives offered by TIIC for obtaining such certification.

### 7. e- Governance and IT applications in Government

7.1 Various computerisation projects executed in Government Departments like Transport, Registration, Sales Tax and Education need to be integrated to effectively deliver the services needed by the citizens. Hence plans are made to introduce Electronic Delivery of Services (EDS).

7.2 The front office and back office needs will be assessed by the creation of a high-powered Special Working Group (SWG) on e-Governance, which will be reporting to the TNITC. SWG will facilitate interdepartmental e-Governance initiatives in

7.2.1 The assessment, implementation, monitoring and standardisation of IT projects of the State.

- 7.2.2 Synergetic utilisation of IT as an enabling tool for efficiency and effectiveness in EDS.
- 7.2.3 Playing a key role in making an inventory of existing applications/packages used in the Departments.
- 7.2.4 Initiate and develop projects in IT applications.
- 7.2.5 Develop Interoperability Systems and Standards for seamless transfer of information between domains and make it mandatory through legislative mechanisms
- 7.2.6 Initiate moves to encourage developing the linkages for the existing databases to the public domain to enable online activities and seamless integration.
- 7.2.7 Initiate and develop Data Warehouses in every Department to facilitate the process of EDS. These data warehouses will be linked to the Central Database, which will be maintained by the Government Data Center.
- 7.2.8 Set up and facilitate specific communication networks for the Government sector.
- 7.2.9 Establish links worldwide with institutions for interchange of ideas & experiences.
- 7.2.10 Develop Special pilot projects on Digital signatures, Smart cards, online security issues and Paperless Government.
- 7.3 The policies and specifications as stipulated by the SWG will be supported with the best practise guidance, tool kits and pilot projects. Connecting to the existing systems and databases and developing a comprehensive information system that integrates into a data warehouse for analytical data mining to support decision-making will be the core issue for the Interoperability standards.
- 7.4 Steps towards conversion of the domain knowledge available in Secretariat and Government offices all over the State in key areas will be digitised and made available for all departments to facilitate a knowledge-based decision making process.

- 7.5 All Elected Representatives of the Legislative Assembly and Panchayat Chairpersons will be trained on the use of Computers and E-mail.
- 7.6 Suitable innovative schemes will be devised in consultation with Government employees to upgrade the levels of IT usage in Government Departments up to the Section Officer level. Specific need based syllabus will be drawn up to remove the techno-phobia in rural and semi urban offices.
- 7.7 Touch screen kiosks with suitable bilingual software and Internet facilities will be deployed widely throughout the State.
- 7.8 IT Act 2000 of Government of India, Chapter III, Section 4 provides for recognition of Electronic Records. Section 5 deals with legal recognition of Digital signatures. Government will come out with guidelines for e-signature and Electronic records as per Section 6 of the Act.
- 7.9. Government of Tamil Nadu will set a specific annual target in order to ensure that e-governance activities of each department are completed within the next four years and will pass directives to take the following action :
  - 7.9.1 Create an IT cell with Secretary of the Department as the Chairman, Heads of the Departments as members and a nodal officer from the department as a convener in each Department / Government Body for the implementation of IT Applications.
  - 7.9.2 Launch & ensure wide participation of existing staff in computer literacy programmes.
  - 7.9.3 Prescribe knowledge of computers as an essential qualification for recruitment and promotion at various levels.
  - 7.9.4 Provide PCs and set up LANs with necessary software up to the Section Officer level.
  - 7.9.5 Develop and maintain a Portal for the Departments
- 7.10 The role and responsibility of the IT cell in each Department / Government Body will be:

- 7.10.1 To prepare an overall IT vision or strategy for a four year period for the Department.
- 7.10.2 Identify the key areas which have maximum citizen interface, and which can be electronically delivered.
- 7.10.3 Implementation, maintenance and frequent upgradation of the Applications.
- 7.11 Government will establish a Portal for exchange of information and views on the directions of the Government's IT strategy and emerging trends in the industry, identify key issues associated with EDS for viable Public Private Partnership, discuss the policy framework to develop channels for EDS in an integrated manner. Government will also develop district level portal, to function as a hub for EDS services of the district, inform the developmental activities, propagate the policies, highlight the emerging areas for the non-urban areas, address the local officials and the elected public representative.

## **8. Bridge the Digital Divide**

- 8.1 The majority of population either do not have access to Internet and wherever there is access, majority of population could not log on to Internet because of the language barriers. They are not able to actively participate in the socio-economic activities of the State. The entire society at large will get the maximum benefit effectively only if people can interface with computers in their own language.
- 8.2 To achieve this
  - 8.2.1 Tamil will be given a prominent role in IT
    - i) To create databases on the information available in Tamil
    - ii) To evolve plans for deployment of IT in Tamil in cooperation with different agencies.
    - iii) To design, develop and maintain portals in Tamil.
    - iv) To promote content creation efforts in Tamil for dissemination of information.

- v) To facilitate Research in technology areas such as Voice Recognition, search engines and Optical Character Recognition in Tamil.
  - vi) To provide advice to agencies concerned with the use of Tamil Software products.
- 8.2.2 Accelerate the process of PC and Internet penetration in the rural areas.
- 8.2.3 A bilingual Internet portal will be set up with links to State Government departments and services to provide single window access "Any Time Any Where".
- 8.3 Tamil Nadu Government will encourage the development of IT applications that benefit under privileged people in the State. For instance, IT can help hill tribal people in Tamil Nadu to sell their products through the Internet.
- 8.4 In order to bridge the Digital Divide a public access program similar to ISD/STD booths needs to be put in place even in remote villages using appropriate technologies. Government will encourage setting up of Internet Kiosk and Online Libraries in existing Infrastructure like Public Libraries / Public Government Offices throughout the State.
- 8.5 The experience gained from the SARI (Sustainable Access in Rural India) Project as well as Indo Agri Project has been studied in depth. The Government based on the study has announced the implementation of rural connectivity in 10 districts through RASI - Rural Access to Services through Internet. Through RASI and other initiatives, Government will encourage and gradually implement rural connectivity throughout Tamil Nadu for
  - 8.5.1 Empowerment of rural women
  - 8.5.2 Creation of Rural Employment opportunities.
  - 8.5.3 Widely distributing economic development in rural areas.
  - 8.5.4 Reducing the need for people to move to urban areas.
  - 8.5.5 Providing access to emergency services such as Police, Health Care etc.,
  - 8.5.6. Providing Information on various Government Schemes.

## **9. Develop Research and Development Initiatives**

- 9.1 India is fast becoming a hub of Research and Development activity. Multinational companies (MNC's) have chosen India as their base for R&D activities. Tamil Nadu Government will leverage the State's Unique Selling Proposition (USP) of an 'intellectual powerhouse' to convince IT MNC's to set up research centres in Chennai.
- 9.2 Anna University has been made as an apex body for all the self-financing engineering colleges under G.O. Ms No 25/K2 dated 22/1/2002.
- 9.3 Investments in Very Large Scale Integrated chip (VLSI) design services / Application Specific Integrated Circuits (ASIC) design services and Embedded System design will be promoted for enhancing the employment of highly qualified professionals.
- 9.4 Nano Technology is an emerging area for effective delivery of Health, Energy and Computing. These areas need fundamental R&D. Enabling initiatives will be undertaken to seed R&D activities in areas like Advanced computing, Nano Computing, Bio-Informatics, Nano and Micro Sensors and other devices in addition to supporting International conferences in universities and engineering colleges in the State.
- 9.5 Efforts initiated to forge alliances with Technology Information Forecasting Assessment Council -Centre of Relevance and Excellence (TIFAC-CORE), Govt. of India, MIT Media Lab by ELCOT towards enhancing R&D capabilities that will lead to products "Made in India" will be further strengthened.

## **10. Use of Tamil in Information Technology**

- 10.1 Efforts already taken in use of Tamil in Information Technology by the Government will be further strengthened.
  - 10.1.1 The Government will facilitate Research in Tamil Computing.
  - 10.1.2 The Tamil Software Development Fund (TSDF) will be further strengthened for devising IT solutions in Tamil
  - 10.1.3 All websites will be converted in to Bilingual.



## 11. Summary

Tamil Nadu will consolidate its leadership position and firmly establish its pre-eminent position in IT.

The strength of Tamil Nadu especially in Tier II cities will be marketed globally to attract and retain foreign investments. Additionally, Tamil Nadu based IT companies will be encouraged to globalise their operations.

The large base of engineering institutions in the State is a significant asset. They will be encouraged to interact with industry, centres of excellence so as to have the best match of Industry-Academia.

The Government emphasis will be on governance with transparency. This policy is aimed at removing illiteracy and promoting technocracy, creating opportunities specially targeting rural areas. Tamil will be given a prominent place not only in the IT world but also in the commercial world.

Sufficient mechanism will be created to implement cyber laws. Software piracy, IPR issues and violation of cyber laws will be curbed. Enabling mechanisms and institutions will be created for this purpose. Technical capabilities of the State Police will be enhanced to handle cyber crime.

In short, this policy will make Tamil Nadu as the "Destination of Choice" for IT investments globally. The State will transform from Inline to Online thereby becoming the Knowledge-Capital of India.