# Data and Competition: India's Roadmap for a Fair and Innovative Digital Economy

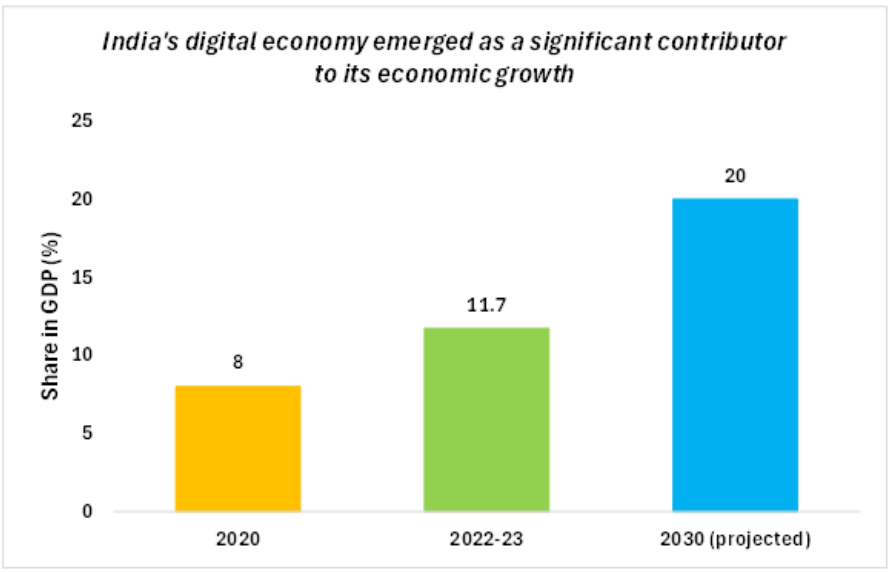
## Introduction: Why Data and Competition Matter

The accelerating digitalisation of the Indian economy has placed data at the core of growth and regulatory policy. The digital economy is reshaping India's growth trajectory. With more than 900 million internet users and the digital economy projected to contribute nearly 20 percent of GDP by 2026, data is simultaneously a driver of innovation and a source of risk.

According to the State of India's Digital Economy Report 2024, India is now the third largest digitalised economy globally, with digitalisation contributing 11.74 percent of GDP in 2022-23 ( 31.64 lakh crore) and employing 14.67 million workers. The digital sector is nearly five times more productive than the rest of the economy, underscoring its role as an engine of transformation.

For MSMEs and exporters, digital platforms provide vital opportunities to enter new markets, reduce costs, and integrate into supply chains. Yet, the concentration of data among a few large firms risks undermining competition, limiting consumer choice, and eroding trust.

India's policy response combines data protection and competition oversight. The Digital Personal Data Protection (DPDP) Act, 2023, and the forthcoming DPDP Rules, 2025, create a framework for personal data rights and fiduciary obligations. In parallel, the Competition Commission of India (CCI) and the proposed Digital Competition Bill address risks of data monopolies and unfair practices. Together, these frameworks seek to balance privacy protection, fair competition, and innovation. They also signal India's determination to align with global standards such as the European Union's GDPR, while tailoring rules to local needs.




Source: MeitY, PIB Press Releases

## The DPDP Act 2023: Provisions and Enforcement Gap

The Digital Personal Data Protection Act, 2023 (No. 22 of 2023), assented on 11 August 2023, is India's first comprehensive data protection law. The Gazette notification is available here: MEITY – DPDP Act, 2023 (PDF).

The Act empowers data principals (individuals) with rights to consent, access, correct, erase, and port their data. Data fiduciaries (businesses) must process data lawfully, fairly, and transparently. Children's data requires verifiable parental consent.

Significant Data Fiduciaries (SDFs) face heightened duties: appointing Data Protection Officers, conducting annual audits, and preparing impact assessments. Penalties for breaches can reach  250 crore, making this one of India's strongest accountability regimes.

Despite being enacted, the Act remains unenforced. The absence of notified rules has left businesses in uncertainty, delaying compliance strategies and investment in governance systems. India's journey to this point has been long: from the AP Shah Committee in 2012, to the Puttaswamy judgment (2017) that recognised privacy as a fundamental right, to the Justice Srikrishna Committee, the withdrawn PDP Bill (2019–2022), and finally the DPDP Act of 2023. The government has now committed to notify the rules by **28 September 2025**, after which enforcement will begin in earnest. Until then, firms face uncertainty over compliance timelines. For MSMEs and exporters, early readiness will be critical to manage transition costs and strengthen trust with global partners.

## Draft DPDP Rules 2025: Operational Roadmap for Businesses

The Draft DPDP Rules, 2025, released in January, provide operational clarity. They set specific timelines and obligations.

**Breach Notification** – Immediate reporting to the Data Protection Board (DPB), followed by a detailed report within 72 hours. Affected users must also be notified promptly.

**Consent Management** – Notices must be plain and itemised. Consent managers must be incorporated in India, provide interoperable platforms, and maintain records for seven years.

**Security Safeguards** – Encryption, obfuscation, access controls, one-year log retention, and strong resilience protocols are mandated.

**Retention & Erasure** – Platforms such as e-commerce, gaming, and social media must delete inactive user data after three years, with 48 hours' notice.

**Cross-Border Transfers** – Allowed only under government-approved conditions, balancing sovereignty and integration into global data flows.

**SDF Duties** – Annual impact assessments, algorithmic accountability, and independent audits.
Exemptions – Exist for healthcare, education, and childcare institutions, but only under strict safeguards.

Industry consultations in mid-2025 flagged compliance costs and potential effects on media freedoms. The government has promised FAQs post-notification to provide clarity. For MSMEs and exporters, compliance is not optional; however, robust data governance can enhance credibility with international buyers and investors.

| DPDP Act vs Draft Rules | | |
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| **Aspect** | **DPDP Act 2023** | **Draft Rules 2025** |
| Penalties | Up to ₹250 crore | Clarifies timelines, penalties tied to DPB intimation |
| Individual Rights | Access, correction, erasure, portability | Operationalises rights with grievance timelines |
| Consent | Consent in plain language; withdrawal required | Consent managers, 7 -year record retention |
| Data Retention | Obligations for data fiduciaries | Inactive user data deleted after 3 years (e-commerce, social media, gaming) |
| Cross-Border Transfers | Allowed with conditions notified by government | Detailed conditions under central government rules |

*Source: DPDP Act 2023 Gazette Notification; Draft DPDP Rules 2025*

## Challenges for MSMEs and Exporters

While the DPDP Act and Rules are forward-looking, compliance will be challenging for MSMEs and exporters. Many small firms lack the technical infrastructure and expertise required for consent management, breach reporting, and secure storage. A survey by the India SME Forum found that only 2.5% of MSMEs fully understood the DPDP Act, signalling low preparedness.

Financially, the burden could be heavy. A TeamLease RegTech study estimates that manufacturing MSMEs already spend between 13–17 lakh annually to meet existing regulatory obligations; DPDP compliance adds new layers of cost. Digital payment firms have also flagged that explicit consent requirements for each data transaction may disrupt workflows and raise costs.

In addition, the penalty regime is steep: fines can go up to 250 crore for significant breaches, while even minor lapses invite penalties. For MSMEs with thin margins, such exposure underscores the importance of early adoption of compliance systems and capacity building.

Privacy and competition are converging policy frontiers. While the DPDP Act addresses privacy, competition authorities are tackling the economic power of data. In 2024, the Competition Commission of India (CCI) substantially ramped up its scrutiny of digital markets. According to Economic Laws Practice's Year in Review 2024, the commission initiated eight new investigations across sectors, up from only two in 2023. Of these, two cases concluded with findings of contravention, the most prominent being the order against Meta and WhatsApp, which imposed a  213.14 crore penalty for abuse of dominance linked to WhatsApp's 2021 privacy policy. In this landmark decision, issued on 18 November 2024, the CCI held that WhatsApp had unfairly forced users to consent to data-sharing with Meta entities under a 'take it or leave it' framework. The regulator defined the relevant markets to include online display advertising, directed WhatsApp to refrain from sharing data for advertising purposes for five years, and required revisions to its privacy policy to provide opt-out options and clearer disclosures. While this reflects accelerating enforcement, many of the other investigations launched in 2024 remain at preliminary or prima facie stages. For MSMEs and exporters, this highlights a sharper liability landscape at the intersection of data-privacy and competition law, with both significant monetary penalties and long-term behavioural remedies now in play.

Regulatory coordination is critical. In 2025, CCI and MeitY began joint deliberations to align enforcement. India could learn from the UK's Digital Regulation Cooperation Forum (DRCF), which unites competition, telecom, financial, and privacy regulators to address overlaps. A similar forum in India—bringing together CCI, MeitY, TRAI, and RBI—could issue joint guidance notes, establish pro-innovation sandboxes, and coordinate on algorithmic risks.
India's digital economy already contributes 11.74% of GDP and 14.67 million jobs, and is expected to reach 20% of national income by 2029-30, surpassing agriculture and manufacturing. Sectors like BFSI, retail, education, and logistics are rapidly digitalising, driven by AI, cloud, and platform adoption.
For MSMEs and exporters, this alignment reduces uncertainty and levels the playing field. Clear rules encourage foreign investment, support startups, and protect consumers from exploitative pricing and opaque practices. For exporters, particularly in IT and digital services, such regulatory credibility strengthens India's role as a trusted digital hub.

For MSMEs and exporters, three priorities stand out:

- Compliance as Investment in long-term competitiveness. Privacy-by-design systems, secure handling of customer data, and transparent communication will build trust with domestic and international partners
- Regulatory coordination will open opportunities by curbing monopolistic practices, creating space for startups and SMEs to grow.

- India's alignment with international frameworks will help exporters integrate into global supply chains, especially in digital services where cross-border trust is essential.

If the government follows through on its September 2025 deadline, India will finally operationalise a law more than a decade in the making. The challenge ahead is to ensure implementation is proportionate, inclusive, and supportive of innovation. Done right, the DPDP regime can position India's digital economy as both fair and innovative—a model that protects consumers, fosters competition, and empowers businesses of every size.