**Syllabus subtopic**: Government Policies and Interventions for Development in various sectors and Issues arising out of their Design and Implementation.

**Prelims and Mains focus**: about the move: Challenges and benefits; about Personal Data Protection (PDP) Bill 2019

**News**: The Union budget proposal to enable private firms to build data centre parks could help India become a major global data centre, but only with a supportive policy and infrastructure framework.

**Background**

The budget proposal follows the requirement for data localization for most companies under the **Personal Data Protection (PDP) Bill 2019**, which is expected to be made into law soon. However, data localization won’t be the only driving principle for the data centre policy, as such parks can generate business worth billions of dollars each year.

**Current scenario**

Currently there is no large-scale foreign investment in data centres in the country. There is no policy or framework right now on how these global data centres hubs can be created in India. If the government has a clear cut policy around it, India could essentially become a data centre hub for global enterprises.

**Data Centre Market: Key figures**

- The global data centre market is **expected to grow by $284.44 billion during 2019-23**, according to market researcher Technavio.

- According to Research and Markets, US data centre market is expected to reach revenue of $69 billion by 2024. Meanwhile, **India data centre market is expected to reach values of approximately $4 billion by 2024**.
Challenges in setting up data centres in India

1. costly real estate,
2. high power consumption
3. heavy expenses on improving wide area network connectivity.

Benefits of the new policy

- It will build an environment where more and more capacity is available for data centre providers and hyperscalers in India.

- The new policy on data centre parks is expected to incentivize setting up data centres, similar to some US states that have relaxed taxation on data centre providers. Illinois, one of the largest data centre markets in US, announced a data centre tax incentive in June 2019 exempting data centres from state and local sales taxes on fulfilling certain provisions required by the state.

- Data centres are capital intensive businesses so it still makes sense to operate from major cities where overhead costs are distributed across a larger facility while smaller markets may not attract enough customer base.