COMPETITION DISTORTIONS IN INDIA – A CUTS DOSSIER

(CDI 67: January-March, 2025)

For earlier Dossiers please see: https://cuts-ccier.org/competition-distortion-in-india/

This periodic dossier produced by CUTS International looks at the interface of policy issues that impact competition in India, which can be both negative and positive. News, as published, is used without ascertaining its accuracy. The purpose is to flag issues to the layman, specialised policymakers, and regulators, rather than be judgmental. This would require greater analysis, particularly in terms of cost and benefits in addition to that.

Dear Reader,

Greetings!

We are pleased to present Competition Distortion Dossier #67 for Q1 2025 (January to March). This edition highlights significant news stories that have impacted India's competitive landscape, both positively and negatively. The dossier is structured into three sections: **Trade Policies**, **Policies Promoting Competition**, and **Policies Inhibiting Competition**. Central to this report is India's commitment to liberalising its economy by reducing protectionist measures and implementing initiatives to eliminate monopolistic practices across sectors.

The opening section begins with India’s trade policy on critical manufacturing inputs, particularly the use of safeguard and anti-dumping measures to shield domestic industries. A case in point is the solar sector, where inconsistent duty impositions have created uncertainty, deterred investment, inflated tariffs, and ultimately hindered sectoral growth.

The second section assesses policies aimed at fostering competitive markets, focusing on digital payments and insolvency frameworks. In the UPI ecosystem, NPCI aims to address dominance by encouraging smaller players, ensuring interoperability, and introducing tiered pricing to promote fair competition. Meanwhile, the reclassification of MSMEs under insolvency laws expands access to restructuring mechanisms, eases promoter restrictions, and seeks to balance business revival with creditor protection.

The final section explores policies that inadvertently stifle competition. A prime example is the aviation sector, where Akasa Air’s exclusion from international flying rights restricts revenue diversification, entrenches incumbent advantages, and underscores broader concerns over regulatory equity in market access.

We hope you enjoy reading these stories as much as we did, reporting them. Kindly also circulate this bulletin within your networks to build higher awareness which can aid our efforts to grow our economy.

Cheers!

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1. Trade Policies

1.1 Auto Companies Oppose Safeguard Duty on Steel Imports[1]

Auto companies have opposed the safeguard duty imposed on imports of steel, arguing that the measure will drive up production costs and erode the competitiveness of the auto sector. Industry players have formally raised their concerns with the commerce department, urging a reassessment of the policy given its potential to disrupt supply chains and adversely affect manufacturing.

Food for Thought

The Society of Indian Automobile Manufacturers (SIAM) has expressed concerns that imposing safeguard duties on steel imports could disrupt supply chains and increase production costs, particularly for specialised steel grades that are not yet manufactured domestically. The automotive industry's resistance to these proposed duties underscores a broader challenge: balancing the protection of domestic steel producers with the need to maintain economic competitiveness.

While the duties aim to shield Indian steelmakers from cheap imports, especially from China and Vietnam, they risk harming downstream industries, such as the automotive manufacturing, which rely on these imported materials for critical components.

India's automotive sector is already grappling with rising input costs and changing consumer preferences.[2] Although more than 80 percent of the steel used in vehicle production is sourced locally, the remaining portion consists of high-grade, specialised steel that must be imported. Introducing safeguard duties on these essential imports could further increase manufacturing expenses, potentially leading to higher vehicle prices. In a price-sensitive market like India, this could reduce affordability and dampen demand, posing additional challenges for an industry already under strain.

The global implications are equally critical. As India aspires to become a manufacturing and export hub, increased steel costs could erode the competitiveness of Indian

1 https://timesofindia.indiatimes.com/business/india-business/auto-companies-oppose-safeguard-duty-on-imports-of-steel/articleshow/117764641.cms#:~:text=NEW%20DELHI%3A%20After%20the%20engineering,issue%20with%20the%20commerce%20department

2 https://bpasjournals.com/library-science/index.php/journal/article/download/1051/639/1678

automobiles in global markets. This could lead to shrinking export margins and even prompt global manufacturers to shift operations to more cost-efficient countries.

1.2 Duty Cut on Smartphone Parts May Hit Electronics Ecosystem[3]

The Global Trade Research Initiative (GTRI) has raised concerns that reducing import duties on smartphone components could negatively impact India's electronics ecosystem and lead to job losses. Lower tariffs may discourage local manufacturing of these parts, undermining the government’s 'Make in India' initiative and affecting employment in the sector. GTRI emphasises the importance of balancing import policies to support domestic production and sustain job growth.

Food for Thought

The recent reduction in import duties on smartphone components has sparked debate about its potential impact on India's burgeoning electronics manufacturing ecosystem. While the move is intended to make smartphone production more cost-effective and boost domestic assembly, it may inadvertently discourage local component manufacturing. Lower import duties could make foreign components more attractive to assemblers, potentially stalling the growth of indigenous suppliers and leading to job losses within the domestic electronics sector.

This development highlights the need to balance the objectives of attracting foreign investment and nurturing homegrown industries. As India seeks to position itself as a global hub for electronics manufacturing, policies must support both assemblers and component manufacturers. It is essential to ensure that duty structures do not inadvertently favour imports over local production, which could weaken the broader manufacturing ecosystem.

The ultimate goal should be to create an environment where local component manufacturers can thrive alongside international partners, fostering innovation, generating employment, and strengthening India's competitiveness in the global electronics market.

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[3] https://www.thehindu.com/business/Industry/duty-cut-on-smartphone-parts-to-hit-electronics-ecosystem-trigger-job-loss-gtri/article69073884.ece

1.3 Fear of Safeguard and Anti-Dumping Duties Hits Solar Auctions[4]

Apprehensions about the potential imposition of safeguard and anti-dumping duties on imported solar panels and modules have led to decreased participation in recent solar energy auctions in India. For instance, the Maharashtra State Electricity Distribution Co Ltd (MSEDCL) has had to postpone its 1,000 MW auction multiple times due to limited bidder interest.

Similarly, the Karnataka Renewable Energy Development Ltd (KREDL) has faced delays in its 1,200 MW auction for the same reasons. Developers are particularly concerned about the absence of a 'change of law' clause in the tender documents, which would allow for tariff adjustments if new duties are imposed.

Food for Thought

The delay in solar auctions across states like Maharashtra and Karnataka highlights growing unease among developers, driven by uncertainty over safeguard and anti-dumping duties on imported solar components. With imported modules comprising a significant share of installations, the fear of sudden cost escalations, especially in the absence of tariff re-negotiation clauses, is discouraging participation. The sector's reliance on foreign components further amplifies the financial risks associated with potential policy shifts.

This uncertainty is directly undermining India's solar competitiveness. Bidding interest has declined, tariffs have risen, and long-term investment is being deterred. In a price-sensitive market, the affordability of solar power for end-users could also be affected. Moreover, inconsistent auction participation threatens to slow capacity addition, disrupt supply chains, and stall momentum in the renewable energy transition.

1.4 Solar Companies Seek Duty on Chinese Wafers[5]

Domestic producers of polysilicon, wafers, and ingots — the essential components of solar modules — are grappling with challenges posed by dumping by Chinese-owned companies. To address this issue, the Indian Solar Manufacturers Association (ISMA)

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4 https://economictimes.indiatimes.com/industry/energy/power/fear-of-safeguard-and-anti-dumping-duty-hits-solar-auctions/articleshow/63161932.cms?from=mdr

5 https://timesofindia.indiatimes.com/business/india-business/solar-companies-seek-duty-on-chinese-wafers-ingots/articleshow/119086329.cms#:~:text=NEW%20DELHI%3A%20India%20has%20achieved,dumping%20by%20China%2Downed%20companies

has called for the imposition requested the implementation of safeguard duties (SGD) on these imports. They also advocate for policy measures mandating the use of locally produced supplies, similar to existing regulations for module manufacturing.

Additionally, ISMA is seeking fiscal incentives such as capital subsidies, priority lending, interest subvention, and import duty exemptions on capital goods and raw materials used in producing polysilicon, ingots, and wafers.

Food for Thought

India's solar industry has made commendable progress in achieving self-sufficiency in module manufacturing. However, domestic producers of upstream components — polysilicon, wafers, and ingots — now face mounting pressure from rising imports by Chinese companies. This surge has raised concerns about the economic viability of upstream investments and the long-term integrity of India's solar supply chain.

In response, industry stakeholders advocated for the implementation of safeguard duties on Chinese imports of these critical materials. They argue that, similar to the support provided to module manufacturing, upstream segments also require targeted policy interventions to remain competitive. Proposed measures include capital subsidies, priority sector lending, interest subvention, and import duty exemptions on capital goods and raw materials.

This situation highlights a key dilemma: how can India protect its nascent upstream solar manufacturing sector while adhering to free trade principles of and ensuring affordable solar energy? While reliance on imported components may yield short-term economic benefits, its risks undermining the long-term sustainability and resilience of India's renewable energy ambitions.

1.5 Pillow Stuffing from Thailand and China Faces Dumping Probe[6]

India has launched an anti-dumping investigation into imports of flexible slabstock polyol (FSP) from China and Thailand, following a complaint by Manali Petrochemicals Limited, the country’s sole domestic producer. The company alleges that low-priced imports are harming the domestic industry. FSP is primarily used in the production of upholstery, mattresses, pillows, bolsters, transport seating, and packaging.

[6] https://economictimes.indiatimes.com/news/economy/foreign-trade/pillow-stuffing-from-thailand-and-china-faces-dumping-probe/articleshow/119270002.cms?from=mdr

The Directorate General of Trade Remedies (DGTR) has found *prima facie* evidence indicating that these imports have caused injury to the domestic industry. The investigation notes significant increases in import volumes and substantial price declines during the injury period. Manali Petrochemicals has also urged that China be treated as a non-market economy in this case.

Food for Thought

India's recent anti-dumping probe into FSP imports highlights the persistent challenges faced by domestic industries in countering the influx of low-cost foreign goods. FSP, a vital input, in the manufacture of everyday consumer products, has seen a sharp rise in import volumes, raising alarms about the sustainability of local production.

The DGTR observed that import volumes have increased significantly, both in absolute terms and relative to domestic production and consumption. In particular, falling import prices have been identified as a potential cause of injury to the domestic industry. This scenario raises pertinent questions about the effectiveness of India's trade policies and the need for robust mechanism to ensure fair competition.

As India seeks to strengthen its manufacturing base through initiatives, such as 'Make in India,' addressing the surge in underpriced imports is crucial. Enforcing appropriate safeguards will help level playing field for domestic producers, encouraging innovation and industrial growth. Unchecked dumping not only threatens local manufacturers but also distorts fair market competition, leaving long-term implications for consumer choice and industry innovation.

1.6 India Proposes 12% Safeguard Duty on Steel Imports, Stocks Surge[7]

The DGTR has recommended a 12 percent provisional safeguard duty on certain steel imports for 200 days. The measure aims to protect domestic producers from a sharp rise in imports, particularly from China, South Korea, and Japan. This surge is attributed to shifts in global steel trade dynamics and protective measures adopted by other countries. Following the announcement, shares of leading steel makers, including SAIL, Tata Steel, JSW Steel, and Jindal Steel & Power, experienced notable gains.

[7] https://economictimes.indiatimes.com/industry/indl-goods/svs/steel/india-proposes-12-safeguard-duty-on-steel-imports-stocks-surge/articleshow/119225425.cms?from=mdr

Food For Thought

India's move to introduce a 12 percent safeguard duty on steel imports, primarily aimed at countering the influx of cheaper supplies from countries like China, reflects a protectionist shift intended to support domestic steelmakers. The move raises broader concerns about its ripple effects across the economy. Short-term relief for Indian producers may come at the cost of higher steel prices, which could place additional strain on key downstream industries such as construction, infrastructure, and automotive manufacturing.

These sectors, already grappling with rising input costs, may be forced to absorb or pass on the price hikes, potentially fuelling inflation, stalling projects, or squeezing already tight margins. Further, MSMEs, which rely heavily on affordable steel, also fear that increased costs could erode their competitiveness both domestically and internationally. For a country positioning itself as a global manufacturing hub, such cost escalations could erode competitiveness, discourage investment, and delay critical growth plans.

2. Promoting Competition

2.1 Wider Commercial Use of Airport Land May Be Cleared For Take-Off [8]

The Indian government is considering amending the Airports Authority of India (AAI) Act, 1994, to allow private airport operators to develop commercial facilities such as shopping complexes, conference centres, and office spaces on airport land. This initiative aims to enhance the commercial value of airports and is part of a broader plan to privatise 11 airports in tier II cities, including Varanasi and Bhubaneswar.

Currently, the AAI Act permits the establishment of hotels, restaurants, and cargo facilities but restricts broader commercial developments. The proposed amendments would expand the scope of permissible land use, potentially increasing revenue streams for airports and boosting local economies. Discussions are ongoing, and a bill is expected to be introduced in Parliament to formalise these changes.

[8] https://economictimes.indiatimes.com/industry/transportation/airlines-/-aviation/wider-commercial-use-of-airport-land-may-be-cleared-for-take-off/articleshow/118858456.cms?from=mdr

Food for Thought

The Indian government's proposal to amend the AAI Act to allow private airport operators to develop commercial facilities such as shopping complexes, conference centres, and office spaces marks a strategic shift towards enhancing economic activity in tier II cities like Varanasi and Bhubaneswar.

By unlocking the commercial potential of airport land, this initiative is poised to stimulate competition across multiple sectors. Retailers and service providers will gain new avenues to establish their presence in growing markets, fostering a more dynamic business environment. The development of conference centres and office spaces can attract meetings, incentives, conferences, and exhibitions (MICE), thereby diversifying local economies and reducing their reliance on traditional industries.

Moreover, an enhanced commercial landscape is likely to benefit consumers through increased choice and competitive pricing. The influx of diverse businesses can lead to improved services and products, elevating the overall consumer experience. Additionally, the anticipated rise in employment opportunities can bolster local economies, contributing to broader economic growth.

However, it is imperative to approach this development with a balanced perspective. While the commercialisation of airport land presents significant opportunities, it also requires careful planning to ensure that the core functions of airports are not compromised. Sustainable development practices and robust regulatory frameworks will be essential to harmonise commercial interests with the primary objective of facilitating efficient air travel.

2.2 With No Revival Plan in Place, NCLT Orders liquidation of Tulip Hotels[9]

The National Company Law Tribunal (NCLT) has ordered the liquidation of Tulip Hotels due to the company's failure to present a viable resolution plan during its Corporate Insolvency Resolution Process (CIRP). Tulip Hotels had defaulted on ₹900 crore from Yes Bank, which led to the initiation of insolvency proceedings. The liquidation will proceed with the objective of selling the company as a going concern, and Krishna Gopal Ratanlal Maheshwari has been appointed as the liquidator.

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[9] https://economictimes.indiatimes.com/industry/services/hotels-/-restaurants/with-no-revival-plan-in-place-nclt-orders-liquidation-of-tulip-hotels/articleshow/117378589.cms?from=mdr

Food for Thought

The NCLT's decision to liquidate Tulip Hotels, following unsuccessful attempts at corporate resolution, marks a significant development in India's hospitality sector. It highlights not only underscores the importance of financial prudence but also the need for sustainable business models in an increasingly competitive landscape.

By addressing the insolvency of a significant player like Tulip Hotels, the NCLT reinforces the principle that market viability hinges on robust financial health and operational efficiency. This move sends a clear message to existing and prospective businesses about the criticality of sustainable practices, thereby fostering a more disciplined and competitive market environment.

Furthermore, the liquidation paves the way for market realignment. With Tulip Hotels exiting the field opportunities arise for both new entrants and existing players to expand their footprint. This redistribution of market share could lead to increased innovation, better customer service, and more competitive pricing, all of which contribute to the growth and resilience of the India's hospitality sector.[10]

2.3 NPCI Eyes a More Evenly Sliced UPI Pie[11]

The National Payments Corporation of India (NPCI) is exploring strategies to balance market share among Unified Payments Interface (UPI) applications. To this end, NPCI has convened a meeting with major payment app executives to discuss ways to promote growth among smaller UPI players.

Currently, PhonePe and Google Pay dominate the UPI market, jointly accounting for over 80percent of transactions, while Paytm holds less than 12 percent. Recent regulatory actions against Paytm Payments Bank may further shift user volumes toward these leading apps, potentially exacerbating market concentration. NPCI aims to mitigate these risks by encouraging a more diversified distribution of market share among UPI applications.

Food For Thought

India's UPI has transformed the digital payments landscape, offering a opportunity to further promote competition and innovation. However, increasing market concentration,

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10 ETRealty.com+2ETHospitalityWorld.com+2The Economic Times+2

11 https://economictimes.indiatimes.com/tech/technology/npci-eyes-a-more-evenly-sliced-upi-pie/articleshow/108214704.cms?from=mdr

with PhonePe and Google Pay now account for over 85 percent of UPI transactions and Paytm's share has declined from 11 percent to 7.2percent, highlights the urgent need for regulatory intervention to create a more balanced ecosystem.[12]

The NPCI has acknowledged this challenge. Although initial proposals for market share caps set for January 2021 have faced delays, with new targets have now been set for 2025. Timely action is essential to guide market dynamics and provide clearer strategies for all players, including dominant platforms like PhonePe, especially regarding their potential public listings.[13]

Addressing concentration is vital to mitigate systemic risks, as failures at leading platforms could disrupt the entire economy. Moreover, encouraging competition would incentivise all players to innovate and explore underserved markets, thereby meeting the diverse needs of consumers. By redistributing power from dominant players, we can enhance choices for both merchants and consumers.

To create a thriving, competitive landscape, the NPCI could consider implementing graduated market share caps coupled with innovation incentives. This approach would support a diverse array of payment providers while allowing established players to contribute meaningfully. Balancing the interests of existing participants with the needs of newcomers is crucial for sustaining innovation and enhancing consumer welfare within the UPI framework.[14]

2.4 Trai May Restrict Starlink to Mobile Dark Regions[15]

The Telecom Regulatory Authority of India (TRAI) is considering recommending that satellite broadband services, such as those offered by Starlink, initially operate exclusively in areas lacking mobile network coverage. This approach aims to address concerns from terrestrial telecom operators like Bharti Airtel and Reliance Jio, who fear that satellite providers might capture urban market share without participating in spectrum auctions.

12 Why concentration risk isn't good in the UPI ecosystem - The Hindu BusinessLine
13 India weighs easing market share limits for UPI payment operators | TechCrunch
14 Digital Payments driving the growth of Digital Economy | National Informatics Centre | India
15 https://www.financialexpress.com/business/industry-trai-may-restrict-starlink-to-mobile-dark-regions-3777340/?utm_source=Express_Newsletter&utm_medium=email&utm_campaign=newsletterid-22,newslettername-financial-express-daily,itemposition-8,

By focusing on satellite services in remote regions, TRAI aims to evaluate their effectiveness in bridging the digital divide while maintaining fair competition within the telecommunications sector.

Food for thought

This potential TRAI recommendation represents an interesting regulatory compromise in India's evolving telecommunications landscape. By initially restricting satellite broadband providers like Starlink to unserved areas, TRAI appears to be balancing multiple competing interests. This approach would protect established terrestrial operators' urban markets while potentially accelerating connectivity in remote regions that have remained digitally excluded.

From a competition perspective, this presents several considerations:

- *First, while this approach addresses immediate competitive concerns, it may inadvertently create bifurcated markets with different competitive dynamics. Satellite providers might establish regional monopolies in remote areas, while terrestrial operators continue to dominate urban centres.*

- *Second, the approach implicitly acknowledges different cost structures and network economics between satellite and terrestrial services. Spectrum auctions designed for traditional mobile networks may indeed be inappropriate mechanisms for satellite services.*[16]

- *Third, this "test and learn" regulatory approach allows for evidence-based policy development. By allowing satellite services in specific regions first, TRAI can gather data on their effectiveness, reliability, and market impact before making broader policy decisions.*

The key question becomes whether this temporary market segregation will pave the way for robust competition across all regions, or if it might calcify into permanent market divisions that limit consumer choice and innovation.[17]

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[16] How TRAI's license limits could impact Starlink's future in India

[17] TRAI plans to limit satellite broadband spectrum permits to five years, defying Musk's Starlink - Industry News | The Financial Express

2.5 NITI Aayog to Identify Assets Monetisation Plan to Hire a Consultant[18]

NITI Aayog is initiating the second phase of India's asset monetisation plan, aiming to mobilise ₹10 lakh crore from existing operational assets between FY2025 and FY2030. This initiative will span across sectors such as highways, railways, power, petroleum, civil aviation, ports, warehousing, urban infrastructure, coal, mines, and telecommunications.

To develop a sector-wise roadmap, NITI Aayog plans to hire a technical consultant by April o5, 2025, with the consultancy lasting five months.

Food For Thought

This new phase of NITI Aayog's asset monetisation plan represents a significant move to bolster India's infrastructure development over the next five years. The ₹10 lakh crore target for FY 2025- 2030 reflects ambitious capital mobilisation goals that could substantially impact India's infrastructure landscape. By focusing on monetising existing operational assets across multiple sectors, the government is taking a pragmatic approach to financing new infrastructure while potentially improving the efficiency of current assets.[19]

Here, several considerations emerge:

- *First, the cross-sectoral approach spanning highways, railways, power, and urban infrastructure suggests a comprehensive strategy rather than isolated initiatives. This holistic view could enable synergies but will require coordinated implementation.*
- *Second, the five-month consultancy period indicates the government is seeking expert input for creating detailed, sector-specific roadmaps. This technical approach may help address the unique challenges and opportunities within each infrastructure category.*
- *Third, the timing of this second phase suggests that insights from the first phase are being incorporated into the new strategy.*

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18 https://www.financialexpress.com/policy/economy-niti-aayog-to-identify-assets-for-rs-10-lakh-crore-monetisation-plan-to-hire-consultant-3770811/

19 Niti Aayog to identify assets for Rs 10 lakh crore monetisation plan, to hire consultant - Economy News | The Financial Express

Key questions for monitoring this initiative include: how the government will balance short-term capital raises against long-term public interests, whether private investors will find these assets attractive, and how regulatory frameworks will evolve to support successful asset transfers while maintaining service quality and accessibility.[20]

2.6 Budget 2025: Relief to a Larger Segment of Indian Promoters Under the Insolvency Code[21]

In the 2025 Budget, the Indian government reclassified Micro, Small, and Medium Enterprises (MSMEs) by increasing turnover and investment thresholds. This change brings a larger segment of companies under the ambit of Pre-packaged Insolvency Resolution Process (Prepacks). The objective is to enhance asset utilisation and support MSME stakeholders during insolvency proceedings.

Notably, MSMEs undergoing Corporate Insolvency Resolution Process (CIRP) continue to benefit from exemptions under Section 29A of the Insolvency and Bankruptcy Code. These exemptions allow promoters to submit resolution plans even if their accounts are classified as Non-Performing Assets (NPAs) or if a creditor has invoked a guarantee executed by the applicant. These amendments are expected to streamline insolvency resolutions and offer relief to a broader group of promoters.

Food For Thought

The reclassification of MSMEs marks a significant shift that could have profound implications for India's insolvency landscape. By increasing the turnover and investment limits for MSMEs, the government has extended the benefits of the Pre-packaged Insolvency Resolution Process (Prepacks) to a wider set of businesses. The move acknowledges the crucial role of mid-sized MSMEs and large corporations.

Notably, the exemption from Section 29A restrictions allows MSME promoters to submit resolution plans even if classified as Non-Performing Assets (NPA) or having invoked guarantees. This policy creates a viable pathway for business continuity and rehabilitation, prioritising asset preservation and revival over punitive measures against promoters.

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20 NATIONAL MONETISATION PIPELINE

21 https://economictimes.indiatimes.com/news/economy/policy/budget-2025-relief-for-a-larger-segment-of-indian-promoters-under-the-insolvency-code/articleshow/117903815.cms?from=mdr

Overall, this balanced strategy recognises the unique characteristics of smaller businesses, addresses the reality of temporary financial distress faced by many viable MSMEs, and creates efficient resolution processes tailored to their needs.[22]The success of these amendments will ultimately depend on the effectiveness of their implementation and whether they facilitate faster resolutions while ensuring adequate creditor protections; thus, monitoring outcomes in the coming year will be essential for evaluating the policy's effectiveness.[23]

2.7 UPI Alert! Banks to Roll Out These Changes from April Onwards[24]

Starting April 01, 2025, the National Payments Corporation of India (NPCI) will implement changes affecting UPI services linked to inactive mobile numbers. Banks and payment service providers are required to update their records by deactivating UPI IDs associated with disconnected or surrendered numbers.

This initiative is designed to enhance security and reduce the risk of fraud stemming from the reassignment of mobile numbers. Users with UPI IDs linked to inactive numbers will lose access to UPI services unless they update their details with their respective banks.

Food For Thought

This upcoming NPCI policy change marks a significant step in addressing a critical vulnerability in India's digital payments ecosystem. The directive targeting UPI IDs linked to inactive mobile numbers addresses a subtle but substantial security gap. When mobile numbers are surrendered and subsequently reassigned to new users, the previous UPI linkages create potential vectors for fraud and unauthorised access. By mandating the removal of these connections, NPCI is implementing a necessary safeguard for the UPI infrastructure.[25]

From a policy perspective, this represents a balanced approach that prioritises system integrity while placing reasonable compliance requirements on financial institutions. Banks and payment service providers are being given clear directives to update their

22 MSMEs in India Get Extension of Non-Tax Benefits After Category Change

23 https://assets.kpmg.com/content/dam/kpmgsites/in/pdf/2025/02/industrial-development-and-msme-pov-union-budget-2025-26.pdf

24 https://www.livemint.com/money/personal-finance/upi-alert-banks-to-roll-out-these-changes-from-april-1-onwards-11741074964043.html

25 Is your UPI linked to an inactive mobile number? Here's how NPCI protects you

records, which should help maintain the robust security standards essential for public trust in digital transactions.

For consumers, this change underscores the importance of maintaining current contact information with financial institutions. The potential disruption for users with outdated mobile numbers must be weighed against the broader security benefits for the entire ecosystem.[26]

The timing of this move is noteworthy, aligning with India's accelerating adoption of digital payments. This proactive measure demonstrates regulatory foresight in addressing vulnerabilities before they can be widely exploited, rather than reacting to significant fraud incidents after they occur.

The success of this policy will ultimately depend on how vigorously banks and payment providers implement the changes and how effectively they communicate these requirements to affected customers.[27]

3. Inhibiting Competition

3.1 Lack of International Flying Rights Puts Akasa at a Disadvantage[28]

Akasa Air is facing a competitive setback due to its lack of international flying rights. This limitation restricts the airline's ability to expand beyond domestic routes, placing it at a disadvantage compared to competitors that have access to international markets. The report highlights that regulatory hurdles in securing these rights could significantly impact Akasa's growth and long-term competitiveness.

Food For Thought

This regulatory scenario highlights a significant challenge for Akasa Air within India's aviation market structure. The inability to secure international flying rights creates a multi-dimensional competitive disadvantage for Akasa. Without access to international routes, the airline faces limitations in several key areas:

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27 New UPI rule regarding mobile numbers to become effective from April 1: Full details - Hindustan Times

28 https://economictimes.indiatimes.com/industry/transportation/airlines-/-aviation/lack-of-international-flying-rights-puts-akasa-at-a-disadvantage/articleshow/117702207.cms?from=mdr

- *First, revenue diversification becomes restricted. International routes typically offer higher yields and different demand patterns that can complement domestic operations, especially during seasonal fluctuations in the domestic market.*
- *Second, Akasa likely experiences fleet utilisation challenges. Aircraft that could be deployed on international routes during off-peak domestic hours must instead remain underutilised or compete in potentially saturated domestic markets.*
- *Third, this creates an uneven competitive landscape where established carriers with international rights can cross-subsidise operations and leverage network effects that Akasa cannot match.*[29]

From a regulatory perspective, this raises questions about the criteria and transparency of international rights allocation. The aviation sector typically requires substantial capital investment with long payback periods, making regulatory predictability crucial for business planning.

For policymakers, the key challenge is balancing the protection of established carrier with the need to encourage competition. A gradual, transparent pathway for newer carriers to access international markets could help build a more competitive aviation ecosystem while preserving fair rights allocations. This situation exemplifies how regulatory frameworks can significantly influence competitive dynamics in capital-intensive industries with high barriers to entry.[30]

3.2 Govt Shifts Focus from Privatisation to Investing Billions in Ailing PSUs[31]

India is set to shift away from its privatisation plans and instead allocate billions of rupees to strengthen state-run enterprises. This shift marks a departure from the previous strategy of monetising public assets, as the government focuses on revitalising struggling PSUs amid economic challenges.

Privatisation has been paused for at least nine state-owned firms due to opposition from key ministries. Rather than selling these entities, the government plans to provide a financial package worth US$1.5bn . Notably, Pawan Hans, after four unsuccessful sale

29 Akasa Air's Plan to Expand Beyond India
30 'Lack of international flying rights puts Akasa at a disadvantage' - The Economic Times
31 https://www.business-standard.com/economy/news/india-to-ditch-privatisation-plans-pour-billions-in-state-run-cos-report-125012700856_1.html

attempts, will receive US$230-US$350mn to upgrade its aging fleet. Additionally, HUDCO has been removed from the privatisation list entirely.

Food For Thought

This policy reversal represents a significant shift in India's approach to state-owned enterprises management. Moving away from privatisation and toward reinvestment signals a fundamental recalibration of economic strategy. By allocating billions of rupees, including the US$1.5bn financial package, to underperforming PSUs, the government appears to be prioritising direct control over these strategic assets during current economic uncertainties.[32]

The case of Pawan Hans is particularly illustrative. After four failed privatisation attempts, the decision to invest US$230-350mn in fleet modernisation suggests the government sees continued value in maintaining state ownership of this helicopter service provider, despite previous market reluctance.

This policy shift raises important questions about long-term fiscal implications. State-run enterprises often operate with lower efficiency than private counterparts, potentially requiring ongoing subsidies. However, they also serve strategic interests and can implement social objectives that might be neglected under private ownership.[33] *For investors and market participants, this change signals reduced opportunities for acquiring state assets but potential business opportunities in supplying goods and services to these revitalised PSUs.*

The broader economic philosophy underlying this shift appears to reflect growing skepticism about privatisation as a universal solution for underperforming public assets. It underscores a renewed emphasis on strategic state control in certain sectors while navigating complex ministerial politics and stakeholder interests.[34]

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32 https://www.linkedin.com/pulse/indias-policy-shift-from-privatization-strengthening-abhishek-singh-9hogf/

33 Testing Limits to Policy Reversal: Evidence from Indian Privatizations

34 Reform and Privatization of State-Owned Enterprises in India | Asian Development Bank

3.3 Divestment, Asset Monetisation Target for FY25 to be Cut 40%[35]

The Indian government plans to reduce its disinvestment and asset monetisation target for the current fiscal year to below ₹30,000 crore, down from the initially budgeted ₹50,000 crore — a 40 percent decrease. For the next fiscal year, the target is expected to be set between ₹45,000 and ₹50,000 crore, with the planned sale of a 30.48 percent stake in IDBI Bank projected to contribute approximately ₹27,544 crore based on current share prices.

Food For Thought

This significant downward revision of India's disinvestment and asset monetisation targets raises important competition concerns across multiple dimensions of the economy. The 40 percent reduction in the current fiscal year's target to below ₹30,000 crore, followed by modest ambitions for the next fiscal year, signals a substantial slowdown in the government's withdrawal from commercial activities. From a competition perspective, this creates several problematic effects.[36]

First, continued government ownership in commercial sectors inherently creates uneven competitive dynamics. State-owned enterprises often benefit from implicit guarantees, preferential regulatory treatment, and potential bailouts that private competitors cannot access. This creates artificial market distortions that inhibit truly merit-based competition.

Second, the concentrated stake sale in IDBI Bank (accounting for over half of next year's target) indicates a highly selective approach to disinvestment rather than a systematic reduction of state involvement across multiple sectors. This selective withdrawal fails to address broader competitive distortions in the financial sector.[37]

Third, reduced disinvestment typically means fewer opportunities for new market entrants. When incumbent state-owned enterprises maintain their positions, the market remains less dynamic and innovation-driven than it might be with greater competitive churn.

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[35] https://economictimes.indiatimes.com/news/economy/finance/divestment-asset-monetisation-target-for-fy25-may-be-cut-40/articleshow/117340070.cms?from=mdr

[36] Budget 2023: Government lowers divestment target to Rs 51,000 crore BusinessToday

[37] Union budget 2025: India's divestment push slows down

The competition implications are particularly concerning in light of India's need for increased efficiency and innovation across key sectors. By maintaining substantial state ownership in commercial activities, the government might be inadvertently protecting inefficient incumbents at the expense of more innovative potential entrants.

3.4 National Company Law Tribunal Orders Liquidation of Go First Airline[38]

The National Company Law Tribunal (NCLT) has ordered the liquidation of Go First airline following a request from its lenders. The airline ceased operations in May 2023 after filing for voluntary insolvency and currently owes over ₹6,521 crore to various creditors. D.T. Veokatasubramanian has been appointed as the liquidator, tasked with managing the disposal of assets and recovery of dues.

Food For Thought

The NCLT's liquidation order for Go First underscores significant trends in India's aviation sector, raising important issues about competition and consumer welfare. With Go First's exit, IndiGo now holds around 60 percent of the budget airline market share, leading to concerns about oligopolistic pricing power that could result in higher fares and lower service quality. The recent liquidations of both Go First and Jet Airways reveal systemic vulnerabilities within an industry facing high operational costs and volatile fuel prices.

Moreover, Go First's ₹6,521 crore debt may discourage new entrants, reinforcing market concentration, while ongoing legal disputes with foreign lessors could further erode investor confidence.[39] However, liquidation could allow efficient operators to acquire assets, potentially alleviating some concerns. While reduced competition may lead to fare hikes, Go First's financial instability had already caused service disruptions. Thus, the liquidation offers a chance for market rebalancing. Regulatory measures ensuring transparent asset sales and safeguarding consumer rights are crucial for fostering competition or reinforcing incumbent advantages. This situation highlights the need for

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[38] https://timesofindia.indiatimes.com/business/india-business/nclt-orders-liquidation-of-go-first-airline/articleshow/117401820.cms#:~:text=The%20National%20Company%20Law%20Tribunal,6%2C521%20crore%20to%20various%20creditors

[39] Go First heads towards liquidation after failed EaseMyTrip, SpiceJet bids | Company News - Business Standard

policies that balance creditor interests with market competition to prevent excessive consolidation during insolvency processes.[40,41]

3.5 SpiceJet Faces Fresh Insolvency Plea Amid Mounting Legal Battles[42]

Budget airline SpiceJet is facing a new insolvency petition filed by PT BBN Airlines Indonesia before the National Company Law Tribunal (NCLT). This adds to the airline's ongoing financial and legal challenges, which include multiple insolvency claims from lessors and service providers. As of November 2024, a total of 16 such claims have been filed: five were withdrawn after settlements, two are under settlement discussions, seven are pending, and two have been dismissed.

Despite successfully resolving some disputes, such as a US$5.6mn agreement with aircraft lessor Aircastle (Ireland) Designated Activity Company, SpiceJet continues to struggle with financial pressures, evidenced by a significant decline in domestic market share from 7.3 percent in January 2023 to 2.3 percent in August 2024, along with 36 grounded planes. The NCLT has expressed concern over creditors potentially misusing insolvency proceedings as a means of debt recovery rather than addressing genuine insolvency situations.

Food For Thought

The latest insolvency petition against SpiceJet by PT BBN Airlines Indonesia amplifies concerns about systemic instability in India's aviation sector and its competition landscape. With 16 insolvency claims filed since November 2024 — half pending resolution — the airline's financial distress is stark: a domestic market share collapse from 7.3 to 2.3 percent (January 2023-August 2024) and 36 grounded aircraft signal operational paralysis.

While settlements like the US$5.6mn deal with Aircastle demonstrate partial recovery efforts, the NCLT's caution against creditors weaponising insolvency mechanisms underscores regulatory challenges in distinguishing genuine insolvency from coercive debt recovery tactics.

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[40] Where Did Go First Go Wrong & What Should Airlines Learn From It? | Entrepreneur

[41] Go First Airways ordered into liquidation amid mounting debt - Airlines/Aviation News | The Financial Express

[42] https://www.livemint.com/companies/news/spicejet-insolvency-case-spicejet-financial-troubles-spicejet-payment-default-nclt-spicejet-hearing-pt-bbn-airlines-11742552609829.html

This case highlights dual risks for competition. On one hand, SpiceJet's potential exit could exacerbate market concentration, particularly if IndiGo absorbs its routes or slots, replicating the post-Go First consolidation pattern. On the other hand, protracted litigation and asset freezes may deter new entrants wary of sectoral volatility, perpetuating barriers to entry.[43]

The NCLT's role in ensuring equitable asset distribution during resolution will be critical—transparent reallocation of airport slots or aircraft could enable efficient competitors to scale, fostering dynamic efficiency. However, recurring insolvencies risk normalising creditor-led disruptions, destabilising the ecosystem and eroding consumer trust.

Policymakers must strike a careful balance, protecting creditor rights with safeguards against procedural abuse, ensuring insolvency frameworks prioritise market contestability alongside financial recovery.[44]

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43 Fresh trouble for SpiceJet as 3 aircraft lessors former pilot file insolvency pleas- The Week

44 Two new insolvency petitions filed against India's SpiceJet - ch-aviation