COMPETITION DISTORTIONS IN INDIA – A CUTS DOSSIER

(CDI 65: July-September 2024)

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 #65 for Q3 2024 (July to September). 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 reviews India's trade policies on the export and import of essential and non-essential goods, highlighting their impact on the country's global market exposure. For instance, India has executed Bilateral Air Services Agreements (ASAs) with 116 countries to boost international connectivity and drive economic and tourism growth. These agreements designate specific cities, not states, as points of call for international flights, offering airlines greater operational flexibility.

The dossier's second section analyses competition-enhancing policies in India, focusing on the financial sector and anticipated reforms after state elections. For instance, the Reserve Bank of India recently launched the UPI Interoperable Cash Deposit (UPI-ICD) feature, enabling cash deposits at ATMs via UPI apps without a debit card, and simplifying banking transactions. The dossier also examines mergers and policy evolution in the civil aviation sector. Despite competition from other emerging markets, India's robust growth and expected policy advancements are set to strengthen its influence on global dynamics in the coming decade.

One critical competition reform is the exit of failing businesses. After many years, an insolvency code was adopted which along with privatisation has led to healthier sectors. As stories of this are captured in this dossier, we must feel happy that much capital is being salvaged to provide productive opportunities. But we still have miles to go.

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!

Contents

1. Trade Policies

1.1 DGTR Recommended Anti-Dumping Duty on Chinese Aluminium Foils[1]

The Directorate General of Trade Remedies (DGTR) recommended imposing an anti-dumping duty on aluminium foils imported from China. This decision came after an investigation revealed that Chinese imports had captured 30 per cent of the Indian market, undercutting domestic prices. The duty, ranging from US$619 to US$873 per tonne, aimed to protect the domestic industry. However, some companies warned that this could lead to higher costs for downstream producers.

Food For Thought

DGTR's recommendation to impose anti-dumping duties on aluminium foils imported from China marks a significant shift in India's market dynamics. This move aims to safeguard domestic manufacturers from the adverse impact of cheaper imports, which have been undercutting local prices despite sufficient domestic capacity. By introducing such duties, India seeks to level the playing field, encouraging local production and reducing dependency on imports.

However, this step may also have ripple effects on market competition and pricing. While it can boost local manufacturers by reducing unfair competition, it could lead to higher input costs for industries reliant on aluminium foils, such as packaging and pharmaceuticals. This might result in increased prices for end consumers if domestic production is unable to meet demand efficiently or cost-effectively[2].

The way forward involves striking a balance between protecting domestic industries and ensuring that consumer industries are not disproportionately burdened. Strengthening domestic capacity and improving productivity could enable India to meet market demand while fostering healthy competition. Additionally, encouraging technological advancements and reducing input costs for local producers will be crucial for long-term sustainability.

1 DGTR recommends anti-dumping duty on aluminium foils imported from China | Business News - The Indian Express.

2 https://www.chronicleindia.in/current-affairs/12386-anti-dumping-duty-on-chinese-aluminium-foils#:~:text=The%20DGTR%20found%20that%20Chinese,%24619%20to%20%24873%20per%20tonne.

1.2 India Signed Air Services Agreements with 116 Countries[3]

India executed Bilateral Air Services Agreements (ASAs) with 116 foreign countries to enhance global connectivity and support economic and tourism growth. The agreements designated specific cities, not entire states, as points of call for international flights. This approach aimed to streamline operations and provide flexibility for airlines. The Ministry of Civil Aviation revealed this information in response to a question in the Rajya Sabha.

Food for Thought

India's Bilateral Air Services Agreements with 116 countries have opened new doors for international connectivity, with promises of economic and tourism benefits. However, beyond these immediate gains, a crucial opportunity exists to foster healthy competition within the Indian aviation market. To promote such competition, it must be ensured that these agreements benefit not only large international airlines but also empower Indian carriers—especially smaller and emerging players[4].

By ensuring equal access to lucrative routes and foreign markets, Indian airlines could be enabled to expand their international footprint, thus enhancing their competitiveness on the global stage. Additionally, foreign airlines may be incentivised to collaborate with Indian companies through code-sharing or joint ventures, leading to innovation and service improvements.

To truly promote competition, regulatory frameworks must be structured to ensure that a level playing field is established, where all airlines, regardless of size, can compete fairly. With multiple carriers operating on the same routes, better services, more affordable fares, and a broader range of options for passengers can be expected. Furthermore, if infrastructure at smaller airports is developed, air traffic could be decentralised, allowing regional airports to emerge as international gateways, further spreading the competitive advantages across the country.

In a competitive market, consumers are the ultimate beneficiaries. The challenge lies in ensuring that these agreements do not disproportionately favour a few dominant players, but instead foster an ecosystem where competition is allowed to thrive, benefiting the aviation industry and the wider economy alike.

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[3] India Signs significant Air services pact with 116 countries.

[4] https://www.aninews.in/news/business/india-signs-bilateral-air-services-agreements-with-116-countries-to-enhance-global-connectivity20240805213648/

1.3 Indian Government's Balancing Act Amid Rising Steel Imports and Deflated Prices[5]

The Indian government needed to balance steelmakers' demands for higher import tariffs with the risk of inflation. Rising imports and deflated steel prices hurt domestic manufacturers. Major steelmakers argued that increasing imports were lowering prices, impacting their margins as they invested heavily in capacity expansion. India became a net importer of steel in the first quarter of FY25, with imports rising to 1.95 million tonnes (mt) compared to 1.51 mt of exports. This surge was due to imports from Vietnam and China's strategy of selling surplus steel at low prices.

Food for Thought

The Indian government faces the challenge of balancing steelmakers' demands for higher import tariffs with the risk of inflation, highlighting the delicate tension between protecting domestic industries and fostering competition. As India became a net importer of steel, an influx of cheaper steel from countries like Vietnam, Indonesia and China is being witnessed, providing short-term cost advantages for sectors reliant on steel. However, the long-term impact could prove to be more complex.

While competition from low-cost imports may lead to improvements in efficiency and innovation within the domestic steel industry, domestic producers may feel the pressure to optimise processes and improve quality to remain competitive. Over time, such competition could strengthen the Indian steel sector.

Conversely, if the current surge in imports continues without proper regulation, domestic steelmakers may suffer, as their margins shrink and investments in capacity expansion are left unrecovered. The risk of over-reliance on imported steel could leave the industry vulnerable to global price fluctuations and foreign market strategies[6].

The right balance must be found. If tariffs are raised too aggressively, domestic prices could increase, fuelling inflation and negatively impacting industries reliant on steel. If insufficient protection is provided, domestic manufacturers may be weakened. A regulatory framework that fosters competition while ensuring the sustainability of domestic producers will be crucial. Encouraging innovation, modernisation, and

5 https://www.pressreader.com/india/mint-chennai/20240709/281977497836726?srsltid=AfmBOoq9bOVpSLNawrVl-jahWy1IdvxlA3MWEKn4VbKtJlsZket9TaNk

6 https://www.fedmin.com/fedmin/competitionpolicy-asfiroz.pdf

partnerships between foreign and domestic players can allow India's steel industry to compete effectively, ultimately benefiting the broader economy.

1.4 Government-Eases Rules for Global Sourcing of Medical Gear[7]

The Indian government allowed global tenders for 354 medical devices after the health ministry raised concerns over the lack of domestic options. The finance ministry issued a notification to this effect. The move follows meetings at the Department of Pharmaceuticals, with stakeholders from Indian and overseas companies. The devices include digital subtraction angiography systems, suture-mediated vessel closure devices, cardiopulmonary bypass machines, high-resolution manometry systems, and X-ray diffraction equipment. The relaxation is valid until March 31, 2027, subject to the approval of the finance ministry's expenditure department.

Food for Thought

The recent relaxation of rules for global sourcing of medical gear by the Indian government presents both opportunities and challenges for competition within the Indian market. On the one hand, access to a wider range of international suppliers is being provided, which may help lower costs, improve availability, and ensure that high-quality medical gear is sourced to meet the country's healthcare needs. This approach could encourage local manufacturers to enhance their efficiency and product standards to compete on a global scale.

However, concerns are being raised about the impact on domestic producers, particularly smaller firms that may struggle to compete with larger international suppliers who benefit from economies of scale. The risk of these domestic manufacturers being sidelined must be carefully managed, as over-reliance on foreign suppliers could lead to vulnerabilities in supply chains during times of global disruption

The challenge will be ensuring that competition is fostered in a way that does not undermine the growth and sustainability of the domestic medical gear manufacturing industry. While the relaxation of sourcing rules allows for greater flexibility, efforts must also be made to support local producers through innovation, skill development, and incentives, ensuring that the Indian market remains competitive and self-reliant in the long term. Alternatively, small units must be encouraged and funded through PLI schemes or foreign partnerships to become large units so that they too can compete with

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7 [Government eases rules for global sourcing of medical gear - The Economic Times]

economies of scale. Balancing global sourcing with local growth is essential for the broader economic benefits to be realised[8].

1.5 Agro-chemical Sector Seeks Higher Import Duties[9]

The Indian agrochemical sector, led by the Crop Care Federation of India, advocated for increased import duties to counteract the influx of chemicals from China. They proposed a 7.5 percent tariff hike to mitigate Chinese predatory pricing and monopolistic practices. The sector also recommended a PLI scheme to enhance manufacturing capabilities. Despite a trade surplus in 2020-21, the sector reported a trade deficit in FY23, attributing this to foreign predatory trade practices. The industry sought fast-track trade remedy measures and regulatory approvals to boost domestic manufacturing.

Food for Thought

The agrochemical sector's call for an increase in import duties raises important considerations for competition in the Indian market. By raising import duties, protection for domestic manufacturers is being sought, allowing local players to strengthen their position against cheaper imports. The potential benefits include the safeguarding of jobs, increased domestic production, and enhanced self-reliance in the agrochemical industry.

However, concerns about the inhibition of competition must be addressed. An increase in import duties could limit access to competitively priced products from abroad, potentially leading to higher costs for farmers and reduced choice. The risk of domestic players becoming complacent without the pressure of international competition is also highlighted, as innovation and efficiency may decline in a protected market[10].

The challenge lies in ensuring that the agrochemical sector remains competitive while also supporting domestic manufacturers. By creating a balanced regulatory framework, both healthy competition and the growth of local industries can be promoted. A combination of strategic tariff increases, investment in R&D, and incentives for innovation could help ensure that domestic players remain competitive without stifling the benefits of global trade. Ultimately, any policy changes must consider the broader impact on both the industry and consumers.

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8 https://ipanewspack.com/government-eases-rules-for-global-sourcing-of-medical-gear/

9 Budget 2024: Agrochemical sector seeks hike in import duties - The Economic Times

10 https://chemindigest.com/agrochemical-industry-advocates-for-higher-import-duties/

2. Promoting Competition

2.1 PNGRB Established High-Level Committee to Address CGD Sector Challenges[11]

The Petroleum and Natural Gas Regulatory Board (PNGRB) formed a high-level committee with former SEBI chairman Ajay Tyagi as its Chairman. The panel aimed to promote competition and create a level playing field in gas transmission and distribution. It was tasked with analysing global practices, assessing India's current situation, and recommending measures for separating transportation and marketing activities in the natural gas sector. The committee's report was due by December 10, 2024.

Food for Thought

Forming *a high-level committee under Ajay Tyagi by PNGRB marks a crucial step towards restructuring India's natural gas sector, but it raises several critical considerations. While unbundling gas transportation and marketing activities could prevent monopolistic practices and foster competition, it's essential to evaluate how this separation might impact operational efficiencies and economies of scale. The success of such reforms hinges on ensuring fair infrastructure access, developing robust trading mechanisms, and maintaining strong regulatory oversight.*[12]

Key questions emerge: Will the fragmentation truly benefit end-consumers through competitive pricing, or might it create market confusion? How can India balance the need for infrastructure development with increased competition? The experience of mature markets like the UK and the US suggests that while unbundling can attract more market participants, it requires careful implementation.

As India moves towards a more competitive gas market structure, the focus must remain on ensuring energy security, affordability, and alignment with global best practices, while creating an environment that encourages investment and innovation in the sector.[13]

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11 PNGRB forms a high-level panel to tackle the problems of competition, a level playing field in the CGD sector - The Hindu BusinessLine

12 PNGRB constitutes high-level committee to formulate Model CGD Policy, ET EnergyWorld

13 Recommendation for alternate models of Bidding criteria for development of City Gas Distribution Network (CGD) network in the

2.2 RBI Launched UPI Interoperable Cash Deposit Feature at ATMs[14]

The Reserve Bank of India's Deputy Governor unveiled the UPI Interoperable Cash Deposit (UPI-ICD) facility at the Global Fintech Fest 2024. This new feature allowed customers to deposit cash at ATMs using UPI apps without a debit card. The National Payments Corporation of India announced the launch, highlighting its convenience. The feature was expected to work similarly to UPI cardless cash withdrawals, making banking transactions easier and more accessible.

Food for Thought

RBI's *introduction of UPI Interoperable Cash Deposit (UPI-ICD) marks a significant evolution in India's digital payment ecosystem, prompting several critical reflections on competition and market dynamics. This innovation raises important questions about the future of banking services and the competitive landscape. Traditional banks, facing reduced footfall at branches, must now adapt their business models to remain relevant in an increasingly digital environment.*

While the feature democratises access to banking services and potentially reduces operational costs for banks, it intensifies competition between traditional banks and fintech players. The key consideration is whether this technological advancement will lead to healthy competition, foster innovation or result in market concentration among a few dominant players.

Moreover, as UPI services expand, the relationship between banks and fintech companies becomes more intricate – will it be collaborative or competitive? The success of UPI-ICD could accelerate the shift towards branchless banking, pushing traditional institutions to reimagine their value proposition. This development also raises questions about fee structures, revenue models, and how different players in the financial ecosystem will compete while ensuring service quality and security[15]. As the financial services landscape evolves, the challenge lies in maintaining a balance between promoting innovation through competition and ensuring financial stability and inclusion.

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14 New UPI feature launched: Deposit cash at ATMs using UPI, no debit card needed; how to use UPI Interoperable Cash Deposit - The Economic Times.

15 Deposit cash in ATMs using UPI, new feature launched by RBI, steps to use - Hindustan Times

2.3 India to Begin Bilateral Flying Rights Talks [16]

India had planned to commence talks with countries like Singapore and Vietnam to expand bilateral flying rights, prioritising Indian carriers' interests. The move aimed to develop India as a global aviation hub while addressing the growing demand for air travel. Meetings with delegations from these countries were expected soon. The government aimed to protect homegrown airlines, which lacked exposure on international routes and could be easily overshadowed by bigger global rivals. The focus was on increasing the scope of business for Indian carriers and developing the country as a global aviation hub.

Food for Thought

The strategic move to expand bilateral flying rights while prioritising Indian carriers presents a complex interplay between protectionism and market competition. While protecting domestic airlines' interests is crucial for their growth, excessive sheltering might hinder better pricing, efficiency and innovation that typically stems from international competition.

The key question emerges: How can India strike an optimal balance between nurturing its aviation sector and fostering healthy competition? The development of India as a global aviation hub demands consideration of multiple factors, while domestic carriers need support to build capacity and experience on international routes, limited exposure to competition might affect service quality and pricing for consumers.

The policy approach raises important questions about long-term sustainability - will protective measures truly strengthen Indian carriers or potentially delay their competitive evolution? Moreover, as global aviation continues to consolidate, restricted competition might impact India's hub aspirations.

The challenge lies in creating a framework that allows domestic carriers to grow while maintaining competitive pressures that drive efficiency, innovation, and service quality. The success of this approach will depend on how well it balances the immediate need for protecting domestic interests with the long-term benefits of open market competition in shaping a robust and globally competitive aviation sector.[17]

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16 Bilateral flying rights talks set to take off - The Economic Times

17 Deposit Cash At ATMs Using Just UPI: Here's How RBI's UPI-ICD Feature Works | Times Now

2.4 Aadhaar to be a common framework to onboard customers for financial products: Senior RBI official[18]

According to a senior RBI official, Aadhaar, the 12-digit unique identity number issued by the UIDAI, served as a common framework for KYC to streamline the onboarding process for financial products. Vivek Deep, Executive Director of the RBI, stated that different regulators oversaw various entities, leading to KYC overlaps, which were a pain point. The NPCI was mandated to use Aadhaar to bridge the KYC gap, but it took time to gain clarity. Deep also emphasised the need for fintech to innovate in cross-border solutions and engage with regulators if they felt regulations were hindering innovation.

Food for Thought

The adoption of Aadhaar as a unified KYC framework presents an interesting paradox in the financial services competitive landscape. While streamlined KYC processes reduce entry barriers and operational costs, potentially fostering competition by enabling easier customer onboarding, it also raises critical questions about market dynamics. Standardisation through Aadhaar could level the playing field between established players and new entrants but might simultaneously reduce differentiation opportunities in customer experience.

A key consideration is whether this uniformity in KYC will shift the competitive focus to other aspects of financial services perhaps driving innovation in product features, pricing, or customer service. For fintech companies, particularly in cross-border solutions, the challenge lies in balancing regulatory compliance with innovative service delivery.

The regulatory stance encouraging dialogue with fintechs suggests an evolving approach to fostering competition while maintaining oversight. However, this raises important questions: Will standardised KYC lead to more competition or market consolidation? How can financial institutions differentiate themselves when core processes are unified? As the financial ecosystem evolves, the success of this framework will depend on how effectively it enables both innovation and competition while maintaining security and regulatory compliance, particularly in an increasingly digital and cross-border financial landscape.

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[18] Aadhaar to be a common framework to onboard customers for financial products: Senior RBI official - The Economic Times

2.5 Noida International Airport to Start Operations in April 2025[19]

The Noida International Airport (NIA) is set to begin operations in April 2025, with domestic carriers IndiGo and Akasa Air showing interest in domestic and international flights. The airport located in Jewar near Greater Noida, will be the second major airport in the National Capital Region after Delhi's Indira Gandhi International Airport. The first phase of the NIA will handle 1.2 crore passengers annually, with a future capacity of 70 million passengers per year after the completion of the fourth phase.

Food for Thought

The Noida International Airport launched in April 2025 presents significant benefits for India's trade prospects. As a major infrastructure project, it could boost regional economic development and enhance India's air connectivity, potentially facilitating increased trade and tourism.

The airport's proximity to Delhi might influence policies on air traffic rights allocation and route distribution between the two airports[20]. Its planned capacity growth suggests an anticipation of increased international trade and passenger movement, which could drive policies supporting export-oriented industries in the region.

The government may need to consider policies on customs, immigration, and cargo handling to maximise the airport's trade potential. Additionally, this development might influence broader policies on airport privatisation and foreign investment in aviation infrastructure. especially with the airline industry rising to approximately US$49 Billion.[21]

2.6 Lenders Vote for Go First Liquidation[22]

Lenders to India's Go First voted to liquidate the airline after rejecting bids from interested suitors to revive the bankrupt company. Go First, which filed for bankruptcy in May of the previous year, had received two financial bids under the bankruptcy process. The Committee of Creditors voted in favour of liquidation. The liquidation process was set to commence once all legal formalities were completed. Go First owed

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19 Airlines keen on international operations at Noida Airport: NIA CEO | Delhi News - The Indian Express

20 Noida Airport Prepares For Commercial Flight Trials, Eyes April 2025 Launch.

21 Maiden flight from Noida international airport set to take off on April 17, 2025 - Hindustan Times

22 Lenders to India's Go First vote for liquidating airline, sources say | Reuters

a total of ₹65.21 billion (US$781.14 million) to its creditors, which included the Central Bank of India, Bank of Baroda, IDBI Bank, and Deutsche Bank.

Food for Thought

The liquidation of Go First offers insights into the competition policy in India's aviation sector. This development potentially reduces market competition, which could lead to higher fares and fewer choices for consumers. It highlights the need for policies that balance financial stability with maintaining a competitive landscape. The situation may prompt a review of bankruptcy laws and their impact on sector competitiveness. Policymakers might consider measures to facilitate easier market entry or support struggling airlines to preserve competition. The outcome could also influence policies on foreign ownership in Indian airlines or measures to prevent market concentration.[23] Additionally, this case underscores the importance of robust competition principles that can adapt to sudden market exits while ensuring long-term sector viability.

2.7 PSU Performance and Divestment[24]

In 2023-24, 56 listed central government public sector enterprises registered a 48 percent increase in profits, exceeding ₹5 trillion. The stock market rewarded their performance with high valuations. PSU banks, which were struggling with bad debts, turned around and posted a strong show. The government received a 55 percent increase in dividends from PSUs in FY24 compared to FY23. With such good valuations, the government could have gotten the best possible price for its stake in PSUs. However, in the last five years, the Centre planned divestments of ₹6.16 trillion but only achieved ₹1.79 trillion.

Food for Thought

The impressive performance of PSUs in 2023-24 presents a complex scenario for competition policy. While their profitability suggests efficient management, it also raises questions about market dominance and fair competition, especially in sectors with limited private players. The government's dual role as owner and regulator could create conflicts of interest. Despite high valuations, the underachievement in divestment targets

23 Go First creditors vote to liquidate airline - The Economic Times

24 Mint Primer: Is now the best time to pursue divestment? | Stock Market News

indicates a reluctance to reduce state control, which may hinder the development of a truly competitive market. [25]

This situation calls for a reassessment of competition policies to ensure a level playing field, encourage private sector participation, and prevent market distortions while balancing the benefits of well-performing PSUs with the need for a diverse, competitive economic landscape.

2.8 Insolvency Resolutions Likely Setting a New Record in FY25[26]

The Insolvency and Bankruptcy Code (IBC) saw a rise in resolved cases, with a focus on innovative approaches and transparency to improve recovery rates. Regulators and industry experts emphasised efforts to save firms from liquidation and address delays in resolution processes. About 270 insolvency cases were resolved under the IBC last fiscal year, surpassing the annual average of 125 cases since the IBC was rolled out in late 2016. The recovery against creditors' claims was about 32 percent, indicating substantial erosion of the value of stressed firms when the IBC was tapped by the creditors.

Food for Thought

The rise in resolved insolvency cases under the IBC highlights the need for robust competition policies to prevent market monopolies and ensure fair recovery rates. As recovery against creditors' claims stands at a mere 32 percent, it underscores the erosion of value in stressed firms. Promoting competition can foster a healthier economic environment, encouraging innovation and efficiency.

Regulators must balance insolvency resolutions with measures that stimulate competition, preventing market consolidation and ensuring that the benefits of the IBC extend beyond mere recovery rates to sustainable economic growth and market dynamism. however, it also talks about the steady and effective insolvency resolution process. Here a thing to note is that since its inception in 2016, the IBC has streamlined the credit industry solved rising NPA and brought rise to new budding companies a chance to avail better credit options thus further enhancing competition.[27]

25 Mint Primer: Is now the best time to pursue divestment? | Stock Market News
26 Insolvency resolutions likely to clock a fresh record in FY25: IBBI chief - The Economic Times
27 Resolution nods under IBC up by a record 42% in fiscal 2024

2.9 Interoperable Set-Top Boxes Recommended by TRAI [28]

In July 2024, Trai recommended making set-top boxes (STBs) interoperable, allowing consumers to switch operators without changing STBs. They also removed the Network Capacity Fee (NCF), enabling service providers to charge less competitively. Trai permitted DTH and cable operators to offer discounts of up to 45 percent while forming bouquets, increasing flexibility and offering attractive deals to consumers. They recommended Prasar Bharati DD Free Dish to be an addressable, encrypted system to ensure quality, prevent piracy, and maintain subscriber records.

Food for Thought

The recent TRAI recommendations on STB interoperability and NCF removal aim to foster a competitive market in the broadcasting industry. TRAI reduces entry barriers and encourages service providers to enhance service quality and innovation by allowing consumers to switch operators without changing STBs. The flexibility to offer discounts of up to 45 per cent on bouquets further incentivises providers to attract and retain customers through competitive pricing and tailored packages. [29]Converting DD Free Dish to an encrypted system ensures quality and curbs piracy, promoting fair competition. Overall, these measures promise a more dynamic and consumer-friendly broadcasting landscape.

2.10 Indian Audit Firms Seek Government Support to Compete with Big 4[30]

Indian audit firms, struggling to compete with the Big 4 multinational firms, received encouragement from Prime Minister Narendra Modi's call to create four large Indian accounting firms by 2022. The Indian auditors had long accused the Big 4 of circumventing laws to grow their businesses and demanded a level playing field. The PM's message excited the CA community, which now expects the government and the ICAI to create the right ecosystem for growth. The Indian IT industry has shown that with the right incentives, Indian businesses can go global quickly.

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28 Make cable/DTH set-top boxes interoperable: Trai to I&B ministry - Times of India

29 Make cable/DTH set-top boxes interoperable: Trai to I&B ministry

30 Centre gets into the Act to create desi 'Big Fours' - The Economic Times

Food for Thought

Advancing competition within the Indian audit sector by nurturing indigenous firms has the potential to transform the industry's framework. The prevailing influence of the Big 04 multinational corporations, which have been criticised for exploiting regulatory loopholes, has consistently hindered local entities.

Promoting the expansion of substantial Indian accounting firms would create a more equitable environment, thereby increasing options and stimulating innovation. Drawing comparisons from the Indian IT sector; an area that prospered with adequate support and government interference, the audit field could also thrive if provided with specific incentives and a similar hands-off policy by the government. However, it is important to guarantee that emerging powerhouses do not imitate monopolistic practices but rather cultivate a robust and varied competitive landscape that ultimately benefits the broader economy. The CCI should keep a close watch if it can.

3. Inhibiting Competition

3.1 India Addressed Competition Concerns in Digital Public Infrastructure[31]

India highlighted digital public infrastructure (DPI) as a tool for inclusive development during its G20 presidency. The article discussed potential competition issues arising from DPI's network effects, which could lead to monopolies. It emphasised the need for a balanced regulatory approach to protect the public interest without hindering innovation. The authors suggested using soft law instruments and developing a techno-legal governance framework to address these challenges effectively.

Food for Thought

India's championing of Digital Public Infrastructure (DPI) during its G20 presidency spotlighted a fascinating paradox in digital development. Whilst DPI promised to democratise access to digital services and foster inclusive growth, its inherent network effects threatened to create the very monopolies it sought to prevent.

The discourse raised pertinent questions about the delicate balance between innovation and regulation. How could nations harness DPI's transformative potential whilst safeguarding against market concentration? The suggestion of soft law instruments

[31] India's Digital Public Infrastructure: How to ensure healthy competition | The Indian Express

presented an intriguing middle ground, offering flexibility without stifling technological advancement.[32]

Perhaps most thought-provoking was the proposed techno-legal governance framework. This approach acknowledged that traditional regulatory mechanisms might prove insufficient for governing digital infrastructure that evolved more rapidly than legislation could keep pace with.

The challenge resembled a complex chess game where moves to promote accessibility could inadvertently strengthen monopolistic positions. The key insight lay in recognising that DPI's success hinged not merely on technological robustness, but on thoughtful governance structures that could evolve alongside the technology.

This highlights a broader truth: in the digital age, the path to inclusive development requires careful orchestration of technological innovation and regulatory wisdom.

3.2 BSNL's 4G Rollout and Performance Monitoring[33]

The Department of Telecommunications (DoT) has established a Performance Monitoring Unit (PMU) for the state-run telecom company BSNL to oversee its 4G rollout. Telecom Minister Jyotiraditya Scindia announced this initiative and directed that daily targets be set for the PMU, which he and the Telecom Secretary will monitor. BSNL's plans to launch 4G services had been repeatedly delayed, causing its customer base to shrink as 2G users migrated to 4G with other operators. A TCS-led consortium, including C-DOT and Tejas Networks, had been cleared for a Rs 24,500 crore contract to provide 4G equipment for 100,000 new telecom towers.

Food for Thought

The delayed 4G rollout by BSNL and the significant government involvement in its revival through a performance monitoring unit (PMU) raise important considerations about competition in the telecom sector. While state-run enterprises play a crucial role, the reliance on a TCS-led consortium for such a substantial 4G infrastructure project may potentially limit opportunities for other players to compete.[34] *This centralised approach,*

32 Views: Fostering Competition Through Digital Public Infrastructure

33 DoT will be creating performance monitoring units for BSNL: Scindia | Company News - Business Standard

34 How govt's Atmanirbhar policy may have slowed BSNL's 4G rollout | Communications Today

supported by a substantial Rs 24,500 crore contract, may carry the risk of creating an uneven playing field. Encouraging open, competitive bidding and involving multiple stakeholders could help prevent market distortions, foster innovation, and promote broader participation in the rapidly evolving telecom landscape.

3.3 Reliance-Disney India Merger Receives CCI Approval[35]

Reliance Industries' entertainment arm Viacom18 and Walt Disney Co's Indian media assets received approval from the Competition Commission of India (CCI) for their US$8.5 billion merger. The combined entity, now India's largest entertainment conglomerate, includes 120 channels and two streaming services. Reliance and Viacom18 hold a 63.16 per cent stake, while Disney retains 36.84 per cent. The merger, announced in February, grants the JV exclusive rights to distribute Disney's films in India. Nita Ambani will serve as the chairperson of the joint venture, with Uday Shankar taking on the role of vice chairperson. The merger is expected to be completed by mid-2025.

Food for Thought

The recent merger of Viacom18 and Disney's Indian media assets, which has resulted in the formation of India's largest entertainment conglomerate, has raised some concerns regarding market concentration and its potential impact on competition. With control over 120 channels and two major streaming services, the merged entity could potentially have a significant influence on content distribution, potentially limiting diversity and creating challenges for smaller industry players.

Furthermore, the exclusive rights to Disney's films could further solidify this influence, potentially creating obstacles for new entrants in the media sector. While the merger may offer operational efficiencies and foster growth, regulators need to ensure that it does not result in monopolistic practices that could stifle innovation and reduce variety within India's rapidly expanding entertainment industry.

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[35] RIL-Disney India merger worth $8.5 billion receives approval from CCI | Company News - Business Standard

3.4 The Government's Stake-Selling Agenda: If Not Now, Then When?[36]

Sachchidanand Shukla argued that the Indian government should have seized the market rally in PSU shares to offload its equity and raise resources for public projects. The market capitalisation of PSUs had nearly doubled, providing a significant opportunity for monetisation. This could have addressed past financial crises and improved liquidity in markets. Despite challenges, various methods like offer-for-sale and block deals could have been employed. The government had set a divestment target of US$6 billion for 2024-25, emphasising the need for a qualitative swing in India's resource generation strategy.

Food for Thought

The remarkable surge in PSU valuations presented a golden opportunity that slipped through the government's fingers like sand. As these state-owned enterprises witnessed their market capitalisation nearly double, a crucial window for strategic disinvestment stood wide open, yet largely unexploited.

The situation bore striking parallels to a farmer who, blessed with a good harvest, hesitated to sell when prices peaked. The government's reluctance to capitalise on this market enthusiasm raised intriguing questions about timing and decision-making in public finance management.

This missed opportunity is particularly significant because it could have addressed historical financial constraints while also improving market liquidity. The presence of various disinvestment mechanisms—ranging from offer-for-sale to block deals—only highlights the loss from not utilising this potential.

[37]*The government's modest disinvestment target of US$6 billion for 2024-25 seemed to underscore a larger philosophical question: When should state ownership give way to market forces? The episode highlights how traditional approaches to resource generation might need rethinking in an era of dynamic market conditions.*

Perhaps the most valuable lesson lay in recognising that market opportunities, like seasons, were cyclical - but timing remained paramount in harvesting their full potential.

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36 The government's stake-selling agenda: If not now, then when? | Mint

37 Modi govt is planning to sell its stake in 46 PSUs, decision on six expected soon

3.5 Indian Government Mulls Rescue Package for Struggling PSUs MTNL and RINL[38]

The Indian government considered bailout plans for two public sector enterprises: MTNL and RINL. Both companies were in default and sought loan restructuring. A committee of secretaries was to decide on MTNL's bank debt of nearly ₹8,000 crore. RINL faced significant losses and debt of ₹20,400 crore. The government aimed to maintain these firms as "going concerns". Discussions involved the finance ministry and respective administrative ministries. There was reluctance to let public sector banks take substantial haircuts or acquire equity stakes in these loss-making companies. Any financial support would require budget provisions.

Food for Thought

The plans to bail out struggling public sector enterprises like MTNL and RINL raise critical concerns about inhibiting competition in their respective industries. By providing government support to keep these companies afloat, the state may inadvertently distort the competitive landscape, offering protection to inefficient players while burdening taxpayers. Such interventions could deter private sector investments and innovation, as they signal preferential treatment for public sector firms despite financial mismanagement. Instead of relying on bailouts, a more market-driven approach like privatisation or restructuring could enhance competitiveness, ensuring that only efficient enterprises thrive in India's dynamic economy.

[39]*The proposal to provide bailout plans for struggling public sector enterprises like MTNL and RINL raises significant concerns about potentially inhibiting competition in their respective industries. By offering government support to keep these companies afloat, there is a risk of inadvertently distorting the competitive landscape, providing protection to inefficient players while imposing a burden on taxpayers.*

Such interventions could potentially discourage private sector investments and innovation, as they may be perceived as preferential treatment for public sector firms despite financial mismanagement[40]*. Instead of relying solely on bailouts, a more market-*

38 Rescue package on the cards for MTNL, RINL; committee to take final call on servicing MTNL debt of nearly Rs 8,000 cr - The Economic Times

39 Centre, SBI join hands to rescue debt-hit RINL - The Economic Times

40 Centre Mulls Rs 74,000 Crore Bailout Plan To Rescue Loss-Making Telecom PSUs MTNL And BSNL

driven approach such as privatisation or restructuring could be considered to enhance competitiveness, ensuring that only efficient enterprises thrive in India's dynamic economy. It is not the business of the government to be in business.