COMPETITION DISTORTIONS IN INDIA – A CUTS DOSSIER

(CDI 66: October-December 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.

Dear Reader,

Greetings and a Very Happy New Year!

We are pleased to present Competition Distortion Dossier #66 for Q4 2024 (October to December). 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 year-end highlighted key economic issues, including the complexities of India's GST structure. A notable example is the varying tax rates on popcorn — 5 per cent for basic and 18 per cent for caramel — which result in market segmentation driven by tax policies rather than consumer preferences. This complexity burdens smaller businesses with higher compliance costs, diverging from GST's original goal of tax simplification.

Additionally, the duopoly of PhonePe and Google Pay, accounting for 85 per cent of UPI transactions, remains a concern. Despite the NPCI's proposed 30 per cent transaction volume cap per app, the compliance deadline has been extended to December 2026. This raises questions about market diversification, as dominance alone does not imply abuse of market power, echoing the outdated MRTP-era principle of ***'frowning upon dominance per se'*.**

This edition reviews India's trade policies affecting global market engagement, highlighting tariff reductions following criticism from U.S. President-elect Donald Trump. It also examines competition-enhancing reforms, including RBI's push for interoperability between digital wallets and UPI and Indian Railways' PPP model to boost private investment in the commercial space. Finally, it also discusses SEBI's restriction on weekly options contracts to one benchmark index per exchange, aimed at simplifying trading but intensifying competition for market share.

We hope you enjoy reading these stories as much as we enjoyed reporting them. Please 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 India Launches Safeguard Probe on Steel Imports[1]

India has launched an investigation to assess the potential implementation of a safeguard duty on steel imports, prompted by a petition from the Indian Steel Association representing major steelmakers like ArcelorMittal Nippon Steel India, JSW Steel, and Jindal Steel and Power.

The probe, initiated in December 2024, comes as Chinese steel imports reached historic highs in the first eight months of fiscal year 2024-25, with the Directorate General of Trade Remedies finding sufficient evidence of a "recent, sudden, sharp and significant increase in imports" that has particularly impacted smaller Indian mills, forcing some to reduce operations and consider workforce reductions.

The investigation, focusing specifically on "Non-Alloy and Alloy Steel Flat Products," positions India among other countries considering protective measures against steel imports, marking a significant step to protect its domestic steel industry from what the ISA describes as imports causing "significant injury to the domestic industry."

Food For Thought

From a competitive perspective, this trade action presents a complex interplay of factors that warrant careful consideration. While import restrictions may preserve domestic competition in the short term by keeping smaller players viable, this could delay necessary industry consolidation and modernisation that would enhance India's global competitiveness.

*The core tension lies in balancing economic efficiency against market fairness—determining whether protecting domestic competitors should take precedence over allowing market forces to eliminate less efficient producers naturally. This raises fundamental questions about what constitutes **"fair"** competition in a global marketplace.*

The policy also creates significant consumer welfare trade-offs, as protecting domestic steel producers must be weighed against the interests of downstream industries and end consumers who benefit from access to cheaper imported steel.[2]

1 India begins safeguard probe for steel imports - The Economic Times

2 India launches probe to determine 'safeguard duty' on steel as imports surge | Reuters

Moreover, trade protections could either stifle innovation by reducing competitive pressure or provide breathing room for strategic investments. Adding another layer of complexity is the game theory aspect – how other countries might respond to India's trade measures, potentially triggering retaliatory measures that could ultimately diminish global competition. The optimal approach likely requires balancing and maintaining healthy domestic competition and fostering long-term international competitiveness.

1.2 Tariff Easing Possible if Economy Unharmed[3]

India's Finance Minister Nirmala Sitharaman has indicated that the country might consider reducing import tariffs, provided such reductions do not adversely affect domestic industries. This statement came in response to criticism from U.S. President-elect Donald Trump regarding India's high tariff rates.

While defending India's trade policies, Sitharaman maintained that each tariff decision could be justified, emphasising the need to balance protection for local manufacturers with the requirements of sectors dependent on imports.

The trade relationship between India and the U.S., its largest trading partner, has grown significantly, with bilateral trade reaching US$190.1bn in 2023. India maintained a substantial trade surplus of US$35.3bn in this relationship.

This trade policy stance reflects India's attempt to navigate between protecting domestic interests and maintaining strong international trade relationships, particularly with key partners like the U.S.

Food for Thought

India's contemplation of tariff reductions presents a fascinating intersection of domestic and international competitive dynamics. Lowering import barriers could intensify competition in Indian markets, potentially driving innovation and efficiency improvements among domestic firms while offering consumers and industries access to a broader range of products and inputs at competitive prices.

However, this raises critical questions about the readiness of Indian industries to face heightened international competition and what constitutes an ***"adverse effect"*** *on*

[3] May ease tariffs if no harm to economy, says FM Nirmala Sitharaman

domestic industries - does protecting less efficient domestic players ultimately harm long-term competitiveness?

The significant trade surplus with the U.S. suggests some Indian industries are already internationally competitive, which could mean they are well-positioned to handle increased competition from imports. Yet, there is also the question of whether selective tariff reductions create uneven competitive landscapes across different sectors, potentially distorting market dynamics.[4]

The policy approach also highlights the complex interplay between ***competition and industrial polic****ies. While lowering barriers could enhance market competition, it might affect India's industrial development goals and the nurturing of strategic sectors. The key challenge lies in finding the sweet spot where international competition catalyses domestic competitive improvement rather than a destructive force for local industries.*

1.3 Anti-Dumping Duty Imposed on Chemicals from China, Korea, Thailand[5]

India has introduced an anti-dumping duty of up to US$557 per tonne on Epichlorohydrin, a chemical primarily used in the adhesive industry, imported from China, South Korea, and Thailand.

This duty, effective for five years, follows an investigation by the Directorate General of Trade Remedies (DGTR), which found these imports were priced below normal levels, undermining local manufacturers. The measure aims to level the playing field for Indian industries and curb the adverse impact of cheaper imports.

This step aligns with India's broader strategy of imposing anti-dumping duties on various products to protect domestic producers and ensure fair trading practices under the World Trade Organisation (WTO) framework.

Food for Thought

The imposition of anti-dumping duties on Epichlorohydrin raises intriguing questions about market dynamics and competitive fairness. While the duty aims to protect domestic manufacturers from allegedly unfair pricing practices, it is worth considering

4 India May Ease Tariffs If No Harm to Economy, Sitharaman Says - Bloomberg
5 India imposes anti-dumping duty on chemicals imported from China, Korea, Thailand - The Economic Times

whether this intervention might inadvertently shield inefficient domestic producers or limit healthy price competition that could benefit downstream industries, particularly in the adhesive sector.

The five-year duration of the duty presents another dimension - whether this timeframe provides an appropriate balance between giving domestic producers breathing room to become more competitive while maintaining pressure for efficiency improvements.

The duty's multi-country scope (covering China, South Korea, and Thailand) raises questions about market substitution effects — whether imports might simply shift to other countries not covered by the duty, potentially creating new trade distortions. Additionally, the impact on the broader value chain deserves scrutiny. While the duty may help domestic Epichlorohydrin producers, it could adversely affect the competitiveness of Indian adhesive manufacturers who rely on this chemical input, potentially creating a cascading effect on industrial competitiveness.

The case also highlights the complex relationship between trade remedies and competition policy - whether anti-dumping measures effectively promote fair competition or primarily serve as protectionist instruments.

Moreover, the duty could lead to higher input costs for downstream industries relying on the chemical, potentially impacting their competitiveness. Retaliatory actions or strained trade relations with affected countries could further complicate the economic landscape.

India must complement protective measures with strategies to boost domestic production capacity, enhance technological innovation, and reduce dependency on imported raw materials to sustain a competitive advantage. The challenge lies in balancing short-term protection with fostering long-term resilience and global competitiveness across sectors.[6]

1.4 CBIC Slaps Duty on Telescopic Channel Sliders from China[7]

The Central Board of Indirect Taxes and Customs (CBIC) has imposed definitive anti-dumping duties on Telescopic Channel Drawer Sliders imported from China, effective December 18, 2024, following an investigation by the DGTR that confirmed these

6 Anti Dumping
7 CBIC Imposes Anti-Dumping Duty on Telescopic Channel Drawer Sliders from China [Read Notification]

goods were being dumped in India at prices causing material injury to the domestic industry.

The duty, set at US$422 per metric tonne for most Chinese producers except five specifically exempted companies, will be applied retrospectively from June 27, 2024, and remain in effect for five years unless revoked or amended earlier.

The notification specifically excludes certain kitchen and bedroom fittings, including slimline tandem boxes and double wall drawers, from the scope of these duties, demonstrating a targeted approach to protect domestic manufacturers while maintaining access to specialised products not covered by the investigation.

Food for Thought

Implementing the US$422/tonne duty creates complex ripple effects throughout the market ecosystem. While its primary aim is to shield domestic producers from potentially predatory Chinese pricing practices, the duty's impact extends far beyond simple market protection.

In the short term, domestic manufacturers gain breathing room to adjust their operations and pricing strategies. However, this advantage disproportionately benefits larger players who can quickly scale production to meet demand gaps. Despite the duty's protection, smaller manufacturers may struggle with capital constraints and operational limitations, potentially leading to a consolidated market dominated by fewer, larger entities.

The exemption system adds another layer of complexity. Creating protected niches for specific product categories establishes micro-monopolies where Chinese or domestic producers can dominate without significant competition. This market fragmentation could lead to divergent technological development paths, potentially hindering industry-wide innovation and standardisation.

The five-year sunset clause presents a particular challenge. Rather than encouraging sustainable competitive advantages through innovation and efficiency improvements, it may incentivise short-term profit maximisation. Companies might prioritise immediate returns over investments in research and development or operational improvements. This could create a scenario where domestic producers, having consolidated their market position, focus their resources on lobbying for duty extensions rather than enhancing their competitive capabilities.

Implementing a robust monitoring system becomes crucial to prevent these potential negative outcomes. This framework should track key metrics, including pricing trends, market concentration ratios, and innovation indicators, to ensure the duty serves its intended purpose of fostering a competitive and efficient domestic industry.[8]

2. Promoting Competition

2.1 NPCI Breakthrough: Streamlining Net Banking Payments[9]

The National Payments Corporation of India (NPCI) enhances digital payments by implementing net banking interoperability, enabling seamless transactions across multiple banks without relying on individual agreements.

This initiative shifts the focus from payment gateways to a unified platform, simplifying merchant onboarding and expanding consumer access. Initially involving major banks like ICICI and HDFC, with smaller banks to follow, the rollout aims for gradual adoption.

Key benefits include increased consumer choice, reduced pressure on UPI infrastructure, reliability for high-value transactions (₹2.5 lakh+), and improved merchant efficiency. Aligning with the Reserve Bank of India's Vision 2025, this initiative underscores the growing significance of net banking, evidenced by over 420 million transactions totalling ₹100 lakh crore in October.

By fostering a cashless environment and encouraging innovation, NPCI's project enhances India's global position in digital payments, paving the way for broader consumer adoption and international collaboration.

Food for Thought

The NPCI's net banking interoperability initiative significantly enhances competition in India's digital payments landscape. Reducing dependency on specific payment gateways creates an open ecosystem where banks can compete more directly on service quality and user experience. This democratisation of payment infrastructure means that consumers can seamlessly transact across different banking platforms, fostering healthy competition based on innovation and service excellence rather than technological barriers.

8 Anti Dumping
9 Breaking Barriers: NPCI’s Game-Changer for Seamless Net Banking Payments

The initiative also potentially reduces transaction costs and eliminates the need for multiple payment gateway integrations, which creates more opportunities for new entrants to challenge established players.[10]

However, this transformation could paradoxically widen market disparities. Large banks like ICICI and HDFC, with their robust digital infrastructure and significant resources, are positioned to capitalise on this change immediately. Smaller banks, constrained by limited technological capabilities and investment capacity, may struggle to implement these interoperability requirements effectively.

2.2 Ram Mohan Naidu: Transforming India's Aviation Sector[11]

Under Ram Mohan Naidu's leadership, the number of airports has increased from 74 in 2014 to 157, and daily air passengers have doubled to over 500,000. Naidu aims to prevent a duopoly between major carriers like IndiGo and Air India by simplifying the process for new airlines to enter the market.

He is also focused on enhancing the Maintenance, Repair, and Overhaul (MRO) sector, improving regional connectivity through the UDAN scheme, and ensuring fair pricing for consumers.

Additionally, efforts are underway to support financially challenged airlines and encourage state contributions to the industry's growth. Naidu's initiatives reflect a commitment to making air travel more accessible and competitive in India.

Food for Thought

Under Ram Mohan Naidu's leadership, several initiatives are actively fostering competition in India's aviation sector. Airport expansion and increased passenger volumes create new market opportunities for carriers.

The focus on developing MRO capabilities is particularly significant, as it can reduce operational costs for all airlines, making it easier for new players to enter and compete effectively. Furthermore, it can also service foreign airlines and earn foreign exchange.

The UDAN scheme's emphasis on regional connectivity opens up previously underserved markets, theoretically creating opportunities for smaller airlines to establish niche

10 The UPI Landscape: A New Era of Digital Payments in India

11 India's youngest minister Ram Mohan Naidu aims to transform civil aviation sector - The Economic Times

operations. These measures, combined with policies aimed at simplifying market entry, work together to create a more accessible and competitive aviation landscape.[12]

Despite these initiatives, there's a real risk of market concentration intensifying. IndiGo and Air India's dominance could become further entrenched as they leverage their economies of scale and extensive networks.

Smaller airlines struggling with financial viability, especially in regional routes, might find it increasingly difficult to compete effectively, potentially leading to a market structure that favours larger incumbents despite the intended reforms.[13]

2.3 Boosting Agri Competition: India's New Reform Push[14]

The Indian government has unveiled a draft national policy framework on agriculture marketing, proposing significant reforms to create a unified national agricultural market. Released in December 2024, the draft suggests establishing an **"empowered agricultural marketing reform committee"** of state ministers, similar to the GST panel, to drive uniform adoption of reforms across states.

Key proposals include implementing a single licensing/registration system, allowing private wholesale markets, enabling direct farm-gate purchases by processors and exporters, recognising warehouses as deemed markets, and establishing private e-trading platforms.

The policy also emphasises developing digital infrastructure using blockchain technology, AI, and machine learning to strengthen supply chains, with plans to create an improved version of e-NAM as a Digital Marketing Portal.

This initiative, coming three years after the repeal of previous farm laws, aims to build a vibrant marketing ecosystem that helps farmers of all categories secure the best prices for their produce while reducing transaction costs through integrated supply chains.

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12 Everything about Maintenance, Repair, Overhaul (MRO) | AIX

13 DGCA puts cash-strapped SpiceJet under its 'enhanced surveillance'; airline sends 150 cabin crew members on furlough | India News

14 https://timesofindia.indiatimes.com/india/govts-draft-policy-aims-to-build-unified-agriculture-market/articleshowprint/116840586.cms

Food for Thought

India's proposed agricultural marketing reforms aim to break down barriers to competition, but their success hinges on overcoming entrenched inefficiencies. A standardised licensing system and uniform market fees can level the playing field for farmers and traders, fostering a more competitive marketplace. However, states with vested interests in retaining control over local markets may resist these changes, potentially delaying implementation.

Introducing a price insurance scheme is a step toward mitigating market volatility, but if not designed carefully, it could inadvertently reduce market incentives for private players. Additionally, empowering state agricultural ministers to lead reforms requires strong coordination to prevent policy fragmentation.

The 2011 Committee of State Ministers on Agriculture Marketing, chaired by Harshvardhan Patil, proposed reforms to the APMC Act, including multiple market channels, independent regulation, and simplified trader licensing. Many recommendations were implemented through eNAM, allowing farmers options like farm gate sales and inter-state trade without physically transporting commodities. Progressive digital integration has proven effective, expanding to over 1,400 mandis driven by state demand. Despite this, technology adoption remains gradual, with inter-state and inter-mandi trade still limited. State-level support and policy flexibility have been crucial, such as relaxing norms for traders. Trade turnover rose by 110 per cent over five years.[15]

Henceforth, to ensure success, the framework must address the concerns of smaller market participants, including marginal farmers, while promoting private sector participation. Balancing regulation and liberalisation will be key to creating a competitive, efficient agricultural marketing system that benefits all stakeholders.[16]

2.4 EV Charging Market Overhaul: India's Competitive Leap[17]

The Indian Ministry of Power has proposed draft amendments to boost competition in the electric vehicle (EV) charging infrastructure sector by reducing regulatory barriers and promoting private sector participation. Key elements include interoperability

15 State Agriculture Marketing Ministers' Committee Calls for Amending APMC Act and Notifying Rules

16 View of Agricultural Reforms in India

17 Ministry Of Power Unveils Draft Amendments To Boost EV Charging Infrastructure - EMobility+

standards for charging stations to ensure compatibility with various EV models, fostering fair competition and broader consumer access.

The draft encourages public-private partnerships (PPPs) to drive innovation and improve service delivery while suggesting transparent pricing frameworks to prevent anti-competitive practices. Stakeholder feedback is welcomed to shape the competitive landscape, and integrating renewable energy offers additional opportunities for green solutions.

Overall, amendments aim to create a more open market that attracts investment and benefits consumers through better services and pricing.

Food for Thought

The government's draft amendments for EV charging infrastructure present a pivotal opportunity to foster competition in a rapidly growing sector. Interoperability standards can democratise access by ensuring compatibility across diverse EV models, reducing dependence on proprietary systems. This move could stimulate private sector innovation while lowering entry barriers for smaller players. However, challenges remain.

Larger, well-capitalised firms may dominate the market, leveraging economies of scale to outcompete smaller providers. Transparent pricing frameworks are essential to prevent monopolistic or anti-competitive practices that could disadvantage consumers and smaller competitors.[18] *Encouraging PPPs is promising, but equitable participation from diverse stakeholders must be ensured.*

Moreover, integrating renewable energy into charging networks offers environmental and economic benefits but requires coordination to avoid cost disparities. The proposed reforms must balance fostering a competitive market, incentivising innovation, and ensuring fair access for all players, ultimately benefiting consumers and the EV ecosystem.

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18 Competition in the ₹20-30 lakh segment will boost EV sales. Govt must offer more incentives

2.5 Market Trends, Digital Trade, and Policy Shifts[19]

The article discusses India's economic and market trends, focusing on indices like Nifty 50 and BSE Sensex. It highlights the growth of e-NAM, a digital platform for agricultural trade that has integrated over 1,400 *mandis*, facilitating inter-mandi and inter-state trading for better price discovery.

Additionally, it mentions the integration of more *mandis* in Rajasthan. It provides updates on the Lucknow-Dehradun Vande Bharat Express and the upcoming Electronic Travel Authorisation for visitors to the UK in January 2025.

The text also covers stock market performance, including top gainers and losers from NSE and BSE, and current commodity rates in Jaipur, such as gold, silver, petrol, and diesel prices.

Food for Thought

India's digital transformation in agriculture, highlighted by e-NAM's integration of over 1,400 mandis, underscores a shift towards a competitive and transparent marketplace. While this platform fosters inter-state trade and better price discovery, its success depends on equitable participation. Smaller mandis and marginal farmers might face challenges competing with larger, more digitally adept players, potentially widening market disparities. Ensuring robust digital literacy programmes and infrastructure is essential for inclusive growth.[20]

The focus on infrastructure, such as the Lucknow-Dehradun Vande Bharat Express, enhances regional connectivity and economic competition, boosting market accessibility. However, integrating local economies into these developments remains critical to avoid regional imbalances.

In capital markets, while indices like Nifty 50 and BSE Sensex reflect robust growth, fostering participation from smaller investors and businesses can diversify competition. Comprehensive reforms must address disparities in access and infrastructure to create a truly competitive and inclusive economic environment.

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

20 The start of online inter-state trade through the e-NAM portal this month is a landmark achievement in e-NAM history

2.6 RBI's UPI Rule: Revolutionising Digital Payments[21]

The Reserve Bank of India (RBI) has introduced a significant change in digital payments by allowing Prepaid Payment Instruments (PPIs) like mobile wallets to be accessed through third-party UPI applications. Previously, PPI users could only make UPI payments through their wallet provider's application (e.g., MobiKwik users were limited to Pocket UPI).

With this new rule announced on December 27, 2024, users can now link their PPI wallets to any third-party UPI app of their choice, such as Google Pay or BHIM, regardless of the wallet provider. This move enhances flexibility for over 500 million Indian users and is expected to boost the adoption of digital wallets by removing compatibility constraints.

The change addresses a key limitation in the digital payment ecosystem by enabling seamless interoperability between different payment platforms and mainstream banking services.

Food for Thought

The RBI's decision to enable interoperability between PPIs and third-party UPI apps marks a significant step toward fostering competition in India's digital payment ecosystem. This move empowers users to choose their preferred UPI apps by breaking compatibility barriers and eliminating dependency on specific PPI providers.

This increased flexibility could drive innovation as PPI providers and UPI platforms compete to offer better features, seamless integration, and enhanced user experiences. However, smaller PPI providers might face challenges in keeping up with established players, potentially leading to market consolidation if not addressed through supportive measures.[22]

Interoperability also raises questions about data security, transaction transparency, and equitable revenue-sharing models between PPIs and UPI platforms. Balancing competition with collaboration will be crucial to maintaining a fair, efficient, and secure

[21] PPI interoperability: How is RBI's new UPI rule set to ease digital payments? An explainer | Mint

[22] Amendments to the PPI Master Directions: RBI allows linking of PPIs with UPI handles on third-party applications - azb

payment system. Ultimately, this reform has the potential to reshape the digital payment landscape, benefiting consumers and spurring sector-wide growth.[23]

2.7 Railways Explore PPP Model for New Projects[24]

The Indian Railways is strategically shifting towards a PPP model for developing new infrastructure projects, as announced in December 2024. This move follows an infrastructure review meeting where it was determined that the railways should diversify beyond its traditional engineering, procurement, and construction mode.

The focus will be developing new commercial lines, including mineral corridors while keeping sensitive decisions about fares and passenger movement under the Railway Board's control. Despite this shift to PPP, the railways are expected to receive increased capital expenditure in the FY26 budget, building upon the current fiscal year's ₹2.62 lakh crore allocation.

The initiative includes three major economic corridor programmes for energy, minerals, and cement movement, with an estimated cost of ₹5.25 lakh crore by 2031. Additionally, 114 port-rail connectivity projects worth ₹1.00 lakh crore are underway under the Sagarmala programme, with 49 projects already completed as of March 2024.

The PPP corridors will be modelled on the existing Merry-Go-Round networks used for dedicated short-haul freight, where beneficiaries fund tracks while the railways manage operations and provide rolling stock.

Food for Thought

India's adoption of a PPP model for developing new infrastructure, including mineral corridors, introduces a competitive landscape with significant implications. The government aims to alleviate financial pressures by involving private investment while increasing capital allocation for social sectors.

This policy invites private players to engage more deeply in infrastructure projects, sparking competition to secure lucrative contracts and drive project execution efficiency.

[23] RBI permits UPI access for prepaid payment instruments through third-party apps; what does this mean - BusinessToday

[24] Railways look to lay PPP track for new projects - The Economic Times

While PPPs have had limited success, the expected capital expenditure boost in the FY26 budget signals a more robust approach, attracting local and international investors.

The case of the termination of private passenger train bids signifies the lack of private sector participation in Indian Railways highlighting the need for balanced frameworks that cater to both public and private stakeholders. The failure to attract sufficient private bids for passenger train operations underscored the challenges posed by unfavourable concession rules, lack of regulatory mechanisms, and limited route flexibility. In contrast, the renewed push for PPPs in freight and infrastructure projects, such as mineral corridors, signals a shift in strategy to share costs and enhance efficiency.[25]

These lessons emphasise the importance of clear policies, equitable risk-sharing models, and operational autonomy to foster successful collaborations while aligning with national infrastructure goals. Therefore, competitors within the private sector will need to refine their strategies to offer innovative solutions, cost-effective models, and timely execution to secure a foothold.[26]

2.8 eBKray Platform: Revolutionising India's Stressed Asset Markets[27]

The Insolvency and Bankruptcy Board of India (IBBI) has introduced a significant change in the auction process for stressed assets under insolvency law by mandating the use of a centralised electronic platform called eBKray.

This platform, developed in collaboration with the Indian Banks' Association (IBA) and managed by PSB Alliance Private Limited, aims to maximise liquidation value and improve creditor recovery. The new system addresses the current information asymmetry issues where asset details are only revealed at auction time, limiting potential buyers' assessment capabilities.

The eBKray platform will provide comprehensive information about corporate debtor assets, including photographs, videos, and geographical coordinates, making them continuously available to the public.

While the current recovery rate stands at 91 per cent of liquidation value but only three percent of admitted claims, this new centralised approach is expected to enhance

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25 Railways terminates Rs 30,000 cr private passenger train bid process; fresh tenders soon - BusinessToday

26 Public-Private Partnerships for Transport

27 Auction of stressed assets now via centralised platform - Economy News | The Financial Express

transparency and bidder access. The platform will initially be deployed in pilot mode before a full-scale rollout is announced.

Food for Thought

The introduction of eBKray, a centralised electronic platform for the auction of stressed assets, marks a transformative shift in India's insolvency landscape. This platform, developed under the guidance of the IBBI, mandates the disclosure of detailed asset information early in the resolution process. By providing potential buyers with comprehensive data — including photographs, videos, and geographical coordinates — eBKray significantly enhances transparency, addressing the long-standing issue of information asymmetry that previously deterred fair competition.

This transparency empowers buyers to conduct thorough asset value assessments, enabling more informed decision-making. Centralising auctions on a single platform fosters a more competitive market environment by simplifying access for a broader pool of domestic and international investors.

Increased competition drives up asset recovery rates and enhances efficiency and innovation within the stressed asset market.[28] Centralising auctions under one platform promotes a competitive market, encouraging more bidders and potentially driving up asset recovery rates.

However, this shift could intensify competition among private firms and public sector banks, requiring greater investment in due diligence, technological capacity, and strategic bidding. The move is poised to attract a broader pool of investors, driving efficiency and innovation while ensuring a fairer, more competitive marketplace for stressed assets.

2.9 Manufacturing Sector: Impact of Competition [29]

The article discusses India's manufacturing revival strategy and progress as of late 2024. The Production-Linked Incentive (PLI) schemes across 14 sectors have shown significant results, with Rs 1.5 lakh crore in investments, Rs 12.5 lakh crore in increased production sales, and 1.05 million new jobs created. While sectors like mobile

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28 IBBI

29 Scripting India's manufacturing revival: Rationalisation of GST, strengthening of IBC & NCLT on agenda to improve ease of business - The Economic Times

manufacturing, medical devices, and bulk drugs are performing well, others like steel and textiles lag.

To further enhance manufacturing growth, experts recommend several key measures: rationalising GST, strengthening the bankruptcy code and NCLT system, improving credit access for MSMEs (which face a US$500bn credit gap), focusing on product design capabilities, establishing a national land allocation policy for mega factories, and securing favourable free trade agreements.

The government's 2024-25 Budget has announced a six-month window to review customs duty structure, aiming to address duty inversion issues across industries.

Food for Thought

India is boldly enhancing competition in its manufacturing sector, with PLI schemes at the forefront. Covering 14 sectors, these initiatives have already drawn significant investments, showcasing strong interest from diverse manufacturers. However, the real challenge lies in effectively implementing key reforms like GST rationalisation, strengthening the bankruptcy code, and improving the NCLT system. These measures are essential to simplifying market entry and exit, ultimately boosting competition.

Efforts to improve credit access for MSMEs using innovative GST-based assessment methods are a step in the right direction, aiming to level the playing field. The focus on better product design and favourable trade agreements further reflects India's determination to enhance its global competitiveness. However, success will depend on careful execution and regular monitoring to avoid unintended barriers.

The article underscores India's ambitious strides towards fostering competition in its manufacturing sector, primarily through PLI schemes. These initiatives, spanning 14 sectors, have attracted substantial investments, reflecting a robust response from diverse manufacturers.

However, the actual test lies in implementing proposed policy measures such as GST rationalisation, bankruptcy code strengthening, and NCLT system improvements. These reforms are crucial for streamlining market entry and exit, thereby enhancing competitive dynamics.

Yet, the success of these initiatives hinges on meticulous execution and continuous monitoring to ensure they deliver the intended benefits without creating new barriers to entry.[30]

3. Inhibiting Competition

3.1 Privatisation: Balancing Competition and Public Good[31]

Martin Wolf examines the UK's 40-year experience with privatisation, noting its success in competitive markets like British Telecom and British Airways, where informed consumers drove efficiency. However, sectors such as water and railways faced challenges due to monopolistic structures limiting consumer choice, leading to issues like rent extraction and environmental cost dumping.

The extension of privatisation into public services, including care homes and prisons, raised significant concerns, particularly for vulnerable populations unable to switch providers. Critics argue for alternative models, such as local authority management, to improve care standards.

Wolf emphasises the need for effective regulation in non-competitive environments and calls for re-evaluating privatisation boundaries to meet societal needs better, aligning economic principles with public welfare.

Food For Thought

Wolf's examination of the UK's 40-year privatisation journey highlights a dichotomy in its outcomes. While British Telecom and Airways thrived in a competitive market driven by informed consumers and efficiency, sectors like water and railways, characterised by monopolistic structures, struggled. Due to limited consumer choice, these sectors saw issues such as rent extraction and environmental neglect.[32]

The extension of privatisation into public services, including care homes and prisons, further complicates the narrative. Vulnerable populations, unable to switch providers,

30 2024 Year-End Review for the Department for Promotion of Industry and Internal Trade

31 The benefits and limits of privatisation

32 Shaping the Competition and Building Competitive Advantage in the Global Telecommunication Industry: The Case of British Telecommunications Plc

face significant risks, raising questions about the suitability of privatisation in these areas. Critics advocate for local authority management to enhance care standards.[33]

Wolf's emphasis on the necessity of effective regulation in non-competitive environments is crucial. Re-evaluating the boundaries of privatisation to align economic principles with public welfare is essential. Ensuring that privatisation serves societal needs without compromising quality and fairness remains a critical challenge for policymakers.

3.2 SEBI's Market Shake-Up: Benchmark Battles[34]

The Securities and Exchange Board of India (SEBI) has introduced new regulations to simplify trading in the equity futures-and-options (F&O) segment, limiting weekly options contracts to one benchmark index per exchange. As a result, the popular Bank Nifty weekly options on the National Stock Exchange (NSE) ended on November 13 after eight years.

These changes may reshape the derivatives trading landscape in India by reducing market complexity and curbing excessive speculation, potentially improving stability but impacting liquidity and trading volumes. Exchanges will now compete for trading volumes on their chosen index, with the NSE needing to enhance its offerings after losing Bank Nifty. Meanwhile, other exchanges might innovate to seize market share.

Food for Thought

SEBI's new F&O regulations present a fascinating study of multi-layered competitive effects. While the restriction to one benchmark index per exchange limits competition at first glance, it potentially creates a more focused competitive landscape where exchanges must innovate and differentiate their offerings to attract trading volumes. Eliminating Bank Nifty weekly options from NSE, while reducing choice for traders, could spark innovation as exchanges vie to develop attractive alternative products within the regulatory framework.

There is also an interesting tension between market stability and competitive dynamism - while reduced complexity might enhance market stability, it could affect liquidity and trading volumes, potentially altering the competitive position of different market players.

33 Assessing the Risks in the Private Provision of Essential Services
34 NSE's monopoly was unshakeable. Until now

The regulation forces exchanges to decide which index to prioritise, potentially leading to more specialised and differentiated market offerings rather than direct competition on identical products. Moreover, this could lead to an interesting evolution in how exchanges compete - shifting from competing primarily on existing products to competing through product innovation and service quality.[35]

The long-term competitive implications depend on how effectively exchanges adapt their strategies and how traders redistribute their activities across different products and venues.

3.3 Digital Public Infrastructure: Innovation vs. Regulation[36]

The article critiques the expanding use of Digital Public Infrastructure (DPI) in India beyond its original purpose of improving public service delivery. While DPI initiatives like Aadhaar and UPI have been successful in their intended roles, the government is now attempting to use DPI to address market competition issues, as seen with ONDC **(Open Network for Digital Commerce).**

The authors argue this approach carries three major risks: it strains state resources, can lead to market failures, and compromises regulatory integrity. They cite UPI as an example where, despite its success, RBI's regulations have restricted competition in the instant payments space.

The authors maintain that competition regulation should remain with independent antitrust authorities rather than being addressed through state-led DPI initiatives, particularly in sectors like e-commerce, where public interest concerns are less pressing than in areas like healthcare. This article analyses how India's DPI strategy might be overreaching.

Food For Thought

The expansion of DPI into market competition domains raises fascinating questions about the intersection of state intervention and market dynamics. While DPI platforms like UPI have successfully democratised access to digital payments, their use for addressing market competition issues presents a complex paradox - can state-led digital

35 Sebi’s 6 new rules for F&O trading: What it means for retail investors - India Today

36 Digital public infrastructure: A dubious way to foster competition | Mint

infrastructure initiatives effectively foster competition, or do they risk creating new forms of market distortion?

The case of ONDC illustrates this tension, where the government's attempt to level the e-commerce playing field through digital infrastructure might complicate the competitive landscape. The criticism that DPI expansion could strain state resources and compromise regulatory integrity points to a fundamental question about the appropriate tools for promoting market competition - whether traditional antitrust regulation, with its focused mandate and independent oversight, might be more effective than broad-based digital infrastructure solutions.

There's also an interesting dimension regarding the balance between innovation and regulation. While DPI can lower entry barriers and enhance market accessibility, the accompanying regulations (as seen in UPI) might inadvertently restrict competition in ways that traditional antitrust regulation would seek to prevent.

The broader implication for competition policy is whether market competition issues are better addressed through structural interventions like DPI or through more targeted regulatory approaches that maintain clear boundaries between infrastructure provision and market regulation.[37]

3.4 MTNL Bailout: Competition at Risk in Telecom Market[38]

The Indian government is developing a comprehensive bailout package for the struggling state-owned telecom company MTNL, which operates in Delhi and Mumbai. The rescue plan, reported on 24th October 2024, aims to prevent MTNL from entering the National Company Law Tribunal (NCLT) to avoid setting a concerning precedent for other public sector companies.

A Committee of Central Government Secretaries has been formed to create a revival strategy, which may require a long-term fund injection of approximately ₹8,000 crore. The package could include debt restructuring, fresh capital infusion, workforce reduction through voluntary retirement schemes, and a potential merger with another state-owned operator, BSNL.

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[37] What to expect for digital public infrastructure in 2024 | World Economic Forum.

[38] Indian Government is working on a bailout package for MTNL

Food For Thought

The proposed MTNL bailout presents a complex interplay between public sector preservation and market efficiency. The intervention raises fundamental questions about competitive neutrality in the telecommunications sector - whether sustaining a loss-making state enterprise through government support creates market distortions that disadvantage more efficient private operators.

The situation highlights the tension between social objectives (maintaining public sector employment and telecommunications infrastructure) and market principles, where the ₹8,000 crore rescue package effectively subsidises inefficiency at taxpayers' expense.

The potential merger with BSNL adds another dimension of competition - whether consolidating state-owned operators would create a more viable entity or simply compound inefficiencies while increasing market concentration. There is also a broader policy question about the role of state-owned enterprises in competitive markets - whether maintaining them through bailouts serves any genuine public interest purpose or merely perpetuates market inefficiencies.[39] It is worth recalling here that Air India was privatised despite much opposition because its balance sheet was haemorrhaging.

The precedent-setting nature of avoiding NCLT proceedings suggests a concerning pattern where competitive market principles might be subordinated to political considerations in public sector enterprises. This raises the critical question of whether such interventions ultimately harm long-term market development by disincentivising efficiency improvements and innovation across both public and private sectors.

[39] The impact of state aid on competition: an economic framework for the European Commission