COMPETITION DISTORTIONS IN INDIA – A CUTS DOSSIER

(CDI 70: October-December, 2025)

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

This periodic dossier produced by CUTS International examines the policy interface affecting competition in India, which can be both positive and negative. 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,

New Year Greetings!

We are pleased to present Competition Distortion Dossier #70 for Q4 2025 (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 first section looks at India's trade policy where the government has lowered basic custom duty on steel, imposed anti-dumping duty on Vietnamese steel and the sound decision to roll back QCOs for many industrial and intermediate products.

The second section assesses policies aimed at fostering competitive markets, focusing on steps to support fair competition, such as discussions to abolish the antiquated Statutory Liquidity Ratio, new insurance rules that allow up to 100 per cent of Foreign Direct Investment, and, most importantly, the opening of the nuclear sector to private participation.

The final section explores policies that inadvertently stifle competition as seen in the Goa taxi sector, where weak enforcement allows restrictive and exploitative practices, in banking, where limits on new entrants constrain competitive dynamics, and in the gas sector, where contractual and regulatory rigidities continue to favour incumbents.

As we write this edition, the risks of excessive concentration are playing out in real time in the aviation sector. The recent IndiGo disruption, driven by operational lapses and regulatory non-compliance, affected thousands of passengers nationwide and triggered a sharp surge in fares due to the airline's dominant market share. With limited alternatives available, a firm-specific failure quickly became a system-wide problem, underscoring the importance of competitive markets for resilience, fair pricing, and consumer protection.

This concern is not limited to aviation. Issues such as staff fatigue and operational overstretch are even more acute in road-based transportation, where long driving hours and a lack of safety norms frequently result in serious accidents and loss of life. When markets are poorly regulated, cost pressures and a lack of accountability often lead to unsafe practices, with human consequences far graver than inconvenience or higher prices.

We hope you enjoy reading these stories as much as we did in bringing them together. Please circulate this bulletin within your networks to help build greater awareness and support efforts to strengthen competition, safety, and sustainable economic growth.

Cheers!

Contents

1. Trade Policies

1.1 Duty reset sought for wind power inputs[1]

India’s Ministry of New and Renewable Energy has proposed reducing the 15 per cent basic customs duty on speciality steel used in wind turbine gearbox manufacturing in the upcoming Union Budget to support domestic production. Currently, imported gearboxes attract a lower duty (7.5 per cent) than raw speciality steel, making imports more cost-competitive and discouraging local manufacturing.

India currently imports nearly all of its speciality steel, and around 60 per cent of the wind turbine gearboxes used domestically are imported. The proposed duty correction aims to address this inverted tariff structure, boost local component production, and reduce reliance on overseas suppliers. The government is also pushing for greater localisation of wind turbine components, including prototype testing of domestically manufactured parts by 2027.

Food for Thought

India’s effort to rationalise the basic customs duty on high-grade speciality steel, a key input for wind turbine gearboxes, underscores a strategic push to address an “inverted duty structure” that made imported gearboxes cheaper than domestically assembled ones. Right now, steel used in gearboxes faces 15 percent duty, whereas fully-built gearboxes attract 7.5 percent, which discourages local manufacturing. The proposal to reduce this anomaly could make Indian production more cost-competitive and energise the domestic supply chain. For the Indian market, this shift holds broader implications.

Firstly, lower raw-material costs will reduce barriers for component manufacturers, enabling firms such as ZF Wind Power in Tamil Nadu and Indian gearbox manufacturers to scale up output, invest in technology, and expand into higher-capacity segments previously dominated by imports. This fosters not just jobs but deeper industrial capabilities.[2] *Secondly, strengthening local inputs in the wind energy ecosystem aligns with the Make in India’s goal. It helps the nation reduce its dependence on imports, particularly from China, a longtime supplier. China is reported to supply roughly 60 percent of wind gearboxes, which can enhance supply-chain resilience.*

Thirdly, healthier cost structures for domestic components will make renewable projects more affordable overall, encouraging broader deployment of wind capacity. As wind

[1] https://www.livemint.com/economy/india-wind-power-local-manufacturing-boost-specialty-steel-customs-duty-gearbox-11765268600244.html

[2] ZF Wind Power's Tamil Nadu plant rolls out 50 GW of wind gearboxes - The Economic Times

capacity grows alongside solar and other renewables, lowering equipment costs will accelerate India's transition to cleaner energy, help meet its emission targets, and stimulate investment in associated industries. Ultimately, tweaking the duty policy is weak. Still, it can reshape competitive dynamics in the country, spur local innovation, and reinforce India's role in the global renewable energy manufacturing landscape.

1.2 India weighs import tariff on select steel products[3]

India is considering imposing an import tariff (safeguard duty) on certain steel products to protect domestic manufacturers from cheaper imports, especially from China. This follows an earlier temporary 12 percent safeguard duty that was applied in April but recently expired. The Directorate General of Trade Remedies (DGTR) earlier recommended a longer-term tariff of 11-12 percent for about three years.

The proposed measure aims to reduce the vulnerability of India's steel sector to price-competitive imports and curb the surge in finished steel entering the market. The Finance Ministry has yet to officially comment on the proposal, which reflects ongoing efforts to support the domestic industry amidst global trade pressures.

Food for Thought

India is considering extending the safeguard duty (import tariff) on select steel products to counter a surge in cheaper foreign steel, particularly from China. This policy shift follows a recent temporary 12-month duty and reflects mounting concerns about the domestic industry's ability to withstand price-driven competition.

Extending tariffs beyond those already scheduled for steel imports is a protectionist measure that presents both opportunities and risks for the domestic market. On the positive side, tariffs can shield local producers from sudden import surges, helping Indian steelmakers preserve market share, maintain capacity utilisation, and sustain profitability. In an industry where underutilisation and margin pressures have been significant challenges, targeted tariffs could provide a breathing space for investment, innovation, and domestic value addition, aligning with long-term goals such as enhanced self-reliance and employment growth in manufacturing clusters.[4]

However, such a move also triggers broader market repercussions. Higher tariffs raise the cost of imported steel, a crucial input for downstream sectors such as automobiles, infrastructure, renewable energy, and machinery. This can further create inflationary

3 https://economictimes.indiatimes.com/industry/indl-goods/svs/steel/india-considering-import-tariff-on-some-steel-products-source-says/articleshow/125560257.cms?from=mdr

4 Anti-dumping agency recommends 12% safeguard duty on steel import

pressures on consumers. For these industries, rising input costs can erode competitiveness, raise prices for end consumers, and intensify inflationary pressures in the economy. Industries that depend on imported grades or specialised steel may find domestic substitutes either unavailable or more expensive, complicating production planning and investment decisions.

Another dimension is the global trade environment. Tariffs can trigger retaliatory measures and trade disputes, potentially affecting exports and cross-border supply chains. India's engagement in international markets, whether negotiating free trade agreements (FTAs) or defending its interests at the WTO, could be influenced by openness.

Ultimately, while import tariffs may shore up segments of the domestic steel industry in the short term, their broader impact on input costs, industrial competitiveness, and global trade relations warrants careful calibration. The policy question is not just whether tariffs protect producers, but how they shape a competitive, resilient, and integrated Indian manufacturing ecosystem.

1.3 Anti-dumping Duty on Vietnam Steel for Five Years[5]

India has imposed an anti-dumping duty on certain hot-rolled flat steel products imported from Vietnam for the next five years to protect its domestic steel industry. The DGTR found that Vietnamese steel was being sold in India at prices below the normal value, causing material injury to local producers and posing a threat of further harm.

A duty of US$121.55 per tonne will apply, though steel from Hoa Phat Dung Quat Steel JSC is exempted. The move aims to prevent rerouting of Chinese steel through Vietnam and support domestic manufacturers such as JSW Steel and ArcelorMittal Nippon Steel India.

Food for Thought

India's recent decision to impose a five-year anti-dumping duty on certain hot-rolled flat steel products imported from Vietnam reflects an active trade policy intervention aimed at safeguarding domestic producers from unfairly priced imports. The DGTR found that these Vietnamese exports were being sold in India at below normal value and were causing material injury to Indian steel manufacturers. The duty, at approximately

5 https://economictimes.indiatimes.com/news/economy/foreign-trade/anti-dumping-duty-imposed-on-vietnam-steel-for-five-years/articleshow/125307463.cms?from=mdr

US$121.55 per tonne, is intended to correct this pricing distortion and level the competitive playing field.

From a domestic industry perspective, this move could be a significant positive signal. Protection from cheap imports allows Indian steelmakers to stabilise prices, protect margins, and improve capacity utilisation. With imports exerting downward pressure on local prices and profitability, this duty could help firms such as Tata Steel, JSW Steel, and others regain market share and invest more confidently in modernisation and capacity expansion. Greater pricing power and reduced reliance on imported steel may also support long-term goals under initiatives like Make in India and Atmanirbhar Bharat. Through anti-dumping measures, the government seeks to curb the growing monopoly power of Vietnamese steel in the Indian market.

However, there are broader market implications worth pondering. Higher import costs could raise input prices for downstream sectors that use hot-rolled steel, including automotive, infrastructure, capital goods, and fabrication, potentially translating into higher costs for end consumers. There is also a risk of trade retaliation or disputes if partner countries view the measure as overly protectionist, which could affect export dynamics and bilateral trade relations. Additionally, industries that depend on specific grades or quality of imported steel might face shortages or workarounds if domestic substitutes are limited.

1.4 China challenges India's solar, IT measures at WTO[6]

China has formally initiated a trade dispute against India at the WTO, challenging India's New policies on solar cells, solar modules, and information technology (IT) goods. China alleges that India's tariffs, import duty treatment, and conditions tied to Production Linked Incentive (PLI) schemes discriminate against Chinese products and violate WTO trade rules, including the General Agreement on Tariffs and Trade (GATT) and subsidies disciplines.

The complaint argues that incentives contingent on domestic value addition and higher tariffs on certain technology products disadvantage Chinese exports. China has requested dispute consultations with India under WTO procedures- the first step in the dispute settlement process—aiming to address these concerns through negotiations before potential panel proceedings.

[6] https://economictimes.indiatimes.com/industry/renewables/china-launches-trade-dispute-against-india-over-solar-cells-and-it-goods/articleshow/126141523.cms?from=mdr

Food for Thought

India has recently faced a formal WTO trade dispute initiated by China, challenging its tariff structures and support measures for the solar energy and information technology sectors. China alleges that India's tariff treatment and specific support policies, especially those tied to domestic content or PLI conditions, discriminate highly against Chinese imports and violate WTO rules on non-discrimination and subsidies.

On one hand, this development underscores the geopolitical and economic tensions shaping India's industrial strategy. India has been actively promoting greater domestic manufacturing capacity in renewables and technology through frameworks such as Make in India and PLI, and by imposing tariffs and incentivising local supply chains. By defending these measures, India aims to reduce import dependence, particularly on Chinese solar cells and modules, where China remains the dominant global supplier, while supporting nascent domestic industries.

However, the WTO dispute raises several critical reflections on market impacts. If India is found to violate trade rules, it may be required to modify or reverse specific protective measures, potentially reducing tariff-based support for domestic producers. This could slow the development of indigenous manufacturing in the solar and IT sectors, complicating policy goals related to strategic autonomy and clean-energy self-reliance. At the same time, adopting trade concessions amid global governance pressures might enhance India's reputation as a rule-abiding market economy, encouraging foreign investment and deeper integration into global value chains.

Another dimension is cost and supply chain dynamics: ongoing disputes and associated uncertainty could increase input costs for Indian firms that rely on imported technology components, at least in the short term. It also highlights the delicate balance India must navigate between protecting its domestic industry and complying with global trade norms. This tension will shape the competitiveness, cost structures, and international linkages of India's renewable and tech sectors in the years ahead.[7].

Given the WTO Appellate Body is dysfunction, China's dispute highlights the fairness of the Indian authorities. Even if the dispute is resolved, the losing party will file an appeal in this void. However, there is a plurilateral Multiparty Interim Appeals Arbitration that is resolving appeals, but China is a member; India is not.

7 China launches trade dispute against India over solar cells and IT goods | Reuters

1.5 US tariff push Indian exporters to diversify markets[8]

India's exporters are accelerating diversification into non-US markets following the imposition of steep UStariffs. Faced with uncertainty regarding a bilateral trade agreement and punitive duties, key sectors such as gems & jewellery, textiles & apparel, and marine products are shifting their focus to alternative destinations. Exports to China surged sharply, with notable growth also seen in Spain, the UAE and Tanzania.

Although shipments to the US declined, overall export performance improved, driven by new orders from emerging markets and earlier commitments. Industry participants report that broadening market access has helped mitigate the impact of high tariffs, underscoring the importance of diversification in sustaining export growth amid rising global trade tensions.

Food for Thought

Facing higher tariffs from the US, Indian exporters are increasingly diversifying into alternative markets, including the EU, Russia, South America, Africa, and other Asian regions. This shift has been driven by both tariff pressures and proactive policy responses aimed at reducing over-dependence on the US market through FTAs.

At a strategic level, this diversification could rewire India's export architecture. Moving beyond a narrow focus on one or two major destinations can enhance resilience against external shocks, such as punitive tariffs or geopolitical tensions. A broader market base will help exporters smooth demand cycles and reduce vulnerability to trade policy shifts in any single partner country.

For Indian industries, the effects are mixed but potentially transformative. On the positive side, segments such as seafood, plastics, and gems are already attracting new buyers in Europe, Africa, and Latin America. At the same time, expand revenue streams and create opportunities to scale production and enhance quality to meet diverse international standards. This kind of market expansion could also incentivise firms to invest in product differentiation and higher-value-added exports, thereby boosting long-term competitiveness.

However, diversification is not free of challenges. Some sectors still face structural barriers, including high logistics costs, compliance with diverse regulatory regimes, and the absence of deep market linkages in new regions. Smaller exporters and MSMEs, in

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8 https://www.financialexpress.com/business/news/braving-the-tariff-heat-us-tariff-accelerates-market-diversification-by-indian-exporters/4085485/

particular, may struggle to cover the upfront costs of entering unfamiliar markets without significant government support or bilateral trade agreements. But these are short-term impacts.

Ultimately, accelerated market diversification can be a strategic boon for India's export ecosystem, promoting resilience, reducing geopolitical risk, and broadening global engagement, but its success will depend on coordinated policy support, capacity building, and adaptive business strategies.

1.6 Aluminium makers seek rationalisation of import duty[9]

Secondary aluminium producers in India have urged the government to rationalise the 7.5 per cent import duty on primary aluminium, arguing that the current tariff structure undermines their competitiveness. They say that high duties on raw aluminium inflate costs for downstream MSMEs, where raw material can account for up to 80 percent of production costs. In contrast, many finished aluminium products enter India duty-free under FTAs, making imports cheaper than domestic output. This inverted tariff structure, combined with regulatory burdens like import monitoring and new quality controls, is squeezing smaller manufacturers. The industry warned that, unless duties are adjusted, domestic firms will struggle to compete both locally and globally, despite strong projected demand growth through 2030.

Food for Thought

India's secondary aluminium sector is primarily made up of MSMEs which has urged the government to rationalise the 7.5 percent import duty on primary aluminium, arguing that the current structure is hurting competitiveness. Primary aluminium constitutes up to 80 percent of production costs for downstream units, yet high duties inflate input prices, increasing costs for smaller producers.

At first glance, lowering tariffs on primary aluminium could reduce input costs for MSMEs, helping them compete more effectively in both domestic and export markets. Lower raw-material duties can ease price pressures, improve margins, and potentially lead to greater employment and technological upgrading in a sector central to India's expanding value chains for vehicles, consumer goods, and construction materials. This will broaden market participation beyond a few large producers and enable smaller firms to innovate and scale.

[9] https://www.theweek.in/wire-updates/business/2025/11/20/dcm122-biz-aluminium-duty.html

However, this proposal also invites more profound reflection on policy coherence and industrial strategy. High import duties on primary aluminium were intended to protect domestic producers and reduce dependence on imported metal. Rationalising these duties could expose local producers to import competition, risking margin compression for larger players and possibly discouraging investment in upstream capacities.

There is also a broader supply-chain dimension: consistent duty structures aligned with global quality and environmental standards will strengthen India's position in sustainable aluminium production. Rationalisation could incentivise better integration between the secondary and primary sectors, reduce waste, and enhance circular-economy outcomes when paired with quality standards and recycling incentives.

1.7 Commerce Ministry weighs faster response to dumping[10]

Amid ongoing rollbacks of Quality Control Orders (QCOs) for many industrial products, India's Commerce Ministry is considering ways to respond more quickly to concerns of dumping raised by domestic industries. With standards being eased across more than 20 items—a figure that could rise to 208 if NITI Aayog's recommendations are implemented—imports are expected to grow, increasing the risk of dumped or low-priced goods entering the market.

The DGTR is exploring provisional measures to fast-track anti-dumping investigations and take action where there is clear evidence of injury to Indian producers. The aim is to balance trade-friendly policy changes with safeguards for local industry.

Food for Thought

India's recent move to roll back several QCOs, while simultaneously strengthening its capacity to respond swiftly to dumping concerns, marks an essential recalibration of trade and industrial policy in an era of deep globalisation. This shift reflects a growing recognition that blanket regulatory barriers, though well-intentioned, can sometimes undermine the very objectives they seek to achieve.

QCOs were initially introduced to protect domestic manufacturing, particularly MSMEs, by ensuring quality standards and reducing dependence on low-quality imports. However, ground-level evidence from sectors such as stainless steel suggests that these

[10] https://www.msn.com/en-in/news/india/with-qco-rollbacks-underway-commerce-ministry-weighs-quick-response-to-dumping-concerns/ar-AA1QGjpH?ocid=msedgntp&pc=HCTS&cvid=691d1f2194d34dc580571bd14f3aa96f&ei=85

measures often failed to deliver those outcomes.[11] Instead of empowering MSMEs, QCOs constrained their access to essential raw materials and intermediate inputs, raised compliance costs, and disrupted supply chains. In practice, they disproportionately favoured large incumbents with existing certifications and financial muscle, while smaller firms struggled to adapt.

Rolling back such orders can therefore ease supply bottlenecks, lower input costs, and restore operational flexibility for Indian manufacturers, particularly MSMEs that rely on global sourcing to remain viable. In a globalised production system, access to competitively priced inputs is crucial for firms seeking to integrate into global value chains and expand exports. Reduced regulatory friction can also improve India's credibility as an open, predictable trading partner.

At the same time, the government's intent to strengthen anti-dumping mechanisms signals a more nuanced approach: openness without vulnerability. Rather than pre-emptively restricting imports through rigid controls, India appears to be shifting toward evidence-based trade remedies that comply with WTO norms and address specific cases of unfair pricing.

2. Promoting Competition

2.1 DGCA submits restructuring report to protect consumers[12]

India's aviation regulator, the Directorate General of Civil Aviation (DGCA), has submitted a restructuring report to the government proposing its transformation into a more autonomous body, similar to telecom and securities regulators such as Telecom Regulatory Authority of India (TRAI) and Securities and Exchange Board of India (SEBI). The move aims to strengthen aviation safety oversight and better protect air travellers' interests amid rapid growth in air traffic and persistent challenges, including staff shortages.

The proposed Civil Aviation Authority (CAA) would be financially and administratively independent, potentially funded through modest charges on flyers and empowered to offer competitive salaries and invest in advanced technology. A dedicated consumer

11 https://vajiramandravi.com/current-affairs/how-quality-control-orders-hurt-indias-msmes-and-export-competitiveness/#:~:text=While%20India%20opens%20its%20markets,cost%20competitiveness%20for%20downstream%20manufacturers

12 https://timesofindia.indiatimes.com/india/dgca-submits-restructuring-report-to-govt-dedicated-system-for-protecting-consumer-interest-likely/articleshow/125443924.cms

protection mechanism is also likely to be introduced to ensure prompt redressal of passenger grievances once the government reviews and approves the plan.

Food for Thought

The proposal to restructure the aviation regulator into a more autonomous sectoral authority reflects a recognition that India's rapidly expanding aviation sector requires a governance framework that is both robust and responsive. Greater financial and administrative independence could allow the regulator to attract skilled personnel, invest in modern oversight tools, and move beyond capacity constraints that have long affected safety supervision.

A dedicated consumer protection system within the regulatory framework could mark a meaningful shift in how passenger grievances are addressed. As air travel becomes more accessible and traffic volumes continue to rise, timely and effective redressal mechanisms will be essential to maintaining public trust in the sector. Clear accountability and transparent processes can also encourage airlines to improve service standards.

More broadly, the move signals an institutional evolution towards day-to-day regulatory models that combine technical knowledge with independence from day-to-day administrative pressures. If implemented carefully, such a framework could balance industry growth with safety, efficiency, and consumer welfare, setting a stronger foundation for the long-term sustainability of India's aviation ecosystem. This could also effectively reduce entry barriers for new entrants and enhance market competitiveness by establishing a separate sectoral authority.

2.2 Scrap the statutory liquidity ratio to avoid banking complacency[13]

This argues that India should abolish the antiquated Statutory Liquidity Ratio (SLR), which forces banks to hold a large share of their assets in government securities and gold, limiting their ability to lend to productive sectors. The commentary claims that SLR is a growth-killing relic that diverts capital from entrepreneurs, SMEs, and infrastructure financing, thereby hindering credit flow and economic expansion.

With modern tools such as the Liquidity Coverage Ratio and other RBI instruments already ensuring financial stability, retaining the SLR is viewed as redundant and

[13] https://economictimes.indiatimes.com/opinion/et-commentary/shielding-banks-with-the-antiquated-statutory-liquidity-ratio-only-breeds-complacency-abolish-it/articleshow/125417429.cms?from=mdr

complacency-inducing. Phasing it out, possibly over five years, could unleash credit growth, deepen financial markets, and support India's development ambitions.

Food for Thought

Retaining the statutory liquidity ratio in its current form continues to insulate banks from competitive pressures by guaranteeing a captive demand for government securities. By mandating that a large portion of bank assets be held in low-risk instruments, SLR reduces incentives for banks to compete actively for borrowers, innovate in credit assessment, or develop new lending products for underserved segments such as small businesses and new enterprises.

Phasing out SLR could meaningfully strengthen competition within the banking sector. As banks gain greater freedom to deploy capital, they would be compelled to compete more actively for viable borrowers, price credit more efficiently, and differentiate themselves through service quality and risk management. This would also help level the playing field between banks and non-bank lenders, encouraging a more dynamic credit market rather than one skewed by regulatory compulsion.

In a system where liquidity and stability are already safeguarded through modern prudential tools, reducing reliance on SLR could foster deeper financial markets and more efficient capital allocation. Greater competitive pressure among banks would not only improve access to credit but also spur innovation and responsiveness, aligning financial intermediation more closely with India's long-term growth and development objectives.

2.3 New insurance rules open merger, listing oppotunities[14]

The Government of India has introduced new insurance-sector regulations that create new avenues for mergers and public listings, primarily driven by the liberalisation of the industry's foreign investment framework. Under the reforms, 100 percent foreign direct investment (FDI) is now permitted in insurance firms, enabling greater foreign capital, strategic consolidation, and stronger competition across the sector.

These changes are expected to encourage mergers and acquisitions, allow insurers to restructure more flexibly, and attract global investors seeking a larger share of India's growing insurance market. With enhanced regulatory clarity and expanded investment routes, the insurance industry could see increased innovation, financial resilience, and broader market participation.

[14] https://timesofindia.indiatimes.com/business/india-business/new-insurance-rules-open-fresh-merger-listing-routes/articleshow/126109918.cms

Food for Thought

Opening the insurance sector to full foreign investment and establishing clearer merger and listing pathways constitute a structural shift in how competition and scale evolve in the industry. By easing ownership and restructuring constraints, the reforms lower entry and expansion barriers, making it easier for both domestic and global players to participate more actively in the market.

Greater flexibility in mergers and public listings is likely to reshape market dynamics. Insurers can now consolidate to achieve scale, diversify risk, and improve operational efficiency, while new entrants and niche players gain credible exit and growth options through capital markets. This combination can intensify competition by pushing firms to innovate in product design, pricing, and distribution rather than relying on regulatory protection.

Over time, broader participation and deeper capital pools could strengthen the sector's financial resilience and expand insurance penetration. As competition intensifies and business models evolve, consumers are likely to benefit from a broader range of products and improved service quality, thereby aligning the insurance market more closely with India's long-term growth and financial inclusion goals.

2.4 CAs may soon be allowed to advertise[15]

The Indian government plans to amend the Chartered Accountants Act, 1949, to relax long-standing restrictions on advertising by CAs and their firms, allowing them to promote services more freely than currently permitted through limited "write-ups." This move aims to support domestic auditing and consulting firms in growing, attracting clients, and competing with global players in the US$240bn professional services market.

The Institute of Chartered Accountants of India (ICAI) is also considering revisions to its Code of Ethics to update guidelines for advertising and firm websites, balancing visibility with ethical standards. The draft regulations for stakeholder feedback are expected to be released soon.

Food for Thought

Relaxing advertising restrictions for CA firms could effectively increase competition in the service market. Firstly, allowing chartered accountancy firms to advertise more freely

15 https://economictimes.indiatimes.com/industry/services/consultancy-/-audit/cas-may-soon-get-to-advertise-their-firms/articleshow/124769403.cms?from=mdr

could significantly alter competitive dynamics within the professional services market. Greater visibility would enable smaller and mid-sized firms to showcase their expertise, specialisations, and track record, reducing the advantage traditionally enjoyed by large, well-known firms. This could promote healthier competition based on quality, innovation, and client outcomes rather than reputation alone.

Secondly, a calibrated relaxation of advertising norms may help Indian firms compete more effectively with global players operating in the same space. As professional services increasingly rely on digital presence and brand recognition, more explicit rules for websites and outreach can support growth, client acquisition, and cross-border engagement, while preserving professional dignity through ethical safeguards.

Finally, the proposed changes highlight the need to balance market openness with trust and integrity. Transparent advertising standards, backed by a revised code of ethics, can ensure that increased competition does not come at the cost of misleading claims or erosion of professional values. If implemented carefully, the reform could modernise the profession while strengthening competition and consumer choice in a rapidly expanding services market.

Medical services were also barred from advertising, but they do so without restrictions and sometimes use indirect methods. Therefore, accountancy and other professional services should also be permitted to advertise, subject to clear codes of conduct.

2.5 PM inaugurates Skyroot campus, unveils Vikram-1 rocket[16]

Prime Minister Narendra Modi virtually inaugurated Skyroot Aerospace's new Infinity Campus in Hyderabad and unveiled Vikram-Vikram-1 1 1, India's first commercially developed private orbital rocket capable of placing satellites into low Earth orbit. The state-of-the-art facility spans about 200,000 sq ft. It is designed to design, develop, integrate and test multiple launch vehicles, with the capacity to build one rocket per month, boosting India's private space capabilities.

Founded by former ISRO engineers, Skyroot represents a significant stride in the nation's space ecosystem, underscoring reforms that support private innovation and attract investment. The launch is regarded as a key step toward positioning India as a global player in commercial satellite launches.

[16] https://timesofindia.indiatimes.com/business/india-business/pm-modi-unveils-indias-first-commercial-private-rocket-vikram-1-inaugurates-skyroots-new-infinity-campus/articleshow/125607522.cms

Food for Thought

The government's move to increase private-sector participation in strategic areas such as space and energy marks a significant shift, particularly for sectors like nuclear power, which, since their inception, have remained closed to private-sector participation due to security and sovereignty concerns. While this transition raises legitimate questions about national security and control, it also has the potential to fundamentally reshape market dynamics.

Firstly, breaking long-standing government dominance in high-technology sectors such as nuclear energy and space launches introduces essential competitive forces. Private players bring fresh perspectives, commercial discipline, and a drive to cut costs and improve quality. This dynamic tends to reward efficiency and customer focus rather than protecting incumbents from challenge. In the case of civil nuclear energy, private entry under a regulated licence regime could encourage firms to innovate in plant design, project execution, and risk management, while attracting capital that the public sector alone may not be able to muster.

Secondly, competition can spur investment and attract new entrants. Allowing private firms to enter sectors historically reserved for the state sends a clear signal to both domestic entrepreneurs and global investors that India is open for business in foundational technologies. This has the potential to deepen supply chains, expand research and development, and build ecosystems rather than single entities. In the energy sector, this could help India meet ambitious targets for clean power generation by 2047.

Thirdly, competition tends to improve cost efficiency and the quality of outcomes. Market pressures encourage firms to optimise processes, leverage modern practices, and innovate in safety and service delivery. In highly technical fields such as nuclear energy, this could translate into better project cost control, faster commissioning, and adoption of advanced reactor technologies that might otherwise languish under rigid administrative frameworks.

Fourthly, learning from global practice suggests that private involvement in research and development, coupled with clear intellectual property rights, fosters innovation without compromising safety or national interests. Many developed countries follow models where private firms contribute to Research and Development in strategic sectors under robust regulatory frameworks. Extending this principle to civil nuclear Research and Development, with mechanisms that support safe innovation and technology ownership, can complement public research and accelerate technological progress.

Finally, institutional autonomy and location matter. Placing key science and technology institutions outside long-term decisions. New Delhi, where they are less subject to daily administrative interference, can nurture long-term decision-making, operational independence, and a culture of innovation. Historical experience suggests that physical distance from the capital often gives specialised organisations the space to focus on their mission, enhance accountability, and deliver results without constant bureaucratic friction. This could strengthen India's competitive edge in both established and emerging high technology sectors.

2.6 Govt mulls Union Bank-BoI merger[17]

The Indian government is exploring a plan to merge Union Bank of India and Bank of India to create the country's second-largest public-sector bank after SBI, with combined assets of about ₹ 25.7 trillion, comparable to ICICI Bank's size. The initiative is part of broader banking reforms aimed at strengthening state-run lenders and streamlining operations amid a competitive financial landscape. The Finance Ministry is also considering a potential merger of Indian Overseas Bank and Indian Bank. At the same time, smaller PSBs such as Punjab & Sind Bank and Bank of Maharashtra could be earmarked for subsequent privatisation. These proposals are under review and have not been officially confirmed by the government.

Food for Thought

The possibility of another round of public sector bank mergers reflects the government's attempt to recalibrate the banking system in response to intensifying competition from large private banks and fast-growing fintech players. Creating a larger public-sector lender could help state-owned banks remain relevant in a market where scale, technology, and capital strength increasingly matter.

On the positive side, consolidation can deliver meaningful efficiency gains. A larger balance sheet may enable better capital utilisation, improved risk diversification, and greater investment in digital infrastructure and talent. In a landscape dominated by strong private banks and agile fintech firms, size can help PSU banks compete more effectively, negotiate better terms, and serve large corporate and infrastructure projects that require deep lending capacity.

However, the risks of higher market concentration cannot be ignored. Fewer but larger banks may reduce competitive pressure within the public sector itself, potentially

[17] https://www.moneycontrol.com/news/business/banks/govt-mulls-union-bank-bank-of-india-merger-to-form-india-s-second-largest-psu-lender-report-13640356.html

affecting pricing, service quality, and innovation. There is also the concern of institutions becoming too large to fail, or worse, too significant to discipline. The global financial crisis of 2008 demonstrated that oversized banks burdened with bad loans survived mainly due to government support, raising serious moral-hazard concerns.

India's experience with non-performing assets offers a cautionary lesson. While the banking system has largely cleaned up past stress, consolidation does not eliminate the risk of future lending excesses. If governance and accountability do not keep pace with size, larger banks could amplify systemic risk rather than contain it.

In all this, the Reserve Bank of India's role would be greater. However, the Government may consider establishing an independent Financial Conduct Authority dedicated to regulating the operational practices of banks and other financial sector firms.

Ultimately, mergers should be guided not just by scale but by clear improvements in governance, competition, and operational performance. Without these safeguards, consolidation may solve yesterday's problems while creating new challenges for tomorrow's financial stability.

2.7 Small and mid-sized law firms merge to scale up[18]

Small and mid-sized Indian law firms are increasingly merging to gain scale, multi-disciplinary strength and broader expertise in response to rising client expectations and growing legal market complexity. These consolidations allow firms to expand their bandwidth, deepen specialist capabilities and better serve clients seeking cross-border, full-service legal support. Examples include smaller boutiques combining with larger practices to broaden their partner base and practice areas. Expectations of transaction volume growth also drive the trend as the Indian legal services market expands. By joining forces, firms aim to stay competitive, boost operational efficiency, and build a stronger national and international presence.

Food for Thought

The growing trend of consolidation among small and mid-sized law firms reflects the changing demands of India's legal services market, where clients increasingly expect scale, specialisation, and seamless multidisciplinary advice. Mergers enable firms to pool talent, expand practice areas, and build the capacity needed to handle complex domestic

[18] https://economictimes.indiatimes.com/industry/services/consultancy-/-audit/small-and-mid-sized-law-firms-rush-to-merge-for-scale/articleshow/125596630.cms?from=mdr

and cross-border work, which individual boutiques may find difficult to manage independently.

At the same time, consolidation signals a more competitive and professionalised legal ecosystem. As transactional volumes rise and foreign competition looms, firms are using mergers as a strategic tool to improve efficiency, strengthen brand presence, and remain relevant. If managed well, this shift could lead to stronger institutions and better client satisfaction.

2.8 Single higher education regulator to replace UGC, AICTE, NCTE[19]

The Union Cabinet has approved a bill to establish a single regulator for India's higher education system, replacing multiple bodies such as the University Grants Commission (UGC), All India Council for Technical Education (AICTE) and National Council for Teacher Education (NCTE) with one overarching authority called the Viksit Bharat Shiksha Adhikshan (formerly the Higher Education Commission of India) in line with the National Education Policy 2020.

The new regulator aims to streamline governance, simplify approvals, and standardise regulation, accreditation and academic standards across colleges and universities. Medical and law education will remain outside its ambit. The bill is now set for parliamentary consideration, seeking to reduce regulatory overlap and improve institutional quality.

Food for Thought

Moving to a single higher education regulator reflects an attempt to simplify a system long burdened by overlapping mandates and fragmented oversight. Replacing multiple authorities with a single authority could lower technical and administrative barriers for universities and colleges, reducing the need to navigate various regulators for approvals, accreditation, and compliance. This may free institutions to focus more on academic quality, research, and student outcomes rather than regulatory processes.

At the same time, centralised regulation places a premium on clarity, transparency, and institutional autonomy. If designed carefully, a unified framework can promote consistency in standards while encouraging competition and innovation across institutions. However, its success will depend on whether India's higher education ecosystem requires the new regulator.

19 https://www.thehindu.com/education/bill-to-set-up-single-higher-education-regulator-gets-cabinet-nod/article70388969.ece

2.9 IEX market coupling case[20]

The Electricity Appellate Tribunal (APTEL) has set the next hearing in the IEX (Indian Energy Exchange) vs. CERC market-coupling order for January 6, 2026, amid ongoing legal challenges and allegations of regulatory misconduct. IEX has appealed against the Central Electricity Regulatory Commission's (CERC) directive to implement market coupling in the Day-Ahead Market, arguing that it undermines its competitive advantage and established price-discovery role.

The company has also cited concerns in a SEBI report alleging insider trading and potential manipulation linked to the process, prompting APTEL to indicate openness that it is open to examining corruption claims. Market coupling would unify price discovery across power exchanges, potentially reducing IEX's dominance and impacting its share price. The tribunal's next session will further assess procedural and ethical issues before any rollout of the new market structure.

Food for Thought

The proposed market-coupling mechanism in India's power exchanges represents a significant step toward enhancing competition in electricity trading. By unifying price discovery across platforms, it reduces the dominance of any single exchange and ensures a more level playing field, allowing multiple participants to compete fairly for market share.

This structure could lead to more transparent pricing, improved efficiency, and better allocation of electricity resources. Exchanges will be incentivised to innovate, improve their services, and attract participants by demonstrating efficiency and reliability, rather than relying on entrenched positions. In the long run, such measures can strengthen market discipline, foster stakeholders, and make India's power markets more competitive and resilient. However, the centralised nature of market coupling can also heighten the risk of insider trading, manipulation of the price discovery process, and potential corruption if transparency and oversight are inadequate.

[20] https://www.cnbctv18.com/market/iex-share-price-market-coupling-order-next-hearing-aptel-timeline-pros-cons-impact-19775049.htm

3. Inhibiting Competition

3.1 GAIL chief's rift in gas reform panel[21]

GAIL chairman Sandeep Gupta has formally dissented from key recommendations of an expert committee set up by the Petroleum and Natural Gas Regulatory Board (PNGRB) to boost domestic gas usage, revealing a rift within the panel. While the committee proposed major reforms, such as lifting restrictions on LNG resale/destination, creating an independent system operator for pipelines, real-time capacity booking, GST at a lower rate, and subsidies for PNG connections, Gupta objected to removing destination limits in gas sales contracts and to the panel's proposed 14 percent cap on equity returns, arguing it threatens energy security and is impractical. The committee, which also includes representatives from Adani Total Gas, NTPC and others, defended its recommendations as necessary to deepen the market.

Food for Thought

The dissent highlights the tension between market liberalisation and incumbent concerns in India's gas sector. While the proposed reforms aim to deepen gas markets and improve access, resistance from dominant players underscores how existing structures and contractual controls can inhibit competition by limiting flexibility and entry.

Firstly, restrictions on LNG resale and destination clauses tend to lock gas flows into rigid arrangements, favouring established players with long-term contracts and access to infrastructure. Removing these constraints could allow gas to flow to the highest-value users, improve price discovery, and enable smaller distributors and new entrants to compete on more equal terms.

Secondly, the absence of an independent system operator and the lack of real-time pipeline capacity booking limit transparent access to critical infrastructure. When pipeline access and scheduling are closely tied to incumbents, competition in downstream gas supply is weakened, as potential entrants face uncertainty and higher transaction costs. At the same time, the proposed reforms could meaningfully increase competition by separating infrastructure from marketing functions, standardising access, and lowering indirect taxes such as GST. These measures would reduce entry barriers, encourage participation by new suppliers, and support wider adoption of gas across sectors.[22]

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21 https://economictimes.indiatimes.com/industry/energy/oil-gas/gail-chiefs-dissent-note-shows-rift-in-pngrb-gas-reform-panel/articleshow/125257463.cms

22 https://www.financialexpress.com/business/news/gas-market-reforms-experts-flag-price-sensitivity-weak-pipeline-network/4061976/

The reforms encourage the creation of a robust, liberalised gas market, with increased investment and improved resource allocation. A Unified Online Platform with real-time monitoring, resale restrictions, and transparent third-party access frameworks would help create a competitive system and boost market liquidity. Encouraging competition in grants for City Gas Distribution systems would also significantly increase efficiency.

However, concerns about equity return caps and energy security raise potential downsides. Overly restrictive return limits may dampen investment incentives in capital intensive infrastructure, while abrupt changes to contract sanctity could unsettle long term supply planning. The challenge lies in balancing market opening with predictable regulation that sustains investment, ensures supply security, and promotes healthy competition.

3.2 FM backs the creation of large, world-class banks[23]

The Reserve Bank of India (RBI) governor has ruled out issuing banking licences to corporate entities or their non-banking arms, stating that allowing large business houses into banking could create conflicts of interest, particularly regarding depositors' funds. This stance underscores the RBI's longstanding policy against corporate-owned banks, which aims to safeguard financial stability and depositor confidence.

While corporate groups may still participate in the ecosystem in other ways (e.g., as business correspondents or by backing NBFCs), there are no proposals to allow them to hold banking licences through NBFCs or as standalone firms. The RBI continues to emphasise prudential norms and risk management in licensing decisions.

Food for Thought

By restricting entry largely to traditional banking players, India has adopted a more conservative stance than most advanced economies, including the US, the European Union, and Japan. While depositor protection and financial stability are legitimate regulatory objectives, a near-categorical prohibition limits the number of institutions that can scale rapidly and compete with incumbent banks. This, in turn, weakens competitive pressure on pricing, product innovation, and service delivery, particularly in MSME and retail credit markets where access gaps persist.

International practice suggests that such risks can be managed without outright exclusion. Even in jurisdictions traditionally wary of mixing banking and commerce,

[23] https://www.thehindu.com/business/india-needs-a-lot-of-big-world-class-banks-talks-on-with-rbi-lenders-fm/article70249259.ece

regulatory frameworks focus on how risks are mitigated rather than who may enter. The US allows narrowly circumscribed ownership structures; the European Union follows a principles-based model grounded in fit-and-proper assessments, consolidated supervision, and strict controls on related-party transactions; and Japan permits limited corporate shareholding, supported by robust governance firewalls. Compared to these approaches, India's blanket restriction appears misaligned with prevailing global standards.

This rigidity is further undermined by the rapid growth of corporate-backed NBFCs and fintech partnerships outside the banking licence framework, which effectively channel competition into parallel, unevenly regulated structures. A shift toward a principles-based approach—closer to the EU model—would allow carefully designed entry routes supported by strong governance, ring-fencing, and credible enforcement. Such recalibration would strengthen competition within the core banking system while preserving stability, and better position India to build well-capitalised, globally competitive banks capable of supporting long-term economic growth.

3.3 Taxi conflicts in Goa[24]

In Goa, escalating turf wars between traditional taxi drivers and app-based services like GoaMiles and others are threatening the state's tourism reputation. Local taxi unions, uneasy about competition, have been accused of harassing tourists and blocking app-based drivers, resulting in confrontations at popular spots such as Panaji, Varca, and Candolim. Tourists have reportedly faced intimidation, fare disputes, and even service refusals when opting for app-based rides, undermining visitor confidence. The Tourism Minister has condemned hooliganism and urged cooperation to protect Goa's image. The government is attempting to modernise the sector through regulated digital services, but tensions persist as traditional drivers fear losing livelihoods and control over the local taxi market.

Food for Thought

The recurring conflict among traditional taxi unions, app-based services, and competing taxi services in Goa highlights how weak enforcement can undermine competition and consumer welfare. Despite regulatory directives and prior orders aimed at curbing restrictive and exploitative practices, inconsistent enforcement has allowed entrenched interests to block new entrants and intimidate consumers. This creates a de facto

[24] https://www.travelandtourworld.com/news/article/taxi-conflicts-in-goa-how-local-and-app-based-drivers-are-fighting-for-dominance-in-panaji-varca-and-candolim-threatening-the-states-tourism-industry-heres-what-you-need-to-know/

cartelisation of local transport, where choice is restricted, and tourists are forced to accept higher fares or poor service. Even a taxi from outside the union cannot pick up passengers on the return, resulting in an additional cost for returning empty.

Such conduct reflects classic exploitative and exclusionary practices, in which competition is resisted not through better service or pricing but through coercion and control over access points. The failure to act decisively erodes the credibility of regulatory institutions and signals tolerance for anti-competitive behaviour, which is particularly harmful in a tourism-driven economy that depends on trust and mobility.

For meaningful reform, regulation must move beyond formal orders to effective on-the-ground enforcement. Protecting digital and competing taxi services through clear rules, swift penalties, and consumer-centric oversight can restore competition, improve service quality, and safeguard Goa's reputation. Without enforcement, liberalisation remains notional, and consumers and the broader economy bear the costs.

3.4 IndiGo surge pricing fiasco[25]

In December 2025, IndiGo cancelled nearly 5,000 flights nationwide, causing widespread disruption and leaving many passengers stranded as operations faltered amid staff shortages and scheduling issues. The resulting strain on capacity led to sharp spikes in airfares, prompting the government to cap domestic ticket prices to prevent opportunistic pricing and protect passengers. Regulators, including the aviation watchdog, have warned IndiGo of action over the chaos, and competition authorities are examining complaints of unfair pricing practices as the sector faces scrutiny over market dominance and consumer impact.

Food for Thought

The IndiGo disruption highlights how excessive market concentration can magnify systemic shocks and directly harm consumers. With one airline commanding a dominant share of the domestic market, operational failures were not confined to a single firm; they quickly cascaded across the entire aviation ecosystem, reducing available capacity and leaving passengers with few alternatives.

Firstly, the IndiGo disruption shows how a single dominant player can turn an operational problem into a nationwide crisis. When one airline controls a large share of the market, schedule failures or non-compliance with safety and rostering rules do not remain isolated. They quickly translate into fewer seats across the market, cancelled

25 https://www.financialexpress.com/opinion/the-indigo-fiasco-and-surge-pricing/4087554/

itineraries, and cascading cancellations that leave thousands stranded. Secondly, limited alternatives for travellers fuel opportunistic pricing. With scarce seats and urgent demand, remaining carriers and resale channels can raise fares sharply. That surge pricing penalises ordinary consumers and undermines confidence in the market, especially during peak travel seasons when flexibility is low, and options are few.

Thirdly, concentration weakens incentives for resilience and redundancy. A competitive market encourages multiple operators to maintain spare capacity, invest in contingency planning, and coordinate to absorb shocks. Dominance reduces those incentives and places disproportionate systemic risk on passengers and in the broader economy that depends on reliable air transport.

Finally, the lesson is clear. Regulators should push both to strengthen oversight and to promote competition. Enforceable rules on crew rostering and operational resilience matter, as do crisis pricing protocols and algorithmic transparency. Policy measures to diversify capacity include easier entry for credible carriers, fair slot allocation, better regional connectivity and vigilant competition scrutiny. The government has already announced the issuance of NOCs to two new airlines, but they will take time to become operational.

Since the sector was liberalised, numerous private airlines have operated in Indian skies. It would be helpful to study the causes of their failure so that the same mistakes are not repeated; otherwise, we will end up in the same mess. Together, these steps will help prevent a single firm's failure from becoming a crisis for millions of travellers.