Competition Policy Watch
India Perspective

CUTS International Since 1983

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 costs and benefits in addition to that.

Dear Readers,

We are pleased to present the 3rd edition of Competition Policy Watch for 2026, tracking policy developments shaping India's competitive landscape across three themes: Trade Policies, Policies Promoting Competition, and Policies Inhibiting Competition.

A central question running through this quarter's developments is who should be allowed to own what in India's aviation sector. The government's clarification that no policy bars airport operators from owning airlines, alongside a waiver request pending before the Airports Authority of India, has renewed debate over whether such ownership could give affiliated airlines an advantage over competitors.

Beyond aviation, this edition examines other tensions between policy objectives and market outcomes. Anti-dumping proceedings concerning Chinese imports continue to move slowly even as the Atmanirbhar Bharat push gathers momentum. Health insurance portability, intended to make switching insurers easier, remains constrained by underwriting practices that favour low-risk applicants.

Furthermore, it includes the RBI's move to standardise loan pricing, closer IBBI scrutiny of misuse of the insolvency framework, and industry calls for technology-neutral television-distribution rules. The EAC-PM's proposal to create a few large, equally sized banks also raises a related question: under what conditions can consolidation deliver the benefits of scale while preserving meaningful competition?

Together, these developments highlight a challenge central to Viksit Bharat: expanding capacity and modernising infrastructure while ensuring that markets remain open to smaller firms and responsive to consumers. The contribution of these reforms will depend on how well they translate into wider choice, fairer access and better services.

We hope you find this edition engaging and useful. Please circulate the bulletin within your networks to encourage informed discussion on competition, consumer welfare and sustainable economic growth.

Cheers!

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1. Trade Policies

1.1 Anti-Dumping Duties on Chinese Firms Move Slowly

Proposed anti-dumping duties on certain cranes imported from China remained unimplemented despite the Directorate General of Trade Remedies (DGTR) recommending duties of 24-52 percent in September 2025. The measure was awaiting approval from the Finance Ministry and a customs notification.

Indian manufacturers told the authority that low-priced imports had harmed domestic production, with some firms closing. The report presents the delay as a gap between the government's push for domestic manufacturing and the implementation of trade remedies.

Food for Thought

India's crane manufacturing industry faces a contradiction: the push for domestic production continues, while relief against injurious Chinese imports remains pending. The DGTR recommended anti-dumping duties in September 2025 after establishing that domestic producers had suffered material injury. However, the required customs notification was still awaited when the article appeared. This gap between recommendation and implementation risks weakening the manufacturing capabilities that India's self-reliance ambitions seek to strengthen.

For domestic manufacturers, continued competition from dumped imports can depress prices, squeeze margins and undermine the commercial viability of expansion. Uncertainty over policy decisions further complicates investment planning. Firms may hesitate to upgrade machinery or recruit workers when their ability to recover these costs remains doubtful.

The consequences extend beyond crane manufacturers. Micro, Small, and Medium Enterprises (MSMEs) supplying fabricated parts, machined components and engineering services could face declining orders as domestic production weakens. With limited financial reserves, smaller suppliers may struggle to absorb these losses while meeting wage bills and loan repayments. Prolonged import pressure can therefore affect employment and technical capabilities across the manufacturing chain.

However, the interests of equipment users also deserve attention. Construction firms and smaller contractors may benefit from affordable imported cranes. Duties could increase acquisition or rental costs, particularly where domestic alternatives cannot meet demand. Policy decisions must therefore consider availability, quality and delivery alongside the injury suffered by producers.

The broader concern is whether delays allow domestic capacity to deteriorate before relief arrives. Preserving viable manufacturers and their MSME networks matters for sustaining competition, employment and investment. India's response should help domestic firms compete while ensuring that infrastructure developers retain access to reliable equipment.

1.2 India Warns of Fallout from US Bill on 100 percent Tariffs

Responding to US Sanctioning Russia Act of 2026, which empowers US to impose up to 100 percent ad valorem tariffs on nations heavily importing Russian crude, India issued a statement of "*measured defiance*". This meant India will maintain its diversified oil sourcing strategy to secure energy for its 1.4 billion citizens, warning that coercive unilateral tariffs could destabilise the global energy market and bilateral relations.

It was previously noted that US had initially encouraged India's purchase of discounted Russian crude to prevent a deeper global energy crisis. The US legislation bases the penal tax on import volume, effectively neutralising the workaround of trading in national currencies that India and Russia had adopted to bypass existing Western sanctions.

Food for Thought

India's energy security and export competitiveness face a trade-off. The threat of US tariffs linked to Russian oil purchases puts pressure on two priorities: securing affordable crude and maintaining access to an export market. For Indian industry, the consequences could extend beyond diplomatic relations, affecting production costs, orders and investment decisions.[1]

If India reduces its purchases of Russian oil and replacement supplies prove more expensive, higher crude costs could feed into fuel, freight and petroleum-based input prices. Manufacturers would face pressure across procurement and distribution. The

[1] https://www.reuters.com/business/energy/new-us-sanctions-bill-russia-puts-indias-modi-bind-2026-09-18/

extent of this burden would depend on global prices, alternative supplies and how much of the increase is passed through domestically.[2]

MSMEs could be particularly exposed. Small manufacturers often have limited bargaining power with suppliers and buyers, making it difficult to pass on rising costs. A business working against a fixed-price order may have to absorb higher transport or material expenses, leaving less money for wages, machinery and loan repayments.

Conversely, if punitive tariffs are imposed on Indian goods entering the US, exporters could lose price competitiveness. American buyers may seek alternative suppliers or demand lower prices from Indian firms. Smaller exporters, with fewer customers and limited capacity to enter new markets, could face disproportionate losses. Domestic suppliers linked to these exporters would also feel the effects through reduced orders.[3]

The tariff threat therefore creates uncertainty even before any measures are implemented. Businesses may delay expansion or hesitate to accept contracts whose profitability depends on unsettled trade conditions.

India's response needs to combine diplomatic engagement with support for affected firms. Diversifying energy supplies and export destinations can reduce exposure, but both require investment and time to implement. Export credit, market intelligence and assistance with standards compliance could help smaller businesses adapt. The challenge is to secure affordable energy without allowing geopolitical pressure to weaken manufacturing, employment and India's participation in international trade.

1.3 India Extends Anti-dumping Duties on Chemicals and Metals

The Indian government has extended existing anti-dumping duties on four products and imposed a new levy on one item to protect domestic industries from cheap imports. Based on recommendations from the DGTR, the Finance Ministry extended duties on untreated fumed silica, arylides, certain iron and non-alloy steel seamless tubes, and normal butanol.

Duties on fumed silica and the iron-steel items were extended into 2027, while arylides saw an extension until January 2027. Furthermore, India introduced a new five-year

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2 https://www.reuters.com/world/india/india-flags-risks-economic-outlook-climate-monetary-pressures-2026-10-01/

3 https://www.wto.org/english/res_e/booksp_e/world_trade_report16_e.pdf?

anti-dumping duty on low ash metallurgical coke imported from countries including China, Australia, and Russia, ranging from $42.95 to $128.83 per tonne. These measures align with WTO frameworks to ensure fair trade and counteract the adverse impacts of targeted dumping on domestic producers.

Food for Thought

India's latest anti-dumping measures carry different implications across the manufacturing chain. While duties on chemicals, steel products and metallurgical coke may offer relief to domestic producers, they could also raise input costs for industries that use these goods, placing pressure on margins and competitiveness.

For manufacturers facing dumped imports, duties can reduce price pressure and create room to recover costs, maintain production and invest. This matters for MSMEs producing competing goods, whose limited reserves may leave them less able to withstand prolonged losses. Preserving domestic suppliers can also help buyers retain alternatives rather than becoming dependent on imported products.

Yet the same measures may create difficulties further along the value chain. Metallurgical coke is used in metal production, while the chemicals covered serve industries including paints, cosmetics and printing inks. If duties increase input prices, downstream manufacturers could face higher production costs. Smaller firms working with narrow margins or fixed-price contracts may struggle to absorb the increase or pass it on to customers.

The impact on competition will depend on how domestic producers respond and whether downstream industries can secure inputs at competitive prices. Domestic availability, product quality and suppliers' ability to meet demand will influence whether protection strengthens manufacturing or transfers costs between Indian industries. Exporters using these inputs could also lose competitiveness against overseas rivals with cheaper supplies.

India should use the relief period to improve productivity, technology and supply reliability, while assessing effects on downstream MSMEs. Transparent reviews and consultation with producers and users can help identify constraints. The objective should be a domestic manufacturing base that remains competitive across the value chain, with protection supporting improvement rather than becoming permanent.

1.4 China Extends Anti-dumping Duties on Indian Optical Fibre

China will continue anti-dumping duties on imports of single-mode optical fibre from India for another five years, starting August 14, 2026. The rates remain unchanged at 7.4-30.6 percent, depending on the Indian exporter. China first imposed the duties in 2014 and extended them in 2020. The latest decision follows a review of whether the measures should continue, keeping a trade barrier in place for Indian optical-fibre exporters.

Food for Thought

China's extension of anti-dumping duties on Indian optical fibre keeps an export barrier in place for another five years. With rates ranging from 7.4 to 30.6 per cent, Indian manufacturers face differing levels of price disadvantage in the Chinese market.

For exporters, the concern is continued pressure on margins and their ability to retain buyers. Firms may have to absorb part of the duty through lower prices or risk losing orders to competing suppliers. The impact will depend on their exposure to China, product quality and customers' willingness to pay.

The consequences could extend to smaller suppliers providing materials, equipment and services to affected manufacturers. If export orders weaken, these businesses may face lower demand, although the extent of any impact requires firm-level evidence.

Diversifying export markets offers an alternative, but establishing customer relationships, meeting technical specifications and obtaining approvals takes time and resources. Smaller firms may find these costs difficult to bear.

India's response should support market access, testing and certification, alongside careful examination of the review findings. Stronger domestic demand can provide additional opportunities, but cannot automatically replace lost exports. The priority is to strengthen manufacturers' competitiveness while reducing dependence on individual markets for growth and future investment.

2. Promoting Competition

2.1 DigiLocker Expansion to Finance, Education & Health

MeitY has issued a Request for Empanelment to bring more private-sector organisations onto DigiLocker, including those in finance, healthcare and education. The proposed expansion would allow more documents to be issued, accessed or verified through the platform, potentially reducing reliance on paper records and repeated document submissions. The request is a step towards wider integration; it does not mean all these services are already available through DigiLocker.

Food for Thought

Wider private-sector integration with DigiLocker could promote competition by reducing the paperwork and verification costs involved in serving customers. DigiLocker already enables organisations to issue and request authentic digital documents; broader participation could make this infrastructure available across more services.

For smaller financial institutions, education providers and healthcare businesses, access to a shared verification system could reduce the need to build separate processes. Lower administrative costs may make it easier to enter markets, expand services and compete with established firms that have larger compliance teams and technology budgets.

Consumers could also benefit from greater choice. Where documents can be shared with another provider without repeated physical submissions, the effort involved in changing providers may fall. This could encourage firms to compete more actively on prices, service quality and responsiveness. However, document portability alone cannot remove contractual restrictions or other barriers to switching.

The gains would depend on how participation is organised. Clear eligibility criteria, affordable integration and equal access for smaller businesses would help prevent the system from favouring large incumbents. Technical support would also matter for firms with limited digital capacity.

Consent and reliable verification in alignment with the DPDP Act of 2023 are equally important. Customers should understand which documents they are sharing, with whom and for what purpose. Errors need accessible correction mechanisms so that digital verification does not become another obstacle to obtaining services.

The proposed expansion therefore offers a route to more competitive markets. Its value will lie in reducing entry and switching costs while allowing businesses of different sizes to participate effectively.

2.2 RBI to Standardise Loan Pricing Rules

The Reserve Bank of India plans to harmonise and standardise the regulatory framework governing interest rates on loans across all regulated entities, RBI Governor Sanjay Malhotra said after the monetary policy committee meeting, which kept the repo rate unchanged at 5.25percent. Malhotra said multiple, inconsistent guidelines currently exist for calculating loan interest across different categories of lenders, and the proposed rationalisation is meant to increase transparency and strengthen consumer protection, not alter existing repayment schedules or EMIs. Draft directions are expected shortly. State Bank of India's group chief economic adviser, Soumya Kanti Ghosh, welcomed the move, noting the parallel regimes need standardisation to strengthen monetary transmission.

Food for Thought

RBI's proposal to harmonise loan interest rules could strengthen competition by making borrowing costs easier to understand and compare. Differences in calculation practices can make similar headline rates produce different costs, leaving borrowers uncertain about which lender offers better value.

Standardising practices such as day-count conventions and benchmark reset dates could reduce this confusion. When borrowers can compare offers on a clearer basis, lenders may face greater pressure to compete through pricing, service quality and transparent terms rather than benefit from complicated calculations.

For MSMEs, this could improve financing decisions. A small manufacturer comparing loans needs to understand repayment obligations alongside the advertised interest rate. Greater clarity can help businesses assess whether borrowing for machinery or expansion is affordable and identify alternatives that suit their cash flow.

The proposal would complement RBI's existing Key Facts Statement requirements for retail and MSME term loans, which seek to communicate essential loan terms in a standardised format. Together, clearer disclosures and consistent calculation practices could make comparison more meaningful.

However, harmonising rules does not mean requiring every lender to charge the same rate. Differences reflecting funding costs, borrower risk and loan characteristics remain relevant. Nor should the proposal be treated as a promise of immediate reductions in EMIs.

Its competitive benefits will depend on accessible explanations, reliable implementation and grievance redressal. Borrowers also need information on fees and switching costs to assess the full cost of credit. The opportunity is to create a lending market where clearer information makes customer choice more effective.

2.3 IBBI Flags Misuse of Insolvency Law

The Insolvency and Bankruptcy Board of India (IBBI) has issued a circular directing insolvency professionals to stay alert to signs that the Insolvency and Bankruptcy Code, 2016 is being misused for purposes other than genuine resolution or liquidation.

IBBI listed six red-flag indicators for professionals to watch for, including unusually low creditor recoveries without proper valuation, a single non-bank creditor dominating the committee of creditors, clusters of related companies sharing promoters, addresses or directors, a resolution applicant recurring across connected corporate debtors, and links between a corporate debtor or its group and an ongoing fraud investigation.

Food for Thought

The IBBI's circular is a tacit admission that the Insolvency and Bankruptcy Code, designed as a time-bound, creditor-led rescue mechanism, is being repurposed by some promoters as a tool for financial and regulatory engineering rather than genuine resolution.

By making insolvency professionals the first line of defence, the regulator is leveraging their direct access to a debtor's books and the committee of creditors. Indicators such as a dominant non-bank creditor, recurring resolution applicants across connected debtors and recoveries disproportionate to admitted claims point to a familiar pattern: liabilities, tax exposures and enforcement action are shed, while assets return to related parties at steep discounts. With creditors typically recovering less than a third of admitted claims, such practices erode the credibility on which the lending ecosystem depends.

However, the approach carries its own risks. The indicators are illustrative, and several, such as clusters of group companies in distress, can also occur in genuine failures. Heightened scrutiny could make professionals defensive, prompt avoidable references to the National Company Law Tribunal (NCLT), and lengthen resolution timelines that, by one estimate, already average over 900 days. For banks and bona fide resolution applicants, this may mean greater bid uncertainty, even as deterrence against fraudulent actors strengthens. The regulator's challenge lies in separating legitimate restructuring from abuse without diluting the speed and certainty that give the Code its value.

2.4 Land Acquisition a Key Investment Barrier

India needs to ease land acquisition processes for industrial projects to attract greater investment, NITI Aayog Vice Chairman Ashok Kumar Lahiri said at the NCAER India Policy Forum 2026. Land acquisition for industrial and even government infrastructure projects continue to face hurdles, including legal challenges.

Lahiri noted that foreign savings inflows into India remain limited compared with China and Singapore, and cited NCAER research showing that public investment, which crowded out private investment before 1980, has since turned complementary and now helps crowd it in.

Food for Thought

Lahiri's remarks highlight that India's investment challenge is no longer about policy intent but about execution on the ground, where land, the most immobile and contested factor of production, remains a binding constraint on capacity creation.

Delays in land acquisition inflate project costs, deter long-gestation manufacturing investments and push investors towards states with ready land banks, widening regional disparities. India's aspiration to reach developed-economy status by 2047 requires per capita income to grow at roughly 9.25 percent a year from about US$2,813, so capital formation must accelerate sharply and projects cannot stall at the first step. The 2013 land acquisition law protects landowners, yet consent and social-impact requirements have often stretched timelines, strengthening the case for digitised land records, land pooling and state-level land banks.

A subtler message lies in NCAER's finding that public investment now crowds in private investment, reframing infrastructure spending as an enabler of private capital rather than a competitor for it. Together with muted net FDI, as gross inflows of US$95bn in

2025-26 were offset by repatriation and outbound investment, this implies that India must rely more on domestic savings and sharpen returns for investors. Faster land access and targeted infrastructure can advance both, but easing acquisition must be balanced with fair compensation, since social friction and litigation can quickly erase the gains.

2.5 TV Distributors Seek Technology-Neutral Rules

India's television-distribution industry has urged the government to adopt technology-neutral regulations covering direct-to-home (DTH), cable and internet-delivered television. The Ministry of Information and Broadcasting's draft 2026 rules aim to consolidate broadcasting guidelines. Industry executives seek comparable authorisation fees, bank guarantees and carriage obligations for app-based channels, free streaming services and DD Free Dish.

Food for Thought

The industry's demand for technology-neutral rules exposes a structural flaw in Indian broadcast regulation: obligations were written around delivery pipes, while audiences now move seamlessly between satellite, cable and the internet.

Licensed DTH operators, such as Tata Play, Airtel Digital TV and Dish TV bear annual authorisation fees, bank guarantees and must-carry obligations, whereas app-based linear distribution, free ad-supported streaming channels and DD Free Dish face no comparable burden. This regulatory arbitrage tilts competition towards lightly regulated platforms at a time when the private DTH base has shrunk from over 62 million to about 49 million in two years and linear distribution revenue fell 8 percent to ₹35,400 crore in 2025. The Telecom Regulatory Authority of India's (TRAI) pending recommendation to cut the fee from eight to three percent of adjusted gross revenue would offer immediate relief.

However, leveling the field cuts both ways. Extending equivalent obligations to internet-delivered services and DD Free Dish could raise compliance costs for emerging platforms, dampen innovation, and burden a public broadcaster serving households that cannot afford pay television. Higher costs may eventually be passed on to subscribers. A graded framework built on 'same service, comparable rules', with proportionality rather than simply levelling up, may be the more pragmatic route as the government finalises the draft rules and awaits TRAI's recommendations on internet-based linear television.

2.6 Why ISRO's Loss is India's Gain

The recent launch of Vikram-1, India's first privately developed rocket by Skyroot Aerospace, coincides with the resignation of approximately 100 scientists from the Indian Space Research Organisation (ISRO). Rather than a setback, this talent migration indicates the success of the government's policy to liberalise the space sector, creating robust private-sector demand for highly skilled specialists.

To retain talent amidst growing private competition, government agencies and public sector undertakings (PSUs) like ISRO must be granted greater autonomy in structuring compensation, potentially unpegging specialised roles from rigid civil service hierarchies. Offering flexible allowances and performance bonuses could help public institutions compete effectively without stifling the burgeoning private space ecosystem.

Food for Thought

The reported departure of about 100 ISRO scientists alongside Vikram-1's launch raises a question about how India should develop its space industry. Private firms need experienced scientists, while ISRO needs to retain the expertise that sustains its missions. Managing this movement of talent is part of making space liberalisation work.[4]

Firstly, talent moving into private enterprise can extend the value of public investment in research. Skyroot's founders are former ISRO engineers, illustrating how experience gained within a public institution can support entrepreneurship. DRDO's licencing agreements with industry offer a complementary route: firms gain access to publicly developed technologies that they can manufacture at scale. Both approaches can help widen participation in sectors with substantial technical and financial entry barriers.

Secondly, access to expertise or technology is only the beginning. MSMEs and deep-tech start-ups also need testing facilities, finance and a credible path to customers. DRDO's support through funding, incubation and testing access is therefore relevant beyond defence. Without adequate working capital, timely payments and production orders, a successful prototype or technology licence may struggle to become a viable business.

[4] https://timesofindia.indiatimes.com/defence/news/rajnath-oversees-9-drdo-tech-transfer-pacts-with-13-industry-partners-for-mass-production-tech-of-50-missiles-transferred-to-domestic-pvt-players-def-secy/articleshow/134267674.cms

Thirdly, public institutions need the flexibility to sustain their own capabilities. Greater autonomy over specialised allowances, performance incentives and career progression could help ISRO retain critical expertise. Structured secondments and research partnerships could also allow scientists to work with industry while maintaining institutional links. Such arrangements would require clear provisions for intellectual property, confidentiality and sensitive technologies.

At a broader level, the success of these reforms should be judged by the capabilities they create. More start-ups and technology transfers matter when they lead to reliable products, competitive suppliers and sustained innovation. India's gain will be greater if private industry grows alongside public research institutions that remain strong enough to train talent, develop new technologies and undertake demanding national missions.

2.7 UPI Auto Pay to Become Interoperable Across Apps

The National Payments Corporation of India (NPCI) is preparing to enable the portability of UPI AutoPay mandates across different UPI applications. Under this proposed interoperability framework, users will be able to seamlessly transfer eligible recurring payment mandates from one app to another without needing to cancel and recreate them. The user-initiated transfer will require verification through a UPI PIN.

This initiative builds on NPCI's 2025 AutoPay enhancement framework and comes amidst rapid adoption, with top apps processing nearly 1.8 billion e-mandate transactions in July 2026. By eliminating a major source of user lock-in currently enjoyed by market leaders like PhonePe and Google Pay, NPCI aims to lower switching friction and foster a more competitive environment for smaller UPI platforms.

Food for Thought

NPCI's move to make UPI AutoPay mandates portable is a quiet but significant competition intervention, targeting a market where the real lock-in is no longer the payment rail but the recurring obligations attached to it.

Today, switching apps means cancelling and recreating every OTT subscription, insurance premium, SIP or EMI mandate, a friction few users bother with, which has helped entrench PhonePe and Google Pay. With nearly 1.8 billion e-mandate transactions in July 2026, more than triple the 585 million a year earlier, the mandate base is large enough for portability to shift market share. Challengers such as Navi,

Super.Money and FamApp gain a credible route to win over established users, while a cross-app view of mandates helps consumers spot and cancel forgotten subscriptions.

Safeguards are equally notable: transfers are user-initiated, authenticated through the UPI PIN and, under NPCI's framework, cannot be induced through cashbacks, banners or nudges, which curbs dark patterns. Yet execution risk is real, since a failed transfer could mean a missed premium or EMI, penalties or a lapsed policy, making robust grievance redressal vital. Incumbents may respond by competing on rewards and reliability, which benefits users, while smaller apps must prove security and trust. For merchants, the ability to move mandates across payment service providers also reduces dependence on any single platform.

2.8 Can India Build its Own Big Four?

The article examines proposed changes to the Chartered Accountants Act aimed at helping Indian accounting and advisory firms grow large enough to compete with global networks. The changes could make mergers, capital raising and multidisciplinary services easier. Separately, revised public procurement criteria could give smaller firms more opportunities to win government assignments and build a track record.

The article cautions that greater scale alone will not ensure competitiveness: firms also need strong quality systems, international reach and safeguards against conflicts between audit and consulting work.

Food for Thought

India's efforts to develop domestic firms capable of competing with the Big Four are taking shape through regulatory reform. Their success, however, will also depend on building client trust, a broad range of expertise and the financial strength to compete with established global networks.

ICAI's proposals to recognise aggregation structures, allow capital infusion and admit company secretaries, lawyers, engineers and actuaries into multidisciplinary networks address the scale handicap directly, given that the global Big Four account for 51 percent of the market capitalisation of listed companies audited, while 649 firms audit just one listed company. Procurement reform curbing disproportionate turnover and net-worth criteria in consultancy tenders, such as a ₹500 crore net worth for a ₹10 crore project, complements this by letting smaller firms build the track record needed to win larger mandates.

Scale alone, however, is no moat. Around 1,000 mergers approved between February and August can create size without a coherent culture, common quality systems or technology platforms, and fresh capital must not dilute audit independence. Relaxing restrictions on non-assurance services invites the audit-consulting conflicts that regulators elsewhere have struggled to contain, and the proposed cooling-off norms for auditors pull in the opposite direction.

The paused global networking guidelines show how delicate the balance with foreign networks remains. Safeguards and international reach, not merely size, will decide whether India builds competitive firms or only larger ones.

2.9 MCA May Ease Auditor Cooling-off Rules

The Ministry of Corporate Affairs is considering easing a proposed three-year cooling-off period for statutory auditors. Under the reported revision, auditors could provide permitted non-audit services to a former audit client during that period, while services already prohibited under the Companies Act would remain restricted. The ministry may also shorten the cooling-off period to one year, though no final decision has been reported. A parliamentary committee argued that a blanket restriction could be onerous, particularly for smaller firms and complex audit arrangements. Others caution that weaker restrictions could compromise auditor independence. The Bill has not yet been passed.

Food for Thought

In our previous dossier[5],we supported the proposal's aim of protecting auditor independence, while questioning whether a blanket three-year ban was proportionate. We cautioned that it could disproportionately burden smaller and mid-sized audit firms and reinforce the position of larger networks. The reported reconsideration addresses this concern, but any relaxation must still guard against the prospect of future advisory fees influencing an auditor's judgement.

A blanket three-year bar on non-audit services to former clients is meant to remove the incentive to go easy on a client in order to win lucrative advisory work later. Critics counter that it would burden smaller firms reliant on diverse revenues, concentrate the market among larger networks, raise audit fees and sit awkwardly with the government's push for multidisciplinary Indian firms. Restricting the ban to services already prohibited

5 https://cuts-ccier.org/pdf/CPW-apr-june2026.pdf

under Section 144 of the Companies Act, such as internal audit, investment banking and management services, or shortening it to one year, would address these concerns.

Dilution, however, has a price. Allowing advisory fees from former audit clients preserves the commercial ties that the rule seeks to sever, and a one-year window may be too short to deter a revolving door between audit and consulting. Existing rotation requirements limit long-term entrenchment but do not address post-engagement incentives. Since the Bill is yet to be passed, a calibrated approach, with stricter norms for public-interest entities and lighter ones for smaller companies, backed by vigilant enforcement by the National Financial Reporting Authority, may best balance independence with competitiveness.

3. Inhibiting Competition

3.1 Health Insurance Portability Faces Regulatory Hurdles

When health insurance portability rules were introduced, the intent was to let policyholders switch insurers freely. While the rules require that accrued benefits be transferred to the new insurer, destination insurers retain the right to underwrite every incoming application afresh.

This creates a selection bias: insurers compete aggressively for young, healthy applicants through instant digital approvals, while underwriting gates narrow sharply for senior citizens, diabetics, or those with recent hospitalisations. Those with the strongest reasons to switch away from an underperforming insurer are often the profiles underwriters are most reluctant to accept.

Food for Thought

Health insurance portability was designed to inject competitive pressure into India's insurance market: if a policyholder can walk to a cheaper or better insurer without losing accrued benefits, every insurer must compete harder to retain or win customers. In practice, underwriting discretion lets the destination insurer subject every portability applicant to a fresh risk assessment - a healthy 30-year-old gets near-instant approval, while a 60-year-old with a recent hospitalisation faces the kind of scrutiny that is built to turn risky applicants away[6]

[6] Porting Health Insurance in India: 2026 Rules & Process — Nyvo

This inhibits competition selectively rather than eliminating it outright. Insurers are forced to compete hard for young, healthy, profitable customers, but for seniors, diabetics or anyone with a recent claim's history, the competitive constraint barely functions, since no insurer actively wants that risk on its books. The customers who most need a credible alternative to a poorly performing insurer are effectively locked in, defeating the disciplining purpose portability was meant to serve. This matters more given how insurers are already behaving on claims: FY24 data showed an 11 percent rejection rate nationally, with standalone health insurers settling claims at a far lower rate than private general insurers.[7]

Unless IRDAI narrows the grounds on which a port can be refused, or builds in some reciprocal acceptance obligation, portability will keep functioning as a competitive check only on the easiest, least valuable segment of the market - exactly where insurers already compete hardest, and least where consumers actually need the leverage a free market is supposed to provide.

3.2 No Bar on Airport Operators Owning Airlines

The Central government has clarified that no policy restricts operators of major airports from holding substantial equity in, or operating, scheduled airlines, even as some existing public-private partnership (PPP) concession agreements contain contractual restrictions on such cross-ownership. PPP concession agreements for airports including Delhi and Mumbai currently restrict scheduled airlines and their group entities from holding equity in airport concessionaires, a safeguard originally intended to limit conflicts of interest among airlines.

Food for Thought

Airport-airline cross-ownership sits at the centre of a classic vertical foreclosure problem: when one entity controls bottleneck infrastructure, runway slots, gates, ground handling, and also competes as an airline that depends on that infrastructure, the incentive to favour its own carrier over rivals is structural, not a matter of intent or goodwill.

That is the objection industry has raised to the waiver request now pending before the Airports Authority of India. IndiGo's Rahul Bhatia has called cross-ownership a 'massive conflict of interest' with no real global precedent, warning it would let an airport-linked carrier steer scarce slots and charges toward itself at competitors' expense[8].

7 Health insurance claims rejection up 19.10% in FY24: Irdai report — Business Standard

8 AAI gets request to waive airport-airline cross-ownership restrictions — Business Standard

The restriction currently written into Delhi and Mumbai's PPP concession agreements exists specifically to prevent this kind of foreclosure[9], so granting a waiver would mean unwinding a safeguard rather than merely easing procedure. The parliamentary question that prompted the government's clarification explicitly asked whether the Competition Commission of India, the DGCA and the AAI had assessed the impact on slot allocation, airport charges and fair access — the government's answer did not confirm that any such assessment has been done.

Until an independent competition review is actually carried out, a waiver risks trading away a structural protection for a single additional investor, in a domestic aviation market that is already fairly concentrated to begin with. The direction this debate takes will say a good deal about how seriously foreclosure risk is weighed against raising capital for airport infrastructure.

3.3 EAC Proposes Consolidation to Create Larger Banks

A working paper by the Economic Advisory Council to the Prime Minister (EAC-PM) has recommended consolidating Indian banks to create a few large institutions of equal size without eroding market competition. The paper emphasises that while banking concentration remains low, market shares vary widely from 20 percent to below 1 percent. Strategic consolidation aims to strengthen capital bases and support expanding credit demands for "Viksit Bharat by 2047".

Evaluating the sector from FY15 to FY26 using Data Envelopment Analysis, the study revealed that public sector banks (PSBs) increased their technical efficiency to 93.12percent in FY26, outperforming private banks at 86.02 percent and foreign banks at 83-85 percent.

Food for Thought

The EAC-PM's proposal for a few large, equal-sized banks raises an important question: can consolidation strengthen India's banking system while preserving competition? Larger banks may have greater lending capacity and resources to invest in technology. But borrowers and depositors also need alternatives, and fewer banks would mean fewer independent institutions competing for their business.

The paper points to considerable differences in banks' market shares ranging from roughly 20 percent down to under one percent and improvements in public sector banks'

9 Government Clarifies No Policy Bar on Airport Operators Owning Airlines — Times of India

technical efficiency reaching 93.12 percent in FY26 against 86.02percent.[10] *Bringing institutions closer in size could allow them to compete more effectively with one another. However, efficiency alone does not tell us whether customers will receive better loan terms, competitive deposit rates or more responsive service.*

The experience of earlier mergers, mainly the 2017 SBI merger and the 2019-20 PSB consolidation highlights difficulties with credit growth and IT integration, without a clear productivity payoff. These experiences suggest that the benefits of scale take more than a merger announcement to materialise. Combining balance sheets is one task; integrating operations while continuing to serve customers is another.[11]

Furthermore, the emphasis on 'equal-sized' banks is an attempt to address the risk of a few dominant institutions emerging. Yet similar size does not necessarily produce vigorous competition. Much would depend on how independently these banks price their products, pursue customers and expand into underserved markets. Smaller banks may also exert competitive pressure in particular regions or customer segments, even when their national market shares are modest.

At a broader level, consolidation should be assessed through its effects on customers. If larger banks improve access to credit, reduce borrowing costs and offer better services, the case becomes stronger. If customers lose alternatives without seeing these gains, greater scale would offer limited reassurance.

Ultimately, the proposal's promise rests on whether regulators can actually enforce symmetry once mergers are underway, rather than let the strongest acquirer dominate as before. Equal size may help create the conditions for competition, but it cannot guarantee the outcome.

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10 Bank Consolidation to Create a Few Large Banks of Similar Size Can Help Meet India's Rising Credit Needs: EAC-PM — KNN India

11 Public Sector Bank Mergers Need Caution, Governance Reform And Strategic Clarity — The Pioneer