

Event Report

**ROUNDTABLE DISCUSSION AND STUDY LAUNCH ON
IMPLICATIONS OF THE PROPOSED
DIGITAL COMPETITION BILL FOR
SMALL BUSINESSES IN INDIA**



EVENT REPORT

ROUNDTABLE DISCUSSION AND STUDY LAUNCH ON IMPLICATIONS OF THE PROPOSED DIGITAL COMPETITION BILL FOR SMALL BUSINESSES IN INDIA

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1. INTRODUCTION

On December 13, 2024, The Dialogue launched its study titled “*Implications of the Proposed Digital Competition Bill for Small Businesses in India*” and engaged relevant stakeholders in a discussion of its findings. The presentation of the research study, based on a survey of over 300 businesses, preceded the roundtable discussion. The study addressed the following research questions:

- a. What is the perceived value addition of digital services for businesses?
- b. To what extent are businesses satisfied with the choices available to them in terms of digital service providers?
- c. To what extent are businesses satisfied with the prices/fees and terms of services provided by digital service providers?
- d. What is the perceived impact of the changes that can be unintentionally introduced by the Digital Competition Bill in the digital ecosystem?

Furthermore, the *key findings* of the study were revealed to participants as follows:

- a. **64%** of businesses are broadly satisfied with digital service providers.
- b. **77%** are satisfied with the choice of digital services.
- c. **63%** are satisfied with prices and fees.
- d. **51.5%** are satisfied with the terms on which digital services are made available.
- e. **88.8%** believe digital services are crucial for their business success.
- f. **82.2%** think digital services enhance their market competitiveness.
- g. **71.6%** believe that if digital services are

unable to specifically tailor ad placement to enable them to reach their target audience, it will have a negative impact on their business.

- h. **73.3%** believe that if social media networks do not permit additional functionalities, it will have a negative impact on their business.
- i. **71.9%** believe that if restrictions were imposed on digital distribution channels from using insights to reach out to their end users, it would have a negative impact on their business.
- j. **68.9%** believe that if they had to share data with third parties who also advertise on the same advertising services, it would have a negative impact on their business.
- k. **54.1%** believe that if app stores are unable to impose restrictions on other available apps, their business will be negatively impacted.

After the presentation, a *moderated roundtable discussion* was held, which included the following stakeholders:

- a. Hon’ble Members of Parliament
- b. Industry players
- c. Industry bodies
- d. Startups and Small businesses
- e. Academicians
- f. Competition lawyers
- g. Think tanks and civil society

This discussion fostered a dynamic exchange of perspectives, focusing on shaping a balanced and effective regulatory framework for India’s digital economy and small businesses.

2. THEMES

Key themes that emerged from our discussion:

2.1 VALUE ADDITION OF DIGITAL SERVICES

The discussion explored how digital services have influenced customer interaction and provided opportunities for small businesses, as highlighted by the study's findings. It was emphasised that digital tools have transformed operations by enhancing market reach and streamlining processes. Success stories illustrating the transformative potential of digitalisation for MSMEs were also highlighted. One participant shared the example of a tailoring shop in a small town in Uttar Pradesh, which successfully leveraged digital services to grow from a two-person operation to a thriving enterprise with around 300 employees.

2.2 BALANCING INNOVATION WITH REGULATION

Participants raised concerns about how ex-ante laws, such as the Digital Competition Bill (DCB), could impact innovation, particularly in a growing ecosystem like India's. However, they also underscored the need for a degree of regulation to curb anti-competitive practices and protect consumers. The roundtable discussion further emphasised that India's regulatory framework must align with its unique socio-economic context. A blanket

application of European-style regulation or the U.S. model may not suit India's needs. A balanced, India-specific model was recommended to address competition concerns while enabling innovation, especially in rural areas.

The importance of integrating digital markets into rural India was also highlighted, with a focus on the unique needs of small-scale businesses. While urban startups and SMEs have reaped significant benefits from digitisation, rural businesses often remain on the fringes. If crafted carefully, regulation could catalyse rural digitisation, driving economic growth and employment. Participants emphasised the need to shift regulatory focus from purely automation-driven solutions to community-building efforts.

Moreover, the roundtable discussion highlighted the potential pitfalls of market capitalisation-based classifications in digital regulation. While discussing the threshold criteria for designating regulated entities based on size under the DCB, participants cautioned that this approach might disproportionately target business and negatively impact growth and innovation, particularly in emerging sectors. The discussion emphasised that India's regulatory framework should strike a balance, ensuring fair oversight without penalising successful businesses that have achieved scale organically.

2.3 BROAD SCOPE OF THE DCB

The DCB’s inclusion of provisions such as prohibiting bundling and tying services sparked significant discussion. Participants pointed out that while these restrictions aim to prevent abuse of dominance, they might inadvertently harm small businesses by disrupting the bundled services they currently rely on. MSMEs often use affordable, integrated platforms offering services like cloud storage, advertising tools, and collaboration software. Separating these services into standalone offerings could increase costs and administrative burdens for these businesses.

Another sectoral concern was the inclusion of cloud services under the DCB. Participants argued that there was insufficient evidence to justify this inclusion in the Core Digital Services (CDS) list as outlined in Schedule I of the DCB. Furthermore, the broad scope of the CDS list, particularly its non-exhaustive nature that allows future additions without parliamentary approval, raised concerns about the potential for regulatory overreach.

2.4 REGULATION IN THE CONTEXT OF MSMEs

The discussion highlighted the scale and challenges of MSMEs in India, emphasising that the regulatory measures must consider their specific needs. With 12 crore MSMEs in the country, only 5.3 crore are registered, and just 5% are digitised. This reflects a lack of digital adoption and limited awareness of existing competition laws. Participants noted that many MSMEs are unaware of the Competition Commission of India (CCI) or the protections available under competition law. One participant further warned that the DCB’s restrictive measures could disproportionately impact these small businesses by:

- i. Increasing the costs of essential services,
- ii. Limiting access to affordable digital tools, and
- iii. Reducing flexibility in using integrated platforms.

2.5 CAPACITY CONSTRAINTS OF THE CCI

The DCB’s focus on addressing anti-competitive practices was welcomed in principle, but participants urged a more surgical approach to regulation. Various models already exist in sectors like ride-hailing and digital payments, where competition between major players ensures fair pricing and service quality. It was suggested that the CCI should strengthen existing frameworks to address specific competition issues rather than create new, overarching laws.

Furthermore, it was highlighted that the CCI’s capacity needs to be enhanced through increased funding, expert appointments, and more human resources. A dedicated bench at the National Company Law Appellate Tribunal (NCLAT) could also more effectively hear appeals from the CCI’s orders.

2.6 INCLUSIVE STAKEHOLDER CONSULTATION PROCESS AND EVIDENCE-BASED POLICYMAKING

A consistent theme was the need for evidence-based policymaking. It was noted that, based on a small sample of 300 respondents, the findings of The Dialogue study should be viewed as exploratory rather than definitive. The lack of comprehensive representation of “micro” MSMEs, freelancers, and informal businesses (such as the gig economy) underscores the need for

more inclusive research before implementing broad regulatory frameworks.

Participants further suggested that the CCI should commission such research. Additionally, they recommended conducting market studies to identify specific sectors experiencing market failures. By addressing these issues through graded interventions, India could avoid the pitfalls of blanket regulation. It was also emphasised that the welfare context be considered, ensuring that regulation supports rural development and does not exacerbate existing disparities.

3. CONCLUDING REMARKS

Insights from the roundtable discussion underscored the need for a more nuanced and balanced regulatory approach. While the DCB’s intent to ensure fairness and contestability is well-founded, its sweeping prohibitions risk stifling innovation, increasing costs, and disproportionately impacting MSMEs. Stakeholders also highlighted the need for a targeted and evidence-based approach that strengthens existing competition enforcement mechanisms rather than introducing overarching laws.

Moreover, the discussion emphasised the importance of fostering innovation and expanding digital adoption, particularly in rural areas, where digitisation can drive economic growth and create employment opportunities. Ultimately, India’s digital competition framework must reflect its unique socio-economic context. Rather than emulating foreign models, a balanced, India-specific regulatory paradigm that prioritises SME enablement, rural integration, and innovation will ensure that digital markets remain competitive, inclusive, and growth-driven.



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