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POLICY BRIEF

MARKET STUDY ON ARTIFICIAL INTELLIGENCE AND COMPETITION

October, 2025

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Authors

The Competitition Law and Policy Team
Bhoomika Agarwal, Saharsh Panjwani and Anuradha Bhattacharya

Thematic Designer

Shivam Kulshrestha

The Dialogue is a public policy think tank with a vision to drive a progressive narrative in India's policy discourse. Founded in 2017, we believe in facilitating well-researched policy debates at various levels to help develop a more informed citizenry, on areas around technology and development issues. The Dialogue has been ranked as the world's Top 10 think tanks to watch out for, by the Think Tank and Civil Societies Programme (TTCSP), University of Pennsylvania in their 2020 and 2021 rankings.

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1. Introduction

Artificial Intelligence (AI) is no longer experimental, it is now central to business strategy, reshaping competition, innovation, and regulation worldwide. Recognising this shift, regulators worldwide are examining AI's competitive implications. India's Competition Commission of India (CCI) has joined this global effort with its *Market Study on AI and Competition*, undertaken in collaboration with MDI Gurgaon. The study attempts to map the AI ecosystem, examine the potential of AI across different sectors, and assess competition concerns in this emerging space.

AI is increasingly recognised as a transformative factor of production, augmenting labour, capital, and innovation. It enables machines to sense, comprehend, and act, thereby reshaping decision-making and business processes. Globally, AI is expected to be a key driver of productivity and competitiveness, while in India the government envisions AI as a growth engine across healthcare, agriculture, education, infrastructure, and smart cities. Initiatives such as the National Strategy for AI, the National AI Portal, and the IndiaAI Mission (with a ₹10,300 crore allocation over 5 years) underscore this commitment. The IndiaAI Mission includes components like Compute Capacity, Innovation Centres, Datasets Platform, Application Development, FutureSkills, Startup Financing, further strengthening India's AI ecosystem. At the same time, AI's rapid adoption raises new competition concerns, including risks of market concentration, barriers to entry, and algorithmic collusion. ***These dynamics form the rationale for the market study.***

Employing a robust methodology, the study combines secondary research, expert interviews, stakeholder consultations, surveys, and focus group discussions. A sample of 106 respondents was drawn across categories including technology companies, startups, industry associations, and customer firms, offering both qualitative and quantitative insights.

Category	Description	Number of respondents
A	Labs/ technology firms/ consortiums developing AI models/ systems/applications	50
B	Independent developers / innovators / startups/researchers	
C	Firms supplying inputs (data/hardware/compute/cloud services)	5
D	AI development platforms	5
E	Customer firms/major deployers of AI	30
F	Investors	4
G	Experts from the field of competition law and policy	11
H	Industry associations	1
		106

Figure sourced from the Market Study - Overview of stakeholders (respondents) for primary data collection

2. Mapping India's AI Landscape

The report offers a panoramic view of India's AI ecosystem. The AI stack represents the full workflow of artificial intelligence, spanning from data collection to deploying fine-tuned models in real-world applications. The report divides it into upstream layers (data and foundational technologies) and downstream layers (customization, deployment, and user interaction). Supporting both sides is a vertical Governance and Orchestration Layer that ensures coordination, compliance, and ethical oversight across the ecosystem.

Figure 3: Artificial Intelligence (AI) Stack for Market Study on AI and Competition

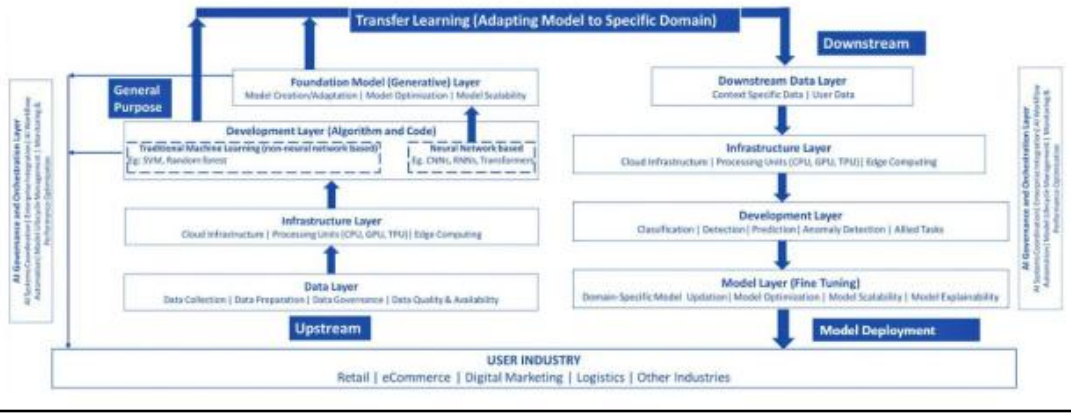


Figure sourced from the Market Study - Artificial Intelligence (AI) Stack for Market Study on AI and Competition

Layer	Explanation	Key Insights
Data Layer	The data layer is the foundation of the AI value chain, responsible for collecting, cleaning, labelling, and governing data. Activities in this layer include sourcing data (e.g., from IoT devices, social media), preparing and annotating it for model training, and enforcing data governance standards like privacy and security.	*Key Players (India, Upstream Data Layer):* • Appen holds the largest share at 23.4% with customised speech and vision datasets, followed by AWS at 19.2% through its Data Exchange. Google accounts for 15.3% with structured metadata and dataset discovery tools, while Microsoft Azure contributes 11.3% through curated open datasets integrated with Azure AI. Scale AI has a 9.4% share, focusing on labelling, fine-tuning, and testing in partnership with firms like OpenAI and Meta. The remaining 21.4% is spread across players such as IBM, Kaggle, Meta, Wipro, Playment, and Infosys. • Post-2015 entrants like Tuplejump (acquired by Apple), Extracto, ML LABS, Prakash, and WitHub drive innovation in big data apps, automated extraction, regenerative AI, and enterprise search. Prominent players in the data annotation

		space include iMerit, Cogito Tech, Anolytics, Teksun, and Playment.
Computing & AI Infrastructure Layer	This layer provides cloud infrastructure, specialised chips, edge computing, and high-performance computing to support AI model training and deployment at scale.	• In 2024, India's cloud service market was led by AWS (32.6%), Azure (20.8%), and GCP (11.5%). Other players include Oracle, IBM, Tata Communications, and ESDS. The semiconductor market is driven by global leaders like TSMC, NVIDIA, AMD, and Intel. • Key Indian players involved in the manufacturing layer include Tata Group, Micron, HCL-Foxconn etc. • Indian startups are further emerging with firms like JarvisLabsAI and NeevCloud building domestic cloud and HPC platforms, while MoboDexter and BrainChip driving edge computing and neuromorphic innovations.
AI Development Layer	This layer involves developing and training AI models using ML, NLP, CV, and Generative AI, each serving distinct purposes.	• As per the survey results, 88% of startups use ML to build AI solutions, 78% use NLP, 66% use GenAI, and 27% use CV. • The survey found that 63% of respondent companies use pre-trained proprietary algorithms, while 66% rely on pre-trained open-source algorithms. • Emerging Indian startups in this layer include Quickwork, Ai Awaaz, FinLock, REVARN Cybernetic, and Automator.
Generative AI / Foundation Model Layer	The Generative AI layer uses large foundation models to create new content, and powering applications from chatbots to medical imaging.	• Global leaders like Microsoft, Google, Meta, and OpenAI dominate, while India's market is expanding quickly, projected to reach USD 7.81 billion by 2031 at a CAGR of 43%. • Google has 18 foundation models followed by Meta which has 11, Microsoft has 9 and Open AI has 7 foundation models. • Emerging Indian startups include Sarvam AI, Pixis, Observe.AI, Avaamo AI and Ola Krutrim.
AI Model Layer	This layer focuses on customizing AI models for specific industries through fine-tuning, optimization, and deployment.	• Startups use both open-source and closed-source models, with 43% preferring hybrid architectures, 17% preferring mostly closed source and 22% using indigenously built technologies. 76% of interviewed companies rely on open-source tools, boosting innovation. • Technology companies providing open source algorithms are Google

		(TensorFlow), Microsoft (Azure ML), Meta (PyTorch, Llama), Amazon (SageMaker), OpenAI (GPT). • Notable Indian startups include Npluslabs, EDGE Neural, Grey Chain AI, and Aqeeq Technologies.
AI Release & Deployment Layer	This layer manages how AI models are delivered, updated, and scaled in real-world environments, ensuring reliability and real-time performance.	In India, it is still emerging, with startups like Sygmoid (end-to-end lifecycle platforms), Cumin AI (batch APIs and vector stores), Inferless (serverless GPU deployment), and produktiv.ai (governance-linked RAG tools) driving innovation.
AI User Interaction Layer	This layer is where people directly engage with AI through chatbots, recommendation engines, and personalised interfaces.	In India, it is thriving with startups like Haptik (enterprise chatbots), Yellow.ai (omnichannel virtual agents), and Engati (no-code deployment), alongside design-focused firms like Sketcha and Frontitude.
Governance & Orchestration Layer	This layer ensures AI models are integrated, coordinated, and continuously optimised within enterprise IT systems while embedding oversight and ethical safeguards.	Indian startups like Impler (data import for SaaS), CleanDesk AI (multilingual conversational interfaces), Neurocrafts (edge AI optimisation), and AiEnsured (AI validation & safety testing) are driving innovation, alongside firms like augmentIQ.

According to the survey, 67% of AI startups in India are primarily focused on the application layer, where they build solutions using existing foundation models. In contrast, only about 3% are engaged in developing foundation models themselves. Around 20% of the interviewed firms operate at the data layer, while a small share, roughly 10%, provide compute and AI infrastructure.

3. Pro-competitive Potential of AI across User Industries

Sector	Pro-competitive effects	Key Insights
Retail	• **Personalisation** – AI analyses customer behaviour and past purchases to deliver tailored recommendations and targeted marketing. • **Demand Forecasting** – By detecting patterns beyond traditional methods, AI predicts customer demand more accurately, enabling better planning and logistics. • **Customer Engagement** – Virtual assistants, chatbots, AI search, and AR tools improve customer support and shopping experiences. **Inventory & Supply Chain Management** – AI automates logistics, optimises routes, and streamlines inventory.	• India's retail industry is projected to grow at 9% CAGR (2019–2030), making it the 3rd largest retail market globally within a decade. • By 2025, GenAI is projected to boost retail profitability by 20%, driving gains in customer experience, product innovation, cost reduction, and value chain efficiency. Use Cases: • Swiggy uses AI to enhance user experience. Mamaearth uses AI to optimise inventory management.
E-Commerce	• **Delivery & Logistics** – AI enhances supply chain visibility, last-mile delivery, and route optimisation, cutting transit times by up to 20% and delivery costs by 15%. • **Dynamic Pricing** – AI analyses demand, competition, and consumer behaviour to adjust prices in real-time. • **Predictive Analytics for Inventory** – AI forecasts demand helping optimise stock levels and prevent shortages.	AI in e-commerce & retail expanded from USD 0.33 billion (2019) to USD 0.86 billion (2024), and is projected to reach USD 15.7 billion by 2032 at a CAGR of 43.2% (2025–2032). Use Cases: • Myntra uses AI to track fast-selling products and launch collections quickly. • JioMart and Meesho deploy AI engines to deliver personalised product recommendations.
Logistics & Delivery	• **Inventory & Route Management** – AI improves inventory tracking, order processing, and supply chain visibility, reducing fulfilment times and costs.	Adoption Levels • 35% of companies in the sector use transformation-driven AI strategies. • 29% have adopted small-scale AI pilots. • 88% of logistics firms already deploy AI for demand-based inventory

	Flipkart and Reliance Retail use AI for efficient inventory management and demand forecasting. • **Warehouse Automation** – AI powers robotics, IoT, and automated storage systems to streamline warehouse operations. Autonomous Mobile Robots (AMRs) and Amazon's large-scale robot deployment showcase how automation enhances efficiency and reduces manual labour. • **Demand Forecasting & Delivery** – AI enables accurate demand prediction, resource optimisation, and better planning across supply chains, strengthening resilience and minimising disruptions.	management and real-time tracking of fleets and goods. Use Cases • Delhivery and Ecom Express use AI to predict demand surges and optimise warehouse stocking. • Shadowfax and Porter leverage AI for GPS-based dynamic routing and delivery tracking. • Blue Dart and DHL India integrate AI to improve last-mile delivery and reduce delays.
Marketing	• **Content Creation & Customer Support** – Automates blogs, social media posts, and chatbots for 24/7 personalised assistance, as seen with Nykaa's virtual assistant. • **Personalisation & Predictive Analytics** – Analyses behaviour to recommend products, forecast trends, and optimise strategies. • **SEO, Ads & Sentiment Analysis** – Enhances ad targeting, keyword optimisation, and customer insights. • **Programmatic Advertising & Social Media Marketing** – Automates ad buying, improves targeting, and refines content strategies.	Use Cases • Nykaa's virtual assistant provides personalised product recommendations. • Coca-Cola's "Create Real Magic" blended AI with user-generated content.
Banking, Financial Services, and Insurance (BFSI)	• **Fraud Detection & Security** – Uses ML to analyse transaction patterns and detect suspicious activities in real time. • **Customer Experience** – Chatbots and virtual	The AI market in India's BFSI sector grew from USD 0.75 billion (2019) to USD 2.01 billion (2024). It is projected to reach USD 33.68 billion by 2032, at a CAGR of 41.7% (2025–2032).

	assistants powered by NLP provide 24/7 personalised support and routine transaction handling. • **Credit Risk & Loan Processing** – AI evaluates creditworthiness using diverse data sources. • **Wealth Management** – Robo-advisors offer automated, tailored investment recommendations.	
Healthcare	• **Medical Imaging & Diagnostics** – Improves accuracy and speed in detecting abnormalities from scans. • **Drug Discovery & Development** – Accelerates research by predicting drug-target interactions and optimising molecular structures, cutting time and costs. • **Hospital Operations & Patient Management** – Uses predictive analytics to forecast admissions, allocate resources, and streamline workflows. • **Personalised Treatment & Precision Medicine** – Analyses patient data to create tailored treatment plans.	India's healthcare sector is rapidly adopting AI, with the market growing from USD 0.39 billion in 2019 to USD 1.01 billion in 2024, and projected to reach USD 18.76 billion by 2032 at a 43.5% CAGR, making it the fastest-growing AI sector in the country.

Key Insights from the User Sector Survey

- The market study highlights that AI adoption is accelerating across diverse sectors, with BFSI, healthcare, IT, and manufacturing leading at a 52% adoption rate, while retail, e-commerce, and logistics trail at 24%, 14%, and 10%, respectively.

- Organisations are primarily leveraging AI for customer engagement, with 62% implementing chatbots, virtual assistants, and personalized recommendation engines to enhance interactions and marketing effectiveness. Technical applications such as supply chain management and dynamic pricing are also gaining traction, adopted by 21% and 14% of respondents, respectively.

- Machine learning underpins most AI implementations (76%), while natural language processing (48%) and LLMs (45%) support more advanced, context-aware functions.
- Across sectors, AI is extensively used for monitoring customer behavior (90%) and predictive analytics, including demand forecasting (69%), inventory needs (21%), and

pricing trends (24%), reflecting a strong focus on data-driven, customer-centric decision-making.

- The survey indicates significant efficiency gains, with 48% of respondents reporting substantial improvements and 24% moderate gains, primarily through predictive analytics, dynamic pricing (38%), and automated logistics (24%). These innovations enable leaner inventories, reduced waste, faster responsiveness to market changes, and enhanced competitive agility.
- Importantly, AI is also empowering MSMEs by providing them with tools to compete effectively with larger organisations, enabling personalized products, faster decision-making, optimized resource allocation, and streamlined operations.
- Case studies, such as ElasticRun's AI-driven supply chain solutions, illustrate how smaller firms can leverage technology to improve efficiency and access wider markets, underscoring AI's potential to level the competitive playing field while fostering more responsive and innovative market dynamics.

4. Emerging Competition Issues in AI Industry

According to the market study, the AI industry is concentrated, with large technology firms holding advantages in data access, cloud infrastructure, and financial resources. Startups relying on these incumbents face dependency risks and limited bargaining power. In the development layer, the use of foundational models, APIs, and ready-to-use algorithms may tie users to specific platforms, creating long-term ecosystem dependency.

In user industries, AI raises novel competition concerns such as algorithmic collusion, market power entrenchment, and highly targeted price discrimination. Firms controlling large datasets can train more effective models, creating barriers for smaller players and reducing consumer choice. Surveyed stakeholders highlighted AI-facilitated collusion (37%), price discrimination (32%), and new/increased entry barriers (22%) as key concerns, along with predatory pricing, reduced choice, and reduced transparency.

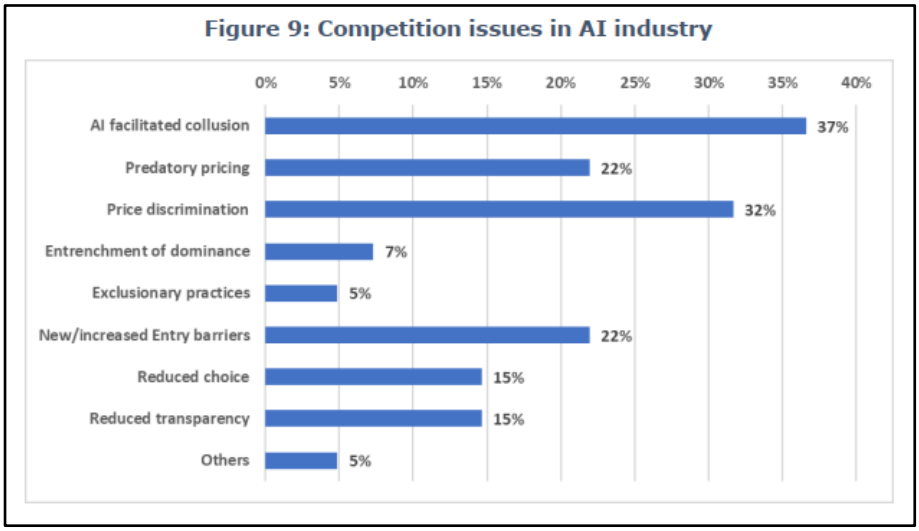


Figure sourced from the Market Study - Competition issues in AI industry

4.1 Algorithmic Coordinated Conduct (AI-Facilitated Collusion)

Pricing algorithms can enable tacit collusion even without direct human coordination by facilitating faster and more transparent market interactions. Monitoring algorithms primarily collect data for pricing decisions and still rely on human collusion to influence markets, while parallel or hub-and-spoke algorithms aggregate competitor data in ways that can lead to "secondary tacit collusion." Signalling algorithms adjust autonomously to market conditions, with collusive outcomes depending on the specific market context. More advanced self-learning algorithms, especially those using deep reinforcement learning, can independently optimise profits and may arrive at collusive strategies without explicit programming.

Key Cases on algorithmic collusion & price fixing cited in the report include:

- **Poster Cartel (Topkins, US, 2015):** David Topkins, director of an online poster retailer, was convicted for colluding with competitors on Amazon by fixing prices through coordinated algorithms. He programmed his company's software to align with the agreed pricing levels, making this a landmark US case on algorithmic collusion.

- **Trod / GB Eye (UK & US, 2015–2016):** Trod Ltd and GB Eye agreed not to undercut each other's poster prices on Amazon UK. After US authorities indicted Trod and its founder for similar conduct, GB Eye confessed to the UK CMA to gain leniency. Trod ultimately pleaded guilty in 2016 to poster price-fixing.
- **E-TURAS (EU, 2016):** The EU's Court of Justice held that travel agencies using E-TURAS were liable for cartel behavior when the platform's system capped discounts at 3%. Even without explicit agreement, continuing to use the platform after receiving notice amounted to tacit participation in price-fixing.
- **Proptech MLS Cartel (Spain, 2021):** Spain's CNMC found that real estate brokers colluded through MLS platforms, where software enforced a minimum broker fee of 4% and blocked listings below it. Agencies that violated the rules faced warnings or exclusion. Several firms were fined €1.25 million for fee-fixing and information sharing.
- **Consumer Electronics (EU, 2018):** Asus, Denon & Marantz, Philips, and Pioneer used algorithms and monitoring tools to enforce resale price maintenance on online retailers. By tracking deviations on price comparison sites, they pressured retailers to comply. The EU Commission fined them but granted 40–50% reductions for cooperation.

4.2 Algorithmic Unilateral Conduct

Larger firms can harness AI to engage in exclusionary or exploitative conduct that entrenches their market power. Through *self-preferencing*, they may favour their own products or services across platforms or AI value chains, creating barriers for rivals and restricting consumer choice. AI-driven *predatory pricing* allows for highly targeted and dynamic below-cost strategies that can swiftly eliminate competitors, posing significant long-term risks to competition. Similarly, *tying and bundling* of AI-enabled products or services can lock in consumers, reinforcing dominance and reducing market contestability. Moreover, AI-powered *price discrimination* leverages granular consumer data to personalise pricing, which may enhance efficiency but simultaneously raises serious concerns about fairness, transparency, and consumer harm.

4.3 Pricing Practices

AI adoption enables dynamic, personalised, and targeted pricing, transforming how firms interact with consumers and competitors. Dynamic pricing i.e. real-time price shifts based on market conditions, was flagged by 52% of respondents as the top concern, followed by personalised pricing (48%) and targeted discounts (24%).

4.4 Barriers to entry

Significant entry barriers exist for startups and new AI entrants, driven by restricted access to high-quality data (68%), high infrastructure costs for cloud and specialized hardware, and limited availability of skilled talent (66%). Funding remains a critical hurdle, with 83% of startups relying on self-financing, limited access to VCs and government schemes, and only 16% able to secure next-level funding. While open-source tools and synthetic data offer partial relief, reliance on third-party AI solutions (78%) creates dependency, and entrenched incumbents with superior data, computing power, and capital continue to consolidate market power, reinforcing systemic barriers for startups.

The findings of the study with regard to various potential entry barriers are discussed below:

- **Availability of Data:** AI startups face difficulties in accessing quality data. While most rely on open-source or synthetic data, access to proprietary closed-source datasets

remains limited. Among AI-using industries, 52% believe large firms with greater data access enjoy a significant competitive edge. 73% of surveyed startups relied on open-source data to train models.

- **Source of AI Applications:** Around 78% of user firms depend on third-party AI solutions, which reduces costs but creates dependency risks. This reliance limits startups' ability to differentiate and build proprietary advantages.
- **High Cost of Infrastructure**: Developing and training AI models requires high computational power, typically accessed through expensive cloud services provided by global tech firms. Startups face challenges due to high costs, limited domestic hardware manufacturing, and concentration of resources (like foundation models and large datasets) in the hands of a few firms.
- **Availability of Skilled Resources**: There is a shortage of skilled AI professionals, particularly for advanced roles. While India produces many STEM graduates, higher-order AI skills are scarce. Most companies resort to re-skilling or in-house training, but talent gaps remain a key constraint for startups.
- **Availability of Funds:** Funding is another major barrier, with 83% of startups relying on self-financing. Angel investors play some role, but venture capital and government support are limited. A majority report difficulty in accessing follow-on funding, restricting their ability to scale operations.

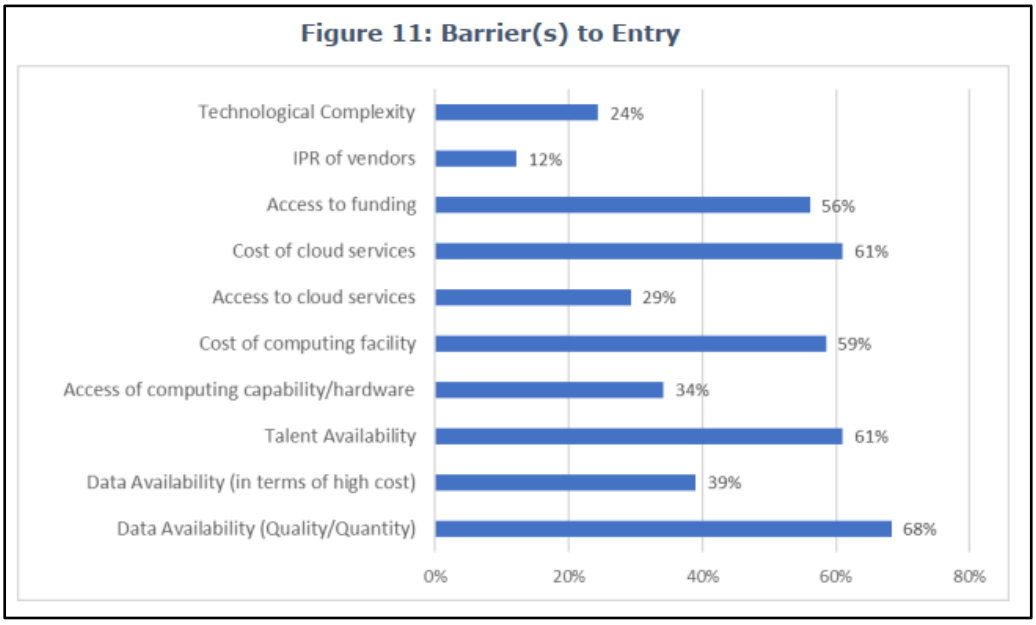


Figure sourced from the Market Study - Barrier(s) to Entry

4.5 Reduced Transparency and Reduced Choice

Startups rely on foundational models, infrastructure, and platforms controlled by a few larger players. Black-box algorithms, opaque APIs, and unclear pricing create uncertainty, dependency, and potential compliance challenges. Limited access to alternative infrastructure or models reduces market choice and reinforces ecosystem lock-in.

4.6 Network Effects

AI markets exhibit strong network effects, where the value of foundation models and generative AI grows with the number of downstream applications (indirect/data network effects), and

platforms become more attractive as user participation improves algorithm performance (platform network effects). These dynamics, amplified by AI, entrench larger players in the market and make it increasingly difficult for smaller players to compete.

4.7 Mergers & Acquisitions

The report acknowledges that partnerships across layers of the AI stack can drive growth and innovation by improving access to critical inputs and technologies, but cautions that such arrangements may also raise competition concerns. The report notes that partnerships may entrench market power, citing, for instance, the UK CMA's 2024 probe into Google's partnership with Anthropic. In India, notable acquisitions include Gupshup's purchases of AskSid, Active.Ai, and Knowlarity; Freshworks' acquisitions of Device, Flint, and Answeriq; Haptik's acquisition of Convrg and Buzzo.ai etc.. User industry acquisitions include Flipkart (Liv.ai, Upstream Commerce), Amazon India (Perpule), Reliance Jio (Haptik, Reverie), Swiggy (Kint.io) etc.

Key Insights from the Survey

Survey findings reflect 52% of user respondents reporting substantial competitiveness gains and 34% noting moderate improvements. AI also boosts customer engagement, with 79% of users reporting more interactions through recommendation engines, tailored ads, and personalized pricing, though only 21% see long-term loyalty improvements. Additionally, 62% of firms believe AI lowers barriers to entry, potentially increasing competition, while opinions on its impact on market concentration remain mixed with 48% believing that AI moderately reduces market concentration and 7% believe that it significantly reduces market concentration.

5. Legal and Regulatory Framework

Competition regulators worldwide, including the US, EU, UK, Japan, China, Australia, France, Canada and India are increasingly examining AI's impact on market dynamics. The CCI's market study captures this global regulatory evolution while incorporating insights from Indian stakeholders, outlining key challenges. Through this section, we summarise the diverse approaches emerging across jurisdictions.

5.1 Insights from Global Trends

- **Enforcement:** Globally, enforcement against AI-related harms is still rooted in traditional competition and consumer protection tools, but with varying levels of adaptation. The United States relies heavily on the Sherman Act, Clayton Act, and FTC Act, with the FTC and DOJ stretching their mandates to address AI-driven discrimination, bias, and opacity. Illustratively, in the Facebook housing ads case, the platform was required to introduce a new "variance reduction system" and submit to third-party audits after its AI-enabled ad targeting was found discriminatory. The EU, by contrast, has created bespoke ex-ante regimes, most notably the AI Act (2024) and the Digital Markets Act (2022), which impose binding obligations and severe penalties on gatekeepers, marking a move away from reactive enforcement. The UK blends both approaches: its CMA undertakes enforcement in fast-moving digital markets, while new statutory powers under the DMCC Act (2024) allow for tailored remedies against firms with entrenched power. Elsewhere, China's PIPL (2021) provides comprehensive privacy-based enforcement, while Australia and Japan rely on consumer and sectoral frameworks, supplemented with targeted new laws like the Smartphone Act (2024).

- **Use of Market Studies**: Market studies have become a central enforcement tool for jurisdictions seeking to understand AI's competitive impact before harms crystallise. The UK's CMA has been proactive, issuing reports in 2023 and 2024 on AI foundation models, warning of restricted access to compute and risks of incumbents leveraging market power. The ACCC in Australia has run a five-year Digital Platforms Inquiry (2020–25), with its final report underscoring how cloud and generative AI can amplify competition risks. Similarly, the French Competition Authority launched an ex officio inquiry into generative AI (2024), examining strategies of large tech firms around compute access and investments. In the US, while there is no formal market study framework, Congressional hearings and FTC investigations into digital platforms serve as functional equivalents. The OECD has explicitly recommended market studies as a proactive tool to monitor technological shifts and pre-empt competition harms.

5.2 Overview of Policy Instruments in India

India's competition framework is anchored in the Competition Act, 2002, enforced by the CCI to prevent anti-competitive agreements, abuse of dominance, and regulate mergers and acquisitions, applying equally to digital markets. To address challenges in AI and digital sectors, India has introduced reforms through the Competition (Amendment) Act, 2023, expert committees, and a Digital Markets Division within the CCI. Key measures include recognition of hub-and-spoke cartels, broader definitions of anti-competitive agreements, M&A deal value thresholds, and settlement frameworks for faster dispute resolution.

The Committee on Digital Competition Law proposed the Digital Competition Bill, 2024, introducing ex-ante obligations for SSDEs such as data portability, non-discrimination, and prohibitions on self-preferencing, with enforcement via a Digital Markets Unit. Complementing

this, the Digital Personal Data Protection Act, 2023 strengthens data privacy and cross-border transfer rules, while MeitY's 2025 AI Governance Guidelines advocate transparency, accountability, fairness, and adaptive, harm-based oversight to ensure safe and responsible AI deployment.

5.3 Stakeholders' Perspectives

Stakeholders across the AI ecosystem in India emphasize both the opportunities and challenges of AI adoption.

- User industries such as e-commerce, logistics, and digital marketing highlight AI's role in boosting efficiency and innovation but stress the need for responsible adoption, equitable regulation, support for startups in smaller cities, and monitoring of large-scale collaborations to prevent anti-competitive practices.
- Startups point to barriers including limited data access, dominance of larger players, algorithmic bias, and preferential vendor agreements, calling for anonymized public datasets, privacy-preserving AI, alignment of data protection laws with global standards, and a dedicated regulatory body to validate AI products and reduce legal risks.
- AI platform companies advocate for a risk-based, proportionate regulatory framework focused on specific AI applications, the availability of open datasets, cross-border data flows, and global regulatory alignment.
- Legal experts reinforce the need for balanced regulation to foster innovation while addressing ethical and competition risks, recommending regulatory sandboxes, oversight of synthetic data, democratized access to anonymized data, and dedicated AI startup policies with financial incentives to level the playing field.

The report outlines the following key opportunities and challenges in the AI landscape.

Opportunities	**Challenges**
• Increased operational efficiency • Improved consumer insights • Innovation-enabler • Empowering MSMEs and startups	• Concentration in the AI value chain • Ecosystem lock-in and switching costs • Collaborations and partnerships • Self-preferencing • Novel risk of algorithmic collusion • Price discrimination • Opaque algorithms

6. Way Forward

6.1 Self-audit of AI Systems for Competition Compliance: The report suggests self-audits by businesses to proactively identify and mitigate risks arising from AI-driven systems that may inadvertently violate competition laws. It further suggests following key obligations as party of the self-audit mechanism:

Governance Obligations: • Establish an internal governance framework for AI competition compliance. • Assign clear roles and responsibilities, including senior management oversight. • Implement approval and escalation processes for high-risk AI systems. • Document decisions and maintain audit trails.	**Design and Development Obligations:** • Assess algorithm objectives and training data for fairness and bias. • Avoid using sensitive competitor data inappropriately. • Build safeguards to prevent collusive or exclusionary outcomes. • Ensure explainability of AI decision-making.
Testing Obligations: • Conduct systematic testing for anti-competitive effects (e.g., price coordination). • Run simulations under various market conditions, including stress scenarios. • Validate and document performance and updates.	**Monitoring Obligations:** • Continuously monitor deployed AI systems. • Set up triggers for human intervention and maintain audit logs. • Track deviations from expected or compliant behaviour.
Transparency Obligations: • Ensure transparency of key AI functions and decision parameters. • Maintain documentation on inputs, logic, and outputs. • Enable stakeholders to report competition-related concerns.	**Compliance Integration Obligations:** • Integrate competition law principles into AI development and deployment processes. • Train technical teams on relevant legal standards. • Involve legal and compliance teams in reviews and risk assessments.
Documentation Obligations: • Keep records of risk assessments, testing, algorithm changes, and decision rationales. • Maintain version history and regularly update documentation.	

6.2 Framework to improve transparency and reduce information asymmetry: Opaque AI decision-making can conceal anti-competitive practices, harming both market competition and

consumer trust. Lack of transparency, especially by firms with market power, can obscure accountability, enable discrimination, and limit consumer choice.

6.3 Focused Advocacy: CCI will host a conference on "AI and Regulatory Issues" to encourage dialogue and promote regulatory alignment among stakeholders. It will be followed by advocacy workshops on "AI and Competition Compliance" to raise awareness about applying competition law to AI and promoting responsible innovation.

6.4 Removing entry barriers: India's AI ecosystem is growing rapidly but faces structural challenges like high entry barriers related to infrastructure, data, talent, and capital, which hinder fair competition. A multi-pronged strategy, primarily focusing on open-source frameworks, affordable computing access, data availability, skill development, and international tech collaboration can empower startups and foster a competitive and inclusive AI landscape.

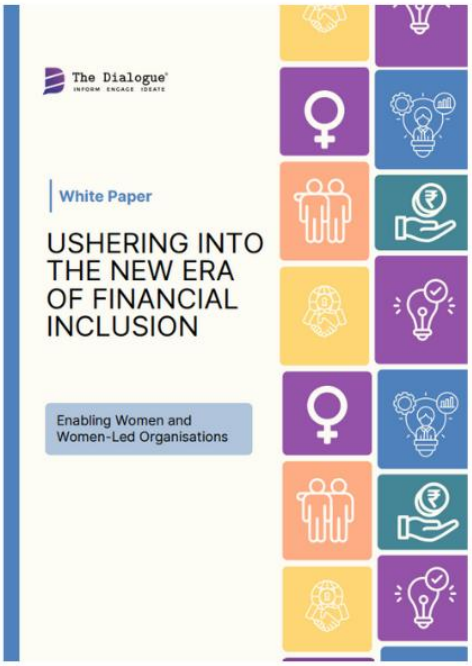
6.5 Regulatory capacity building: To effectively oversee AI-driven markets, CCI will enhance its technical capabilities and infrastructure by developing expertise in AI, data science, and computational methods. It also plans to establish a multidisciplinary Think Tank of experts to provide ongoing insights into the evolving interface of technology, markets, and competition policy.

6.6 Inter-regulatory co-ordination: AI markets raise overlapping issues across competition, data protection, IPR, and cybersecurity, necessitating a multidisciplinary and coordinated regulatory approach. To enable structured consultation, CCI will explore MoUs with relevant authorities under the Competition Act's coordination framework.

6.7 International Cooperation: Given the global nature of AI markets, CCI will strengthen international cooperation through agreements with peer competition authorities for information sharing and joint policy development. It will also engage actively in multilateral platforms like OECD, ICN, and UNCTAD to stay aligned with global best practices in addressing AI-related competition challenges.

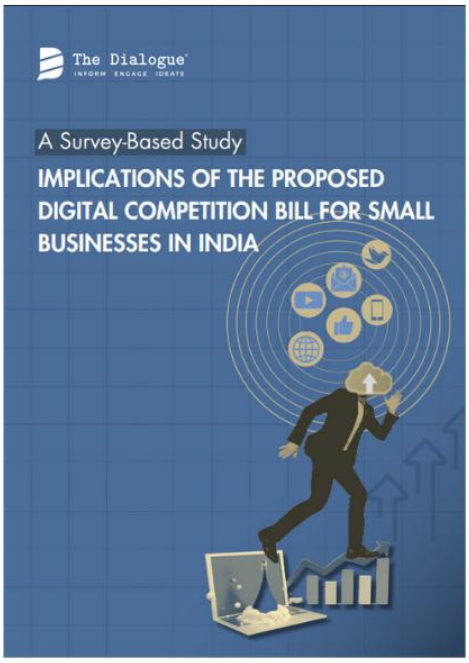
More from Our Research

Event Report: Webinar on Navigating AI in Financial Services – Balancing Innovation, Inclusion, Resilience, and Unlocking Economic Opportunity



White Paper : Ushering into the New Era of Financial Inclusion: Enabling Women and Women-Led Organisations

Research Paper- Digitising India: Towards an Inclusive Growth of the Ecosystem



A Survey Study: Implications of the Proposed Digital Competition Bill for Small Businesses in India

About our Authors

Bhoomika Agarwal

Programme Manager - Competition Law and Policy

Bhoomika is a Programme Manager at The Dialogue, focusing on competition and AI policy. She has authored research reports and policy recommendations shaping India's tech ecosystem. With experience in e-commerce, data protection, and work with Amnesty International and the UN, she brings legal expertise and a strong commitment to advancing tech policy.

Saharsh Panjwani

Senior Research Associate

Saharsh Panjwani is a Senior Research Associate at The Dialogue, working on competition law and digital policy. A law graduate from GGSIP University, he previously served as a Judicial Law Clerk at the Delhi High Court, gaining experience in constitutional, commercial, and regulatory law.

Anuradha Bhattacharya

Senior Research Associate

Anuradha Bhattacharya is a Senior Research Associate at The Dialogue, specialising in competition law and digital markets. She has contributed to India's digital competition law framework and holds an LLM from University College London.