The Indian Journal for Research in Law and Management

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Editor-in-Chief – Dr. Muktai Deb Chavan; Publisher – Alden Vas; ISSN: 2583-9896

Competition Law in the Digital Era: Balancing Innovation, Consumer Welfare and Market Fairness in India

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Abstract

The rapid expansion of digital technologies, including artificial intelligence, big data, e-commerce and online platforms, has fundamentally transformed the structure and functioning of markets. While digitalisation has promoted innovation, consumer convenience and economic growth, it has simultaneously created complex competition concerns relating to market concentration, network effects, data dominance, algorithmic collusion, self-preferencing and ecosystem lock-in. This article examines the evolving role of competition law in India in addressing these challenges while maintaining an appropriate balance between technological innovation, consumer welfare and market fairness. It traces the development of India's competition-law framework from the Monopolies and Restrictive Trade Practices Act, 1969, to the Competition Act, 2002, and considers recent reforms introduced through the Competition (Amendment) Act, 2023. Particular attention is given to the recommendations of the Committee on Digital Competition Law, including the proposed ex-ante regulatory framework for Systemically Significant Digital Enterprises. The article also adopts a comparative perspective by examining the European Union's Digital Markets Act and developments in the United States. It argues that an effective digital competition framework must protect competitive markets and consumers without unnecessarily restricting technological innovation. The future of Indian competition law therefore depends upon developing a flexible, technologically informed and balanced regulatory approach capable of responding to rapidly evolving digital markets.

Keywords: Competition Law, Digital Markets, Artificial Intelligence, Big Data, Consumer Welfare, Market Fairness, Competition Commission of India, Digital Competition.

Introduction

An unparalleled transformation has been witnessed by the 21st century in the global economy through e-commerce, artificial intelligence (AI), big data, online platforms, cloud computing and digitalization. This technological revolution has modified the way of interaction of customers with markets, operation of businesses and the way government regulate economic activities. In present times, digital platforms have revolutionized everyone's life by empowering consumers to shop online, utilize AI-powered services and make digital payments with exceptional ease. While these developments have boosted the economic growth, new challenges have also been created by them related to fair competition, concentration of market and data dominance.

A healthy competition is at the core of a market economy. It not only provides consumers with greater choices but also encourages businesses to improve the quality of their products and services, reduce costs, and promote innovation. However, when enterprises acquire excessive market power, competition may be distorted through unfair and anti-competitive practices. Such practices can restrict consumer choice, create barriers for new entrants, and ultimately discourage innovation. Therefore, competition law plays a crucial role in maintaining a fair, efficient, and competitive market.

Competition law not only protects individual competitors but also preserves the **competitive process** itself. The principal legislation governing competition in India is the **Competition Act, 2002**[1], which is enforced by the **Competition Commission of India (CCI)**. The Act reflects India's transition from a controlled economic system towards a liberalised and market-oriented economy, focusing on promoting competition, protecting consumer interests, and ensuring freedom of trade.

This article examines the significance of competition law in balancing **technological advancement, consumer welfare, innovation, and market fairness** in India's rapidly evolving digital economy.

[1] The Competition Act, No. 12 of 2003, pmbl., India Code, https://www.indiacode.nic.in/handle/123456789/2010 (last visited Aug. 20, 2026).

Understanding the Competition Law

The term competition refers to a situation in a market in which firms or sellers independently strive for the buyer's patronage in order to achieve a particular business objective. A healthy competition without any unfair practices allows both consumers and economy to sustain in the market. A healthy competition ensures efficient business with innovative solutions as well as it ensures consumers affordability to higher-quality products at genuine prices.

Competition law generally seeks to prevent three major forms of anti-competitive conduct:

First, anti-competitive agreements between enterprises, such as cartels, price-fixing, market allocation, bid rigging, and production restrictions.

Second, abuse of dominant position, where a powerful enterprise misuses its market strength by imposing unfair prices, restricting market access, engaging in predatory pricing, or favouring its own products over those of competitors.

Third, combinations, including mergers, acquisitions, and amalgamations that may substantially reduce competition within a relevant market.

Evolution of Competition Law in India

India's competition policy has evolved alongside its changing economic landscape.

During the post-independence period, India followed a protectionist economic model characterised by extensive governmental control over industries. To regulate concentration of economic power, Parliament enacted the **Monopolies and Restrictive Trade Practices (MRTP) Act, 1969**[2]. The principal objective of the MRTP Act was to prevent monopolistic practices and concentration of wealth.

However, following the economic liberalisation initiated in 1991, the Indian economy experienced increased private investment, globalisation, and market competition. The MRTP Act was considered inadequate to address the complexities of modern markets because it focused primarily on restricting monopolies rather than promoting competition itself.

Recognising these shortcomings, the Government enacted the **Competition Act, 2002**, which marked a paradigm shift in India's competition policy[3]. Unlike the MRTP Act, the Competition

[2] The Monopolies and Restrictive Trade Practices Act, No. 54 of 1969, India Code (repealed 2009), https://www.indiacode.nic.in/.

[3] Geeta Gouria & Kalyani Pandya, *The Indian Competition Law Experience—Its History and Its (Digital) Future*, 4 Indian L. Rev. 276 (2020).

Act adopts a pro-competition approach by encouraging competitive markets while prohibiting practices that adversely affect competition. The Act subsequently came into force in phases, and the Competition Commission of India became fully operational to enforce its provisions. The legal framework has since been strengthened through the **Competition (Amendment) Act, 2023**, which introduced procedural reforms, settlement mechanisms, deal-value thresholds for certain mergers, and other measures to improve enforcement in modern markets.

Objectives of Competition Law

The Competition Act, 2002 is founded upon several interrelated objectives that collectively contribute to economic efficiency and consumer protection.

The foremost objective is to **promote and sustain competition** in Indian markets. A competitive market motivates enterprises to improve productivity, reduce costs, and continuously innovate.

Secondly, the Act seeks to **protect consumer welfare**. Competition benefits consumers by ensuring lower prices, improved quality, greater product variety, and enhanced services. The consumer ultimately becomes the greatest beneficiary of an effectively competitive market.

Thirdly, competition law aims to **prevent anti-competitive practices** such as cartels, collusive bidding, abuse of dominant position, and exclusionary conduct that distort market functioning[4].

Another important objective is to **ensure freedom of trade**. The law seeks to create a level playing field where both established enterprises and emerging start-ups have equal opportunities to compete without facing unfair barriers[5].

Finally, competition law contributes significantly to **economic development**. Fair and transparent markets attract investment, encourage entrepreneurship, generate employment opportunities, and enhance India's overall economic competitiveness. These objectives reflect the legislative mandate entrusted to the Competition Commission of India to eliminate practices having an appreciable adverse effect on competition while promoting consumer welfare and freedom of trade.

[4] The Competition Act, No. 12 of 2003, § 3, India Code, https://www.indiacode.nic.in/handle/123456789/2010 (last visited Aug. 20, 2026).

[5] The Competition Act, No. 12 of 2003, § 4, India Code, https://www.indiacode.nic.in/handle/123456789/2010 (last visited Aug. 20, 2026).

Role of the Competition Commission of India

The Competition Commission of India (CCI), established under the Competition Act, 2002, serves as India's principal competition regulator. It is entrusted with enforcing the provisions of the Act and ensuring that markets function in a competitive manner[6].

The Commission investigates anti-competitive agreements under Section 3, examines abuse of dominant position under Section 4, and reviews mergers, acquisitions, and amalgamations to determine whether they are likely to cause an appreciable adverse effect on competition. Besides enforcement, the CCI undertakes competition advocacy by creating awareness among businesses, public authorities, and consumers regarding the importance of competitive markets.

In recent years, the Commission has increasingly focused on digital markets, recognising that technological innovation presents both opportunities and regulatory challenges. Studies undertaken by the CCI on artificial intelligence, digital platforms, and data-driven markets demonstrate the regulator's commitment to adapting competition law to contemporary economic realities.

Competition Law in the Digital Era

The digital revolution has fundamentally changed the structure and functioning of markets. Unlike traditional industries, digital businesses rely heavily on technology, data, artificial intelligence, algorithms, and online platforms to deliver goods and services. Companies such as Google, Amazon, Meta, Apple, Microsoft, Flipkart, Zomato, Swiggy, and Paytm have transformed the way consumers interact with markets. These enterprises have undoubtedly contributed to innovation, economic growth, and consumer convenience. However, their increasing market power has also raised significant competition law concerns[7].

In traditional markets, market dominance was generally assessed on the basis of production capacity, financial resources, or physical infrastructure. In contrast, digital markets derive their competitive advantage from access to user data, technological capabilities, network effects, and digital ecosystems. As a result, competition authorities worldwide have had to reconsider traditional legal principles in light of these evolving market realities.

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[6] Competition Commission of India, *Objectives of the Competition Act*, CCI (last visited Aug. 20, 2026), https://www.cci.gov.in/.

[7] OECD, *Big Data: Bringing Competition Policy to the Digital Era*, OECD Roundtables on Competition Policy Papers No. 193 (2016), https://www.oecd.org/en/publications/big-data-bringing-competition-policy-to-the-digital-era_a1c2d55c-en.html (last visited Aug. 20, 2026).

One of the most distinctive features of digital markets is the presence of **network effects**. A network effect exists when the value of a product or service increases as more people use it. Social media platforms, online marketplaces, and digital payment systems become more attractive as their user base expands. Consequently, new entrants often find it extremely difficult to compete against established platforms because consumers naturally prefer services with a larger network of users. This creates a tendency towards market concentration, where a few dominant firms control significant portions of the digital economy.

Another important characteristic of digital markets is the increasing importance of **data**. Data has often been described as the "new oil" of the digital economy because it enables businesses to understand consumer preferences, improve products, personalise services, and develop sophisticated artificial intelligence systems[8]. Companies possessing vast quantities of user data enjoy substantial competitive advantages that are difficult for smaller enterprises to replicate. Consequently, control over data has emerged as an important source of market power.

These developments demonstrate why competition law today extends beyond regulating prices alone. Modern competition law must also examine access to data, digital infrastructure, algorithms, and platform ecosystems while ensuring that innovation continues to flourish.

Artificial Intelligence and Competition Law

Artificial Intelligence (AI) has emerged as one of the most transformative technologies of the modern era. AI enables businesses to automate decision-making, analyse massive datasets, optimise production, personalise advertisements, improve customer experiences, and enhance operational efficiency. The integration of AI into various sectors such as healthcare, finance, education, manufacturing, transportation, and e-commerce has generated immense economic opportunities.

From a competition law perspective, AI promotes innovation by enabling firms to develop new products and improve existing services[9]. Businesses using AI can respond more efficiently to consumer demands, reduce operational costs, and increase productivity. Consumers benefit

[8] Competition Commission of India, *Market Study on E-Commerce in India: Key Findings and Observations* (2020), https://www.cci.gov.in/economics-research/market-studies/details/18/6 (last visited Aug. 20, 2026).
[9] Competition Commission of India, *Market Study on Artificial Intelligence and Competition* (2025), https://www.cci.gov.in/economics-research/market-studies/details/47/0 (last visited Aug. 20, 2026).

through improved services, faster delivery, personalised recommendations, and enhanced convenience.

Despite these advantages, AI also presents significant regulatory challenges.

One of the most debated issues is **algorithmic collusion**. Traditionally, cartels involved explicit agreements among competing firms to fix prices or allocate markets. However, AI-powered pricing algorithms may independently produce coordinated pricing outcomes without direct human communication. If competing firms employ similar algorithms that continuously monitor competitors' prices and automatically adjust their own prices, consumers may ultimately pay higher prices despite the absence of a conventional cartel agreement. Detecting and proving such conduct presents considerable challenges for competition authorities.

Another concern relates to **AI-driven market concentration**. Advanced AI systems require enormous computational resources, high-quality datasets, specialised talent, and significant financial investment. Consequently, only a limited number of large technology companies possess the necessary resources to develop sophisticated AI models[10]. This concentration of technological capabilities may strengthen existing market dominance and make entry increasingly difficult for smaller competitors and start-ups.

AI also enables businesses to personalise products and advertisements based on consumer behaviour. While personalisation improves user experience, excessive reliance on consumer data raises concerns regarding privacy, market manipulation, and unfair competitive advantages. Competition regulators must therefore ensure that technological innovation does not compromise market fairness or consumer interests.

Recognising these emerging concerns, the Competition Commission of India has undertaken a detailed market study on Artificial Intelligence and Competition, highlighting issues such as market concentration, ecosystem lock-in, self-preferencing, and algorithmic collusion while encouraging responsible AI governance.

[10] OECD, *Artificial Intelligence, Data and Competition*, OECD Artificial Intelligence Papers No. 18 (2024), https://www.oecd.org/en/publications/artificial-intelligence-data-and-competition_e7e88884-en.html (last visited Aug. 20, 2026).

Big Tech and Abuse of Market Power

The rapid expansion of Big Tech companies has become one of the defining competition law issues of the digital age. Technology giants such as Google, Amazon, Meta, Apple, and Microsoft operate across multiple digital markets simultaneously, including search engines, online advertising, social media, cloud computing, e-commerce, digital payments, operating systems, and artificial intelligence[11].

Their integrated digital ecosystems provide considerable efficiencies and consumer benefits. However, they also create opportunities for anti-competitive conduct.

Competition law does not prohibit a company from becoming large or successful. Possessing a dominant market position is perfectly lawful. The concern arises only when dominance is abused to eliminate competition or exploit consumers.

Examples of abusive conduct include **self-preferencing**, where a digital platform promotes its own products or services over those of independent sellers using the same platform. Similarly, exclusive agreements may restrict competitors from accessing essential markets or distribution channels. Predatory pricing strategies, whereby products or services are offered below cost to eliminate competitors before prices are subsequently increased, also constitute potential competition concerns.

Another challenge arises from **ecosystem lock-in**. Many technology companies provide interconnected services that encourage consumers to remain within a single digital ecosystem. While integration improves convenience, it may reduce consumer mobility and create significant switching costs, making it difficult for rival firms to compete effectively.

Competition authorities worldwide, including India's Competition Commission, have increasingly scrutinised such practices to ensure that technological leadership is not achieved or maintained through unfair competitive conduct.

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[11] Federal Trade Commission, *Facebook, Inc., FTC v. (FTC v. Meta Platforms, Inc.)*, https://www.ftc.gov/legal-library/browse/cases-proceedings/191-0134-facebook-inc-ftc-v-ftc-v-meta-platforms-inc (last visited Aug. 20, 2026).

The Need to Balance Innovation and Regulation

One of the greatest challenges facing modern competition law is striking an appropriate balance between encouraging innovation and preventing anti-competitive behaviour.

Excessive regulation may discourage investment, technological development, and entrepreneurial activity. Start-ups and technology companies require regulatory certainty to experiment with innovative business models and develop emerging technologies such as artificial intelligence.

Conversely, inadequate regulation may permit dominant enterprises to consolidate excessive market power, restrict competition, acquire potential rivals, and reduce consumer choice. Digital markets often evolve rapidly, and anti-competitive conduct may produce irreversible market concentration before regulatory intervention becomes effective.

India's approach increasingly reflects the need for a balanced regulatory framework. The Competition (Amendment) Act, 2023 modernised enforcement mechanisms, while the Committee on Digital Competition Law recommended a separate Digital Competition framework for regulating large digital enterprises proactively rather than waiting for anti-competitive harm to occur[12]. These proposals aim to preserve innovation while ensuring contestable and fair digital markets.

Recent Developments in India's Competition Law Framework

India's competition law has undergone significant reforms in recent years to address the challenges posed by digital markets and rapidly evolving technology. The **Competition (Amendment) Act, 2023** introduced several important changes aimed at making enforcement more efficient and better suited to modern business practices.

One of the most notable reforms is the introduction of **deal-value thresholds** for certain mergers and acquisitions. Earlier, combinations were primarily assessed on the basis of the assets or turnover of the companies involved. However, many digital start-ups possess relatively low assets despite having enormous market value because of their data, technology, or user base. The new framework ensures that such transactions can also be examined by the

[12] Geeta Gouria & Kalyani Pandya, *The Indian Competition Law Experience—Its History and Its (Digital) Future*, 4 Indian L. Rev. 276 (2020).

Competition Commission of India (CCI), thereby preventing acquisitions that may eliminate future competition before it develops.

The Amendment Act also introduced **settlement and commitment mechanisms**, allowing enterprises under investigation to voluntarily resolve certain competition issues. These measures are expected to reduce prolonged litigation while improving regulatory efficiency. Additionally, the law now enables penalties to be determined with reference to the global turnover of enterprises in appropriate cases, thereby strengthening deterrence against anti-competitive conduct[13].

Recognising that traditional competition law alone may not sufficiently address the speed and complexity of digital markets, the Government of India constituted the **Committee on Digital Competition Law (CDCL)**. In its 2024 Report, the Committee recommended a dedicated **Digital Competition Bill** that would complement the Competition Act, 2002.

Unlike the existing framework, which generally intervenes **after** anti-competitive conduct has occurred (an *ex post* approach), the proposed Digital Competition framework adopts a more proactive (*ex ante*) approach for designated large digital enterprises. The objective is to prevent anti-competitive behaviour before irreversible harm is caused to market competition. The Committee proposed obligations for Systemically Significant Digital Enterprises (SSDEs), including restrictions on self-preferencing, unfair data practices, and anti-competitive conduct in core digital services.

Global Perspective

India is not alone in facing competition challenges arising from digital markets. Across the world, competition regulators are redesigning legal frameworks to address the growing influence of large technology companies.

The **European Union** has adopted a proactive regulatory approach through the **Digital Markets Act (DMA)**, which imposes specific obligations on designated "gatekeeper" platforms to ensure fair competition[14]. Similarly, competition authorities in the **United States**

[13] Ministry of Corporate Affairs, Government of India, *Report of the Committee on Digital Competition Law* (2024), https://www.mca.gov.in/ (last visited Aug. 20, 2026).
[14] European Commission, *About the Digital Markets Act*, DIGITAL MARKETS ACT (last visited Aug. 20, 2026), https://digital-markets-act.ec.europa.eu/about-dma_en.

have intensified investigations into major technology companies regarding online search, digital advertising, app stores, and acquisitions of emerging competitors.

These international developments demonstrate that traditional competition law requires continuous adaptation to address technological innovation while safeguarding competitive markets. India can learn from these global experiences while developing solutions suited to its own economic and digital ecosystem.

Challenges Ahead

Despite recent reforms, several challenges continue to confront India's competition law regime.

First, digital markets evolve at an extraordinary pace, often much faster than legal and regulatory processes. By the time an investigation is completed, the relevant market may already have changed significantly.

Second, identifying anti-competitive conduct involving artificial intelligence and algorithms is considerably more difficult than detecting traditional cartels. Algorithms may influence pricing or market behaviour without any explicit agreement between competing firms.

Third, many technology companies operate across multiple jurisdictions, making international cooperation essential for effective enforcement.

Fourth, competition law increasingly overlaps with data protection, consumer protection, cybersecurity, and intellectual property law. Effective regulation therefore requires close coordination among different regulatory authorities.

Finally, regulators themselves require specialised expertise in technology, economics, data science, and artificial intelligence to understand increasingly sophisticated digital business models.

Conclusion

Competition law has emerged as one of the most dynamic and significant branches of economic regulation in the digital age. As artificial intelligence, digital platforms, and data-driven business models continue transforming global markets, traditional concepts of competition are being fundamentally redefined.

India's Competition Act, 2002 has provided a strong legal foundation for promoting competitive markets, protecting consumer welfare, and encouraging economic efficiency. Recent legislative reforms under the Competition (Amendment) Act, 2023, together with proposals for a Digital Competition framework, demonstrate India's commitment to ensuring that competition law remains responsive to technological developments and evolving market realities.

However, the future of competition law does not lie in restricting technological innovation. Rather, it lies in creating a balanced regulatory environment where innovation flourishes alongside fair competition. Artificial intelligence, digital platforms, and big data possess immense potential to improve productivity, economic growth, and consumer welfare. At the same time, these technologies must not become instruments for market concentration, exclusionary practices, or consumer exploitation.

A modern competition regime should therefore strive to maintain equilibrium between innovation, consumer welfare, and market fairness. Such a framework will not only protect the interests of consumers and businesses but also strengthen India's vision of building an inclusive, competitive, and digitally empowered economy. Ultimately, the success of competition law in the digital era will depend upon its ability to evolve alongside technology while preserving the fundamental principle that markets should remain fair, open, and beneficial to society as a whole.