CCI publishes a market study on Artificial Intelligence and Competition

On October 06, 2025, the Competition Commission of India (**CCI**) published its market study report on "Artificial Intelligence and Competition" (**AI Report**) that was underway since April 2024. Given the rapid proliferation and deployment of Artificial Intelligence (**AI**) across sectors, the CCI had commissioned this study with an objective of understanding the AI ecosystem including its application in various industries, market dynamics, competition issues, and regulatory framework. The AI Report discusses these elements and lays down an action plan for the foreseeable future. A quick snapshot of some of the key aspects that have been covered in the AI Report is provided below.

I. KEY ISSUES

- **Algorithmic coordinated conduct absent human intervention.** The AI Report recognises that use of AI-oriented algorithms may, in certain scenarios, lead to tacit collusion without human intervention. For example, signalling algorithms and self-learning algorithms enable real-time data analysis, rapid price adjustments, and multi-market coordination, without human intervention. These algorithms, the AI Report argues, can make collusive outcomes more stable, and even allow collusion in markets previously not susceptible to it.

- **Algorithmic unilateral conduct.** The AI Report recognises that algorithms can potentially be used by dominant firms to engage in exclusionary and/ or exploitative conduct, such as:

    - **Self-preferencing.** A vertically integrated dominant enterprise favouring its own or related entities' AI products over third-party offerings, potentially excluding smaller competitors and limiting fair market access.

    - **Predatory pricing.** AI-driven predatory pricing outpacing traditional predatory pricing given its speed, scale and precision which gives it the ability to monitor competitors in real time and adjust prices dynamically targeting the most vulnerable market players.

    - **Tying and bundling.** Big Tech companies integrating AI tools into their core products, making it harder for independent AI players to compete.

    - **Price discrimination.** Advanced analytics and machine learning powering strategic pricing tools that can segment consumers based on their spending capacity and levy different prices on different consumers.

- **Pricing practices.** AI's ability to process data allows personalized pricing, benefitting new entrants with targeted discounts in high-switching cost markets. However, such an ability to personalize pricing can also lead to abusive practices where enterprises try to lure customers of rivals away or impose excessive prices on some other consumers.

- **Entry barriers.** The survey conducted for the AI Report reveals that startups and smaller enterprises face major entry barriers when competing with established firms on issues such as:

  - **Data availability.** Since AI models require vast amounts of high-quality data, its general concentration with large corporations becomes the most significant entry barrier. While Indian startups primarily use open-source data to train their models, a lack of AI-relevant data which may often be closed-source, remains a challenge.

  - **High cost of infrastructure.** In terms of hardware, India still has a high dependency on imports coupled with limited indigenous manufacturing capacity. Infrastructural needs for cloud services remain another major entry barrier for startups.

  - **Skilled resources.** To bridge the significant shortage of skilled professionals in advanced AI roles, large corporations are increasingly investing in in-house training, upskilling initiatives, and external service providers, while this remains a challenge for smaller players.

  - **Availability of funds.** Startups primarily depend on self-financing, as they have limited access to venture capital or government funding. Even with external funding options such as angel investors, startups face challenges in securing both initial and follow-up funding due to the absence of appropriate valuation models.

- **Reduced transparency and choice.** The foundational models, infrastructure and platforms of large players, on which startups rely, lack visibility into how their systems operate, including opaque algorithms, and unclear pricing structures, creating uncertainty and dependency. This lack of transparency may hinder innovation and compliance, while limited access to infrastructure and models forces smaller players into ecosystem lock-ins, reducing market dynamism.

- **Network effects.** Like digital markets, the AI market is also characterised by network effects. In foundation and generative AI markets, the value of technologies increases as more downstream applications integrate with them. As AI systems collect more user data, their success improves, attracting more users and reinforcing market power. Platforms like social media and e-commerce benefit from these effects, making it harder for smaller firms to compete, reducing market dynamism.

- **Mergers, acquisitions and partnerships.** The AI Report notes that, like any other market, while mergers and acquisitions can spur growth and innovation, certain transactions could also raise potential anti-competitive concerns. Large players acquiring startups or entering into exclusive partnerships may increase market concentration or foreclose access to critical input like data.

II. Looking ahead

- **Self-audit of AI systems for competition compliance.** The indicative framework proposed in the AI Report suggests that the enterprises deploying AI systems should proactively (i) document AI-based decision-making process; (ii) periodic reviews of algorithmic outputs to eliminate inadvertent collusion; and (iii) review AI driven pricing strategies to detect unintended discriminatory practices, among other things. The AI Report also provides a guidance note to allow enterprises to develop a structured and systematic approach for such self-audits, by providing a list of suggested documentation and checklists.

- **Focused advocacy.** The CCI proposes organising a conference on "AI and Regulatory Issues" followed by focused advocacy workshops on "AI and Competition Compliance" to promote regulatory alignment, raise awareness and encourage pro-competitive innovation in the AI ecosystem.

- **Removing entry barriers.** The CCI suggests that the government should enhance computing infrastructure through dedicated access mechanisms for startups, small and medium enterprises, and research institutions, including potentially developing data repositories providing access to high-quality, non-personal datasets.

- **Regulatory capacity building.** The CCI proposes to enhance its AI-related technical capacity and set up a think tank, consisting of experts from various fields, including academia, technology and public policy.

- **Inter-regulatory & international cooperation.** The CCI proposes to adopt a multidisciplinary coordination framework through MoUs with relevant domestic regulators and actively strengthen international cooperation via bilateral agreements and participation in multilateral platforms such as Organisation for Economic Co-operation and Development, International Competition Network, and United Nations Conference on Trade and Development. This will enable alignment of enforcement strategies, facilitate knowledge sharing, and ensure regulatory harmony across jurisdictions.

III. KEY TAKEAWAYS
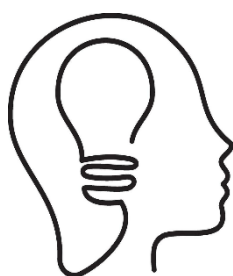
The CCI's AI Report is a timely and forward-looking initiative that provides a helpful overview of the AI market, the role of key stakeholders as well as the potential areas of intersection between AI and competition law. As a regulator-led market study, the AI Report understandably lacks the granularity and prescriptiveness of a formal policy framework, but it does go a long way in framing the key competition questions around a nascent and rapidly evolving AI ecosystem.

With the publication of this document, the CCI appears to be thematically on the right track, *i.e.,* seeking to understand market dynamics and identify potential competition concerns without recommending any prescriptive hard regulation. The emphasis on allowing the industry adequate room to innovate and mature, rather than imposing early or overbroad interventions, is particularly welcome. However, as with any exploratory effort, the AI Report's impact will ultimately depend on how its insights are operationalized in future enforcement and policy actions. We note some key takeaways from the AI Report below:

- **Recognition of an evolving AI ecosystem.** The AI Report highlights multiple regulatory authorities relevant to AI including those under the Competition Act, 2002, the Digital Personal Data Protection Act, 2023 and ministries and government departments including the Ministry of Electronics and Information Technology, alongside the CCI's suggested self-audit mechanism. While these frameworks aim to ensure responsible AI deployment and protect competition, the CCI seems to acknowledge that since the market is still emerging, a careful balance of a self-check mechanism, while maintaining regulatory safeguards is the need of the hour.

- **Self-audit.** Much like the self-regulatory framework proposed in the CCI's 2020 market study on e-commerce, the proposed self-audit mechanism serves as a proactive compliance tool for businesses, complementing rather than diluting the CCI's enforcement powers to ensure prevention of anti-competitive practices. However, the success of such a self-regulatory mechanism in curbing anti-competitive practices is likely to depend on effective implementation and regular internal review by businesses.

- **Data repository ambiguity.** The AI Report notes that Big Tech's have access to considerable proprietary data compared to smaller upcoming players, creating a barrier to entry. However, the CCI's proposed solution of creating data repositories lacks granularity. It is unclear whether these repositories will contain the proprietary data that constitutes the barrier or other types of data; how such repositories will be created and regulated, and who will have control over such data repositories. Moreover, if the CCI indeed intends to include proprietary data in such repositories, it is unclear how this would be achieved absent specific legislation.

- **Regulatory barriers.** The AI Report highlights India's reliance on imported hardware for AI development as a major barrier to entry. However, it does not appear to take into account and offer suggestions to address regulatory barriers

introduced by the government including import restrictions and other non-tariff barriers such as standard settings associated with imports of key hardware and time-intensive process of obtaining licenses.

- **Capacity building.** The CCI correctly identifies the need to build internal expertise in AI technologies in order to identify and address potential AI-driven anti-competitive behaviour. Currently, the CCI has an internal Digital Market Division **(DMD)** comprising a core team of seven persons focussing on digital markets, including AI. Moreover, for capacity enhancement, the CCI has also submitted a cadre restructuring proposal to the Ministry of Corporate Affairs for creation of additional 55 posts to strengthen its overall resource capacity, including potential enhancement of the DMD.[1] Since the DMD has only recently been formed in September 2024, it remains to be seen how its expertise is reflected in the CCI's response to the emerging challenges in the digital space, including AI.

The market study of the CCI can be accessed [here](.).

We hope you have found this information useful. For any queries/clarifications please write to us at insights@elp-in.com or write to our authors:

Ravisekhar Nair, Partner – Email -ravisekharnair@elp-in.com

Parthsarathi Jha, Partner – Email - parthjha@elp-in.com

Ketki Agrawal, Principal Associate – Email - ketkiagrawal@elp-in.com

Bhaavi Agrawal, Senior Associate – Email - bhaaviagrawal@elp-in.com

Akash Gulati, Advocate – Email – aakashgulati@elp-in.com

Priyanjali Singh, Advocate – Email – priyanjalisingh@elp-in.com

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[1] MCA's Report on *Evolving Role of Competition Commission of India in the Economy, particularly the Digital Landscape*, pgs. 8-9, https://sansad.in/getFile/lsscommittee/Finance/18_Finance_25.pdf?source=loksabhadocs.