

INTERNATIONAL JOURNAL OF LAW
MANAGEMENT & HUMANITIES
[ISSN 2581-5369]

Volume 9 | Issue 3
2026

© 2026 International Journal of Law Management & Humanities

Follow this and additional works at: <https://www.ijlmh.com/>

Under the aegis of VidhiAagaz – Inking Your Brain (<https://www.vidhiaagaz.com/>)

This article is brought to you for free and open access by the International Journal of Law Management & Humanities at VidhiAagaz. It has been accepted for inclusion in the International Journal of Law Management & Humanities after due review.

In case of any **suggestions or complaints**, kindly contact support@vidhiaagaz.com.

To submit your Manuscript for Publication in the **International Journal of Law Management & Humanities**, kindly email your Manuscript to submission@ijlmh.com.

A Critical Examination of Digital Market Concentration and Merger Regulation in India's Emerging Startup and Innovation Ecosystem

RAJA LAKSHMI R*

ABSTRACT

This paper critically examines whether India's merger control framework is conceptually and institutionally equipped to address market concentration emerging within its startup and innovation ecosystem, particularly through the acquisition of nascent or potential rivals. It argues that the traditional asset and turnover based thresholds under the Competition Act, 2002 were poorly suited to digital markets, where a target's strategic value may lie less in present revenue and more in data, innovation capacity, user base, and future competitive potential. The paper analyses the significance of the Competition (Amendment) Act, 2023 and its deal value threshold, while also evaluating the Digital Competition Bill, 2024 as an ex-ante response to entrenched digital power. Although these developments mark an important regulatory shift, they do not fully resolve the problems of killer acquisitions, innovation harms, and concentration driven by ecosystem expansion rather than price-based exclusion alone. The paper contends that India's current trajectory remains reactive, fragmented, and insufficiently attentive to dynamic competition, and it proposes a more integrated framework that combines merger review, innovation-sensitive analysis, data concentration assessment, and stronger institutional capacity within the Competition Commission of India. In doing so, the study contributes to the emerging scholarship on digital competition law in India by situating merger regulation within the broader question of sustaining innovation, market contestability, and fairness in an increasingly platformised economy.

Keywords: Merger, competition, consumer welfare, digital economy, Competition (Amendment) Act 2023, Digital Competition Bill 2024.

* Author is a postgraduate student of LL.M. (Corporate Law) at Amity Law School, Amity University, Bengaluru, India.

I. INTRODUCTION

India's digital economy has undergone a structural transformation since the mid-2010s, driven by increased smartphone penetration, affordable mobile data, UPI-enabled payments, and the expansion of platform-based services across commerce, transport, finance, and food delivery. This expansion has been accompanied by the rise of India as one of the world's largest startup ecosystems, with public policy increasingly framing startups as engines of innovation, employment, and technological self-reliance.¹ Yet this growth narrative sits uneasily beside a less celebratory trend: concentration in several digital sectors has intensified as a limited set of platforms accumulates scale, data, capital, and gatekeeping capacity.

The platform economy has reshaped competitive conditions in ways that conventional industrial-era antitrust tools often struggle to capture. In digital markets, dominance may emerge not merely from price advantages but from network effects, user lock-in, data extraction, control over intermediation, and the strategic acquisition of future rivals.² As a result, the very ecosystem celebrated for promoting innovation may also become one in which incumbents can absorb, neutralise, or discipline innovation before it matures into effective competition.

A. Literature review

The scholarly discourse on digital market concentration and merger regulation in India has evolved significantly over the past decade, reflecting the country's rapid transformation into a global innovation hub. This review synthesises key contributions from academic research, policy reports, and regulatory analyses that inform the present study.

The foundational problem of digital market concentration in India has been documented extensively by Hemnani and Vasu, who argue that the Competition Act, 2002 faces structural limitations in addressing killer acquisitions, that is, deals where dominant incumbents acquire nascent rivals not to scale them but to pre-empt future competition.³ Their analysis suggests that the traditional jurisdictional thresholds under the Act have allowed numerous transformative digital mergers to escape regulatory scrutiny entirely, creating what scholars term kill zones that

¹ Government of India, *A Decade of Startup India: Progress Report*, Press Information Bureau, PRID 2214872 (2025), <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2214872>.

² Startup India, *Market Research: Startup Ecosystem Investment Reports*, Government of India, <https://www.startupindia.gov.in/content/sih/en/reources/market-research.html>.

³ Kunaal Hemnani & Khushi Vasu, *Rethinking Merger Control in India: Deal Value Thresholds as a Solution to Killer Acquisitions in the Digital Economy*, 2 INT'L J.L., LEGIS. & RES. 1 (2026), <https://www.ijllr.com/post/rethinking-merger-control-in-india-deal-value-thresholds-as-a-solution-to-killer-acquisitions-in-th>.

chill innovation in the startup ecosystem. This concern is particularly acute given that strategic M&A deals in India's startup sector grew by 126 per cent in value during 2022 alone.

The theoretical underpinnings of digital market dynamics have been examined rigorously by Gulwade and Garg, who study network effects and market tipping in light of the proposed Digital Competition Bill, 2024.⁴ Their research demonstrates that, while the Bill represents a significant regulatory innovation by introducing ex-ante obligations for Systemically Significant Digital Enterprises (SSDEs), it notably fails to address mergers and acquisitions as the primary drivers of market concentration. This gap is critical, as Sikka and Tripathy establish that killer acquisitions prevent independent startups from reaching critical scale, thereby entrenching monopolistic power in rapidly evolving digital landscapes.⁵

The role of data as a competitive asset in digital mergers has been highlighted by the Competition Commission of India in its note to the OECD, which emphasises that data concentration through M&A activity poses unique challenges to competition authorities. This aligns with earlier work by the Vidhi Centre for Legal Policy, which identified that numerous digital market transactions escape scrutiny owing to inadequate merger thresholds, necessitating a comprehensive framework for scrutinising combinations in digital markets.

India's regulatory response has included the Competition (Amendment) Act, 2023, which introduced deal value thresholds specifically targeting digital mergers. However, commentary questions whether these thresholds adequately solve the killer acquisition problem, arguing that the Act still lacks parameters to assess innovation potential, data concentration, or dynamic competition. The Carnegie Endowment further critiques the suboptimal usage of existing powers under the Competition Act, noting the absence of any systematic assessment of digital market concentration.

The startup ecosystem's investment concentration has been analysed empirically by Fakihi and Kamaluddin, whose working paper demonstrates how investment patterns reinforce market dominance by incumbent platforms. The ICRIER policy brief complements this by documenting the Commission's proactive approach to platform competition, while acknowledging the need for evolving policy frameworks to create a balanced digital marketplace.

⁴ Kavya Gulwade & Shreya Garg, *Regulating Digital Mergers and Anti-Competitive Market Power Through the Digital Competition Bill*, 6 CCI J. ON COMPETITION L. & POL'Y 167 (2026), <https://ccijournal.in/index.php/ccijoclp/article/view/314>.

⁵ Bhavika Sikka & Rijul Tripathy, *Killer Acquisitions in India: Regulatory Gaps, Risks to Innovation, and the Pathways to Reform*, 1 ALL INDIA CONF. ON L. & RTS. 1 (2025), <https://www.aiclr.in/post/killer-acquisitions-in-india-regulatory-gaps-risks-to-innovation-and-the-pathways-to-reform>.

Comparative perspectives from the European Union's merger review of killer acquisitions provide valuable insights for India's regulatory trajectory. As Gulwade and Garg caution, however, the long-term effectiveness of the Digital Competition Bill will depend on consistent enforcement and on its ability to address M&A activity as the true driver of anti-competitive behaviour.

This literature reveals a critical research gap. While scholars have documented extensively the problems of digital concentration and proposed regulatory reforms, there remains insufficient critical examination of how these reforms interact with the specific dynamics of India's innovation ecosystem. The present study addresses this gap by systematically evaluating whether current and proposed merger regulations adequately protect nascent competitors while fostering legitimate consolidation that benefits the innovation ecosystem.

B. Problem statement

The central problem addressed in this paper is whether India's competition law framework, and merger regulation in particular, is adequately equipped to address digital market concentration arising within the startup ecosystem.⁶ For many years, the legal thresholds for mandatory merger notification were tied to assets and turnover, which meant that acquisitions of low-revenue but strategically significant startups frequently escaped review. This created a structural blind spot in relation to so-called killer acquisitions, where incumbents acquire nascent firms not merely to expand but to pre-empt future competition.⁷ The concern is not that every startup acquisition is anti-competitive; in India, acquisitions often serve as legitimate exit mechanisms in a venture-backed ecosystem. The deeper issue is that, where regulation does not distinguish between efficiency-enhancing consolidation and exclusionary acquisition strategies, innovation harms may remain invisible until concentration has already become entrenched.

C. Research objectives

This paper seeks to examine the nature and extent of digital market concentration in India and to analyse critically the merger regulation framework under the Competition Act, 2002. It further evaluates the significance and limitations of the Competition (Amendment) Act, 2023, especially the deal value threshold, and assesses whether the Digital Competition Bill, 2024 is capable of addressing structural problems in digital competition. A final objective is to propose

⁶ Competition Comm'n of India, *Theories of Harm for Digital Mergers: Note by India*, OECD Global Forum on Competition, DAF/COMP/WD(2023)53 (2023), [https://one.oecd.org/document/DAF/COMP/WD\(2023\)53/en/pdf](https://one.oecd.org/document/DAF/COMP/WD(2023)53/en/pdf).

⁷ Amrin Fakhri & Amran Kamaluddin, *Indian Startup Ecosystem: Analysing Investment Concentration* (Inst. for Soc. & Econ. Change Working Paper No. 514, 2023), <https://www.isec.ac.in/wp-content/uploads/2023/07/WP-514-Fakhri-Amrin-Kamaluddin-Final.pdf>.

regulatory reforms that protect innovation and competitive openness without undermining legitimate startup growth and investment incentives.

D. Research questions

The paper is guided by five questions: how digital concentration has evolved in India's startup ecosystem; whether existing merger control mechanisms are adequate for digital markets; whether deal value thresholds can capture killer acquisitions; whether the Digital Competition Bill, 2024 can fill regulatory gaps; and what reforms are needed to protect innovation while preserving fair competition.

E. Research methodology

The study adopts a doctrinal legal research methodology, supported by qualitative analysis of statutes, policy reports, academic writing, and selected Competition Commission of India materials. It also draws on secondary evidence about investment concentration, platform conduct, and regulatory commentary in order to interpret merger law in the context of digital market realities rather than in isolation from them.

F. Significance of the study

This paper is significant because it connects three debates that are often treated separately: startup policy, digital market concentration, and merger control. By analysing them together, it highlights how competition law is not merely a reactive instrument against abuse, but also a constitutive framework that shapes the conditions under which innovation either remains decentralised or becomes absorbed by dominant digital ecosystems.

G. Scope and limitations

The scope of the paper is confined to India's digital markets and startup ecosystem, with a focus on the period from 2015 to 2026. The study is limited by incomplete public information on private startup acquisitions, the evolving character of digital business models, and the fact that some recent reforms remain too new for definitive empirical assessment.

II. THEORETICAL FRAMEWORK AND CONCEPTUAL FOUNDATIONS

A. Understanding digital market concentration

Digital markets differ from traditional markets because scale can compound more rapidly and often at lower marginal cost. Network effects mean that a platform becomes more valuable as more users join, which can produce self-reinforcing concentration and barriers to entry. Market tipping occurs when such dynamics lead users, complementors, and advertisers to converge on

a few dominant platforms, leaving smaller rivals unable to achieve comparable scale. Data further intensifies these patterns by functioning as both an input and a strategic asset, enabling incumbents to improve targeting, personalise services, and discipline competitors.⁸

B. The concept of killer acquisitions

The idea of killer acquisitions emerged in scholarship on pharmaceutical mergers but has since become central to digital competition debates. In digital markets, the concern is not simply that a large firm buys a small one, but that it acquires a potential future rival whose competitive threat lies in innovation, technology, talent, or data rather than current market share. The theory of harm is therefore forward-looking: even if the target is not yet a substantial competitor, the acquisition may eliminate future contestability and chill rival innovation across the ecosystem.

C. Platform economics and market power

Platform economics complicates traditional merger review because many digital firms operate in multi-sided markets where one set of users is monetised indirectly through another. Zero-price consumer interfaces, common in search, social media, and app ecosystems, make price-centric measures of harm inadequate. Market power may instead be exercised through self-preferencing, control of rankings, discriminatory access, bundling, exclusive data accumulation, or ecosystem dependence.⁹ This is why scholars increasingly describe platform power in terms of gatekeeping rather than simple dominance.

D. Merger control theory in digital markets

Traditional merger control tends to focus on overlaps in existing markets, observable market shares, and near-term unilateral or coordinated effects. In digital markets, however, these metrics may understate the significance of a transaction where the acquired firm is valuable because of future innovation potential, complementary data, or technological adjacency. An effective digital merger framework must therefore examine potential competition, ecosystem effects, interoperability constraints, and innovation loss as integral parts of competitive assessment.

E. Regulatory approaches: ex-ante and ex-post

Ex-post competition law intervenes after anti-competitive conduct or concentration concerns materialise, whereas ex-ante regulation imposes obligations on firms deemed structurally capable of distorting competition. India's current trajectory suggests a hybrid model: the

⁸ Vidhi Ctr. for Legal Policy, *Bridging the Gap: Antitrust Regulation in India's E-commerce Sector* (2025), <https://vidhilegalpolicy.in/blog/bridging-the-gap/>.

⁹ Fakih & Kamaluddin, *supra* note 7.

Competition Act continues to govern merger control and abuse of dominance, while the proposed Digital Competition Bill seeks to regulate the conduct of systemically significant digital enterprises before harm fully crystallises.¹⁰ The theoretical justification for this hybrid approach lies in the speed, opacity, and irreversibility of digital concentration, which often outpaces purely reactive enforcement.

III. INDIA'S DIGITAL MARKET LANDSCAPE AND CONCENTRATION PATTERNS

A. Evolution of India's digital economy

India's digital economy has expanded through a combination of public digital infrastructure and private platform intermediation. The growth of e-commerce, digital payments, food delivery, mobility platforms, and app-mediated services has created new opportunities for innovation, but also a market environment where scale advantages are quickly translated into durable strategic positions.¹¹ Public narratives around Startup India have emphasised entrepreneurial growth, yet investment and visibility remain concentrated among a relatively small number of firms and sectors.

B. Market concentration in key digital sectors

The pattern of concentration is especially visible in e-commerce, food delivery, ride-hailing, and payments, where competition often narrows to a duopoly or tight oligopoly. This concentration is not accidental. It is sustained by platform-mediated demand aggregation, investor preference for scaling a few firms, and ecosystem effects that make entry costly even where formal barriers are low.

C. M&A activity in India's startup ecosystem

Strategic mergers and acquisitions have become central to the evolution of India's startup ecosystem. One commentary notes that strategic M&A deals grew by 126 per cent in value during 2022, underscoring the importance of acquisitions as both expansion strategies for incumbents and exit routes for startups.¹² Yet this same pattern raises competition concerns where dominant platforms acquire smaller firms in adjacent or emerging spaces, especially

¹⁰ Abhishek B., *The Rise of the Platform Economy in India*, ECON. TIMES (Jan. 15, 2024), <https://economictimes.indiatimes.com/tech/technology/the-rise-of-platform-economy-in-india/articleshow/106734521.cms>.

¹¹ Vidhi Ctr. for Legal Policy, *Towards a Framework for Scrutinizing Combinations in the Digital Market* (2022), <https://vidhilegalpolicy.in/wp-content/uploads/2022/01/Towards-a-Framework-for-Scrutinizing-Combinations-in-the-Digital-Market->.

¹² Int'l J. Indian L. & Res., *Killer Acquisitions in the Indian Startup Ecosystem: Recalibrating Competition Law* (2025), <https://ijirl.com/wp-content/uploads/2025/07/KILLER-ACQUISITIONS-IN-THE-INDIAN-STARTUP-ECOSYSTEM-RECALIBRATING-COMPETITION-LAW-F>.

when those firms possess user bases, innovative capabilities, or datasets that could later mature into effective competition.

The analysis by Fakhri and Kamaluddin of investment concentration is especially relevant here, because it shows that funding itself can become concentrated around a small number of ventures and hubs, reinforcing winner-take-most outcomes in the ecosystem. Where capital, data, and user attention all converge around incumbents or their preferred acquisition targets, the structure of the startup ecosystem may become less open than aggregate startup counts suggest.¹³

D. Case studies of market concentration

The *Walmart-Flipkart* transaction symbolised the scale and strategic significance of digital commerce consolidation in India, even if much of the public debate centred on retail structure rather than innovation foreclosure. In e-commerce, concerns around Amazon's relationships with sellers and allegations of preferential treatment have also highlighted how platform ecosystems can shape downstream competition beyond simple market share analysis. Zomato's acquisition of Uber's food delivery business strengthened an already narrowing food delivery market, while developments around Google's ecosystem have raised broader concerns regarding gatekeeping and adjacent market leverage. These episodes show that concentration in digital markets often unfolds through a mix of conduct, investment, and acquisition, making a siloed regulatory response inadequate.

IV. MERGER REGULATION FRAMEWORK IN INDIA: A CRITICAL ANALYSIS

A. The Competition Act, 2002: merger control provisions

India's merger control regime is located primarily in Sections 5 and 6 of the Competition Act, 2002, which regulate combinations crossing prescribed thresholds and prohibit combinations likely to cause an appreciable adverse effect on competition. The framework is mandatory and suspensory in nature, requiring notification before consummation where the jurisdictional thresholds are met. In design, the regime resembles conventional merger control systems that depend on asset and turnover metrics as entry points for regulatory scrutiny.¹⁴

B. Pre-2023 limitations in digital merger control

The weakness of this framework in digital markets lay in its threshold logic. Many startups possess low turnover and relatively modest assets even when their technology, user base, or

¹³ Fakhri & Kamaluddin, *supra* note 7.

¹⁴ Bhavika Sikka & Rijul Tripathy, *Killer Acquisitions in India: Regulatory Gaps, Risks to Innovation, and the Pathways to Reform* 3 (2025), <https://www.aicl.in/post/killer-acquisitions-in-india-regulatory-gaps-risks-to-innovation-and-the-pathways-to-reform>.

strategic relevance is substantial. As a result, acquisitions capable of removing future rivals could fall entirely outside mandatory review. The absence of explicit parameters for evaluating innovation harms or data concentration compounded this problem, because even where scrutiny occurred, the framework was not tailored to assess dynamic competitive loss.

This was not merely a technical deficiency; it reflected a conceptual mismatch between industrial-era indicators and digital-era sources of market power.¹⁵ If merger law sees only present turnover, it risks ignoring the economic reality that startups are often acquired precisely because their future competitive value exceeds their current financial footprint.

C. The Competition (Amendment) Act, 2023: deal value threshold

The Competition (Amendment) Act, 2023 introduced a deal value threshold of 2,000 crore rupees for transactions involving substantial business operations in India. This was an important acknowledgment that value-based jurisdiction can be necessary in innovation-driven markets where turnover is a poor proxy for competitive significance. The reform signalled that India's merger control regime was beginning to respond to the realities of digital acquisitions and the risk of non-notifiable concentration.

D. Critical assessment of the 2023 amendment

The amendment has clear strengths. It broadens the scope of notifiable transactions, addresses the problem of high-value acquisitions of low-revenue firms, and reflects regulatory awareness of killer acquisition risks. It also strengthens the normative message that competition law must take digital market structure seriously.¹⁶

Its limitations, however, remain substantial. The threshold may still miss early-stage acquisitions where strategic foreclosure occurs below the deal value trigger. The concept of substantial business operations requires further clarification, particularly for firms with data-rich operations but limited local revenue.¹⁷ More fundamentally, the reform does not itself create an innovation-centred test of harm. It expands jurisdiction, but does not fully modernise substantive assessment.

¹⁵ ICRIER, *Competition: Platforms* (2024), https://icrier.org/policy_bank/competition-platforms/.

¹⁶ Indian Competition L. Rev., *Illuminating the Nascent Potential Competitor Acquisition Theory of Harm: Threat to Startups in India* (2024), <http://iclr.in/wp-content/uploads/2024/09/ILLUMINATING-THE-NASCENT-POTENTIAL-COMPETITOR-ACQUISITION-THEORY-OF-HARM-THREAT-TO-STA>.

¹⁷ NLSIU Repository, *Merger Thresholds in the Digital Economy*, <https://repository.nls.ac.in/cgi/viewcontent.cgi?article=1111&context=nlsblr>.

E. The Commission's enforcement approach and key cases

Recent enforcement and litigation surrounding digital platforms suggest that the Competition Commission of India is increasingly attentive to self-preferencing, discriminatory treatment, and ecosystem leverage. Cases involving Flipkart and Amazon brought attention to preferential listing, platform neutrality, and unequal treatment of sellers. Matters involving Google and Zomato have similarly highlighted how digital intermediaries can exercise structural power over access and visibility. Yet these cases primarily concern conduct, not merger review, and they reveal a broader pattern: Indian competition law has more frequently confronted digital concentration after power has already deepened than at the point where acquisitions could have prevented entrenchment.¹⁸ The Commission's note to the OECD is especially important because it recognises that digital merger harms may arise through loss of potential competition, data concentration, ecosystem expansion, and reduced innovation rather than only through conventional price effects. The potential competitor acquisition theory underscores that harm can occur even where the target is not yet a close substitute in the present market. This shift is vital, but the challenge is institutionalising it into routine merger analysis rather than treating it as a conceptual add-on.

V. THE DIGITAL COMPETITION BILL, 2024: A CRITICAL EVALUATION

A. Background and legislative context

The Digital Competition Bill, 2024 emerged from a growing recognition that ex-post antitrust enforcement alone may be too slow for rapidly concentrating digital markets.¹⁹ The committee process behind the proposal reflected concern that India needed a framework tailored to dominant digital intermediaries whose conduct can shape market structure before traditional proceedings conclude.

B. Key provisions of the Bill

The Bill focuses on Systemically Significant Digital Enterprises and proposes ex-ante obligations to curb practices such as self-preferencing, anti-steering, problematic data combination, and forms of bundling that can foreclose competition. Its design seeks to target

¹⁸ Competition Comm'n of India, *Market Study on Artificial Intelligence and Competition* (2025), <https://www.cci.gov.in/images/marketstudie/en/market-study-on-artificial-intelligence-and-competition1759752172.pdf>.

¹⁹ Carnegie Endowment for Int'l Peace, *Assessing the Need for a New Draft Digital Competition Bill in the Indian Context* (2025), <https://carnegieendowment.org/research/2025/02/assessing-the-need-for-a-new-draft-digital-competition-bill-in-the-indian-context>.

firms whose scale and strategic position give them gatekeeping power across digital ecosystems.

C. Potential benefits of the proposed framework

The principal strength of the Bill lies in its preventive orientation. It recognises that, in digital markets, waiting for harm to crystallise may be ineffective, because by the time proceedings conclude rivals may already be marginalised and users locked in.²⁰ The Bill could therefore improve fairness, increase legal clarity for dominant platforms, and support faster intervention against conduct that distorts platform neutrality.

D. Critical gaps and concerns

Even so, the Bill has been criticised for insufficiently addressing mergers and acquisitions as drivers of digital concentration. Gulwade and Garg argue that, while the framework addresses several forms of anti-competitive conduct, it does not adequately tackle M&A activity as a core mechanism through which dominant firms entrench market power.²¹ Carnegie's analysis raises a related concern: before adding new ex-ante obligations, India must also confront the underuse or underdevelopment of concentration assessment under its existing competition framework.²² There are broader risks as well. Overbroad obligations may create uncertainty for firms still scaling within digital ecosystems, and ambiguous designation criteria for systemically significant enterprises may generate compliance burdens or discretionary inconsistency. A regulatory model that appears strong in theory may underperform if institutional capacity, technical expertise, and procedural coordination remain weak.

E. Intersection with merger control

The Bill does not eliminate the need for merger scrutiny. Ex-ante conduct obligations and merger review address different moments in the life cycle of concentration. Conduct rules may reduce certain forms of exclusion by large platforms, but they do not by themselves prevent the acquisition of nascent competitors.²³ A coherent framework therefore requires the Bill and merger law to operate in a complementary manner rather than as isolated instruments. The key question is whether the Bill addresses the root causes of digital concentration or merely some

²⁰ NLSIU Repository, *EU Merger Review of 'Killer Acquisitions' in Digital Markets*, <https://repository.nls.ac.in/cgi/viewcontent.cgi?article=1030&context=ijlt>.

²¹ Gulwade & Garg, *supra* note 4, at 167.

²² *From Friction to Flight: Unblocking India's Startup and Innovation Ecosystem*, ECON. TIMES (Aug. 25, 2025), <https://economictimes.indiatimes.com/tech/startups/from-friction-to-flight-unblocking-indias-startup-and-innovation-ecosystem>.

²³ *An Indian Perspective on Merger Control in Digital Markets: Looking Ahead*, Wolters Kluwer Competition Blog (May 31, 2023), <https://legalblogs.wolterskluwer.com/competition-blog/an-indian-perspective-on-merger-control-in-digital-markets-looking-ahead-b>.

of its downstream manifestations. If acquisitions remain under-theorised and innovation harms remain under-enforced, the legal regime may discipline conduct while leaving structural consolidation substantially intact. This is why the success of the Bill ultimately depends on whether it is embedded in a wider competition policy strategy rather than treated as a standalone cure.

VI. CRITICAL ANALYSIS: REGULATORY GAPS AND IMPLICATIONS FOR INNOVATION

Taken together, the literature reveals a layered regulatory gap. India has moved beyond a purely traditional competition law model, yet it still lacks a fully integrated framework that captures acquisitions of potential rivals, evaluates innovation harms rigorously, and addresses data concentration as a structural concern. The result is a legal architecture that is improving, but still reactive and incomplete.

The consequences for the startup ecosystem are significant. Sikka and Tripathy describe how kill zones can chill independent entrepreneurship by signalling that incumbents are more likely to buy or neutralise emerging threats than compete with them on the merits. In such an environment, acquisition becomes the dominant exit strategy, and startup incentives may shift from building independent market challengers to becoming acquisition-ready complements.²⁴ Over time, this can concentrate talent, capital, and visibility within a few dominant ecosystems rather than generating dispersed innovation.

Consumers may experience short-term gains from platform consolidation, including integrated services, convenience, and lower prices during aggressive expansion phases. Yet the long-term harms may be more serious: reduced choice, weaker privacy protections where data concentration intensifies, and lower innovation as rival pathways disappear. The digital context makes these harms harder to measure but not less real.

From a competition perspective, the cumulative effect of unreviewed or under-theorised acquisitions is the entrenchment of incumbent power. New entrants face not only scale disadvantages but also the prospect that successful innovation will be met by appropriation rather than open rivalry.²⁵ This weakens dynamic competition, which is especially problematic in technology markets where future innovation matters as much as present output.

²⁴ *Delhi Vyapar Mahasangh v. Flipkart Internet Pvt. Ltd.*, Case No. 40 of 2019, Competition Comm'n of India (Jan. 13, 2020), <https://www.cci.gov.in/antitrust/orders/details/110/0>.

²⁵ PMF IAS, *10 Years of Startup India: Current Status and Challenges* (2026), <https://www.pmfias.com/startup-ecosystem-in-india/>.

A critical examination must also avoid romanticising all intervention. Acquisitions can provide capital, scale, and market access to startups, and an excessively restrictive regime could reduce investment incentives in a market where acquisition often functions as a rational and legitimate exit. The problem, therefore, is not acquisition as such, but the absence of tools capable of distinguishing pro-innovation consolidation from anti-competitive foreclosure.

India's regulatory trajectory is directionally important but still incomplete. The move toward deal value thresholds and ex-ante rules shows awareness of digital realities, yet the current framework risks addressing symptoms more effectively than structures.²⁶ Unless merger control becomes more innovation-sensitive and institutionally confident, the law may inadvertently stabilise the very concentration it seeks to discipline.

VII. RECOMMENDATIONS

In the short term, India should clarify the meaning of substantial business operations in India and issue detailed guidance on the application of the deal value threshold in digital transactions.²⁷ The Commission should also expressly incorporate innovation potential, data concentration, and ecosystem dependence into merger assessment templates for digital markets. Institutionally, the Commission would benefit from a specialised digital competition unit capable of handling data-intensive investigations and forward-looking market analysis. Regular market studies in high-concentration sectors such as e-commerce, app ecosystems, and digital payments would help shift enforcement from episodic reaction to structured monitoring.

In the longer term, merger law should be revised to recognise expressly dynamic competition and innovation harms within the substantive test for digital combinations. Legislative reform should also ensure that ex-ante conduct regulation and ex-post competition enforcement are coordinated rather than duplicative. Competition reform alone cannot preserve innovation if broader startup policy continues to valorise acquisition as the dominant success pathway; support for independent scaling, patient capital, public innovation funding, and regulatory sandboxes for emerging technologies would help reduce structural dependence on incumbent platforms.²⁸ A phased implementation strategy is preferable to sudden regulatory expansion. Initial steps should focus on guidance, capacity-building, and merger assessment reform, followed by calibrated ex-ante obligations and periodic review of whether the framework is

²⁶ The Competition Act, 2002, No. 12, Acts of Parliament, 2002 (India), as amended by The Competition (Amendment) Act, 2023, No. 13, Acts of Parliament, 2023 (India), <https://www.mca.gov.in/Ministry/pdf/CompetitionAmendmentAct2023.pdf>.

²⁷ *From Friction to Flight*, *supra* note 21.

²⁸ Vidhi Ctr. for Legal Policy, *supra* note 11.

preserving contestability without deterring productive investment.

VIII. CONCLUSION

This paper finds that digital market concentration in India is both real and structurally reinforced by the logic of platform markets, investment concentration, and strategic acquisition. It also finds that India's traditional merger control framework was not designed to capture many of the most significant competitive risks in digital markets, particularly where harm arises from the elimination of future competition rather than present overlap. Digital concentration has deepened across major sectors, while existing merger control mechanisms have only partially adapted to the realities of startup acquisitions and ecosystem power. The 2023 deal value threshold is a meaningful reform, but it is not sufficient on its own to address early-stage killer acquisitions or innovation harms. The Digital Competition Bill, 2024 is a necessary but incomplete step, because it focuses more on conduct than on acquisition-driven concentration. The paper contributes to scholarship by showing that the debate on merger regulation in India cannot be separated from the political economy of the startup ecosystem itself. A critical examination of concentration must therefore move beyond formal legal thresholds and ask how law shapes the pathways through which innovation is financed, scaled, and ultimately absorbed.²⁹ The conclusions offered here remain limited by the opacity of private transaction data and the early stage of some recent reforms. Future research should test these arguments through sector-specific empirical work in fintech, healthtech, edtech, and app ecosystems, especially once more post-amendment merger data becomes available. India now has an opportunity to build a competition framework suited to the realities of a platformised and innovation-driven economy. Whether it succeeds will depend on its willingness to treat merger control not as a procedural checkpoint, but as a core instrument for preserving contestability, protecting innovation, and preventing the startup ecosystem from becoming a feeder system for entrenched digital power.

IX. BIBLIOGRAPHY

1. Carnegie Endowment for Int'l Peace, *Assessing the Need for a New Draft Digital Competition Bill in the Indian Context*, Carnegie India Policy Brief (2025), <https://carnegieendowment.org/research/2025/02/assessing-the-need-for-a-new-draft-digital-competition-bill-in-the-indian-context>.
2. Competition Comm'n of India, *Market Study on Artificial Intelligence and Competition*

²⁹ Vidhi Ctr. for Legal Policy, *supra* note 8.

(2025), <https://www.cci.gov.in/images/marketstudie/en/market-study-on-artificial-intelligence-and-competition1759752172.pdf>.

3. Competition Comm'n of India, *Theories of Harm for Digital Mergers: Note by India*, OECD Global Forum on Competition, DAF/COMP/WD(2023)53 (2023), [https://one.oecd.org/document/DAF/COMP/WD\(2023\)53/en/pdf](https://one.oecd.org/document/DAF/COMP/WD(2023)53/en/pdf).
4. Competition Comm'n of India (Procedure in Regard to the Transaction of Business Relating to Combinations) Regulations, 2011, <https://www.cci.gov.in/regulations>.
5. Department for Promotion of Industry & Internal Trade, *Market Research: Startup Ecosystem Investment Reports*, Startup India Portal, <https://www.startupindia.gov.in/content/sih/en/reources/market-research.html>.
6. *Digital Competition Bill, 2024*, Ministry of Corporate Affairs, Government of India, <https://vidhilegalpolicy.in/blog/bridging-the-gap/>.
7. Digital Personal Data Protection Act, 2023, No. 20, Acts of Parliament, 2023 (India), <https://www.meity.gov.in/writereaddata/files/Digital%20Personal%20Data%20Protection%20Act%202023.pdf>.
8. Amrin Fakhri & Amran Kamaluddin, *Indian Startup Ecosystem: Analysing Investment Concentration* (Inst. for Soc. & Econ. Change Working Paper No. 514, 2023), <https://www.isec.ac.in/wp-content/uploads/2023/07/WP-514-Fakhri-Amran-Kamaluddin-Final.pdf>.
9. *From Friction to Flight: Unblocking India's Startup and Innovation Ecosystem*, ECON. TIMES (Aug. 25, 2025), <https://economictimes.indiatimes.com/tech/startups/from-friction-to-flight-unblocking-indias-startup-and-innovation-ecosystem>.
10. Government of India, *A Decade of Startup India: Progress Report*, Press Information Bureau, PRID 2214872 (2025), <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2214872>.
11. Kavya Gulwade & Shreya Garg, *Regulating Digital Mergers and Anti-Competitive Market Power Through the Digital Competition Bill*, 6 CCI J. ON COMPETITION L. & POL'Y 167 (2026), <https://ccijournal.in/index.php/ccijoclp/article/view/314>.
12. Kunaal Hemnani & Khushi Vasu, *Rethinking Merger Control in India: Deal Value Thresholds as a Solution to Killer Acquisitions in the Digital Economy*, 2 INT'L J.L., LEGIS. & RES. 1 (2026), <https://www.ijllr.com/post/rethinking-merger-control-in-india-deal-value-thresholds-as-a-solution-to-killer-acquisitions-in-th>.

13. ICRIER, *Competition: Platforms*, ICRIER Policy Bank (2024), https://icrier.org/policy_bank/competition-platforms/.
14. Indian Competition L. Rev., *Illuminating the Nascent Potential Competitor Acquisition Theory of Harm: Threat to Startups in India*, 12 IND. COMPETITION L. REV. 89 (2024), <http://iclr.in/wp-content/uploads/2024/09/ILLUMINATING-THE-NASCENT-POTENTIAL-COMPETITOR-ACQUISITION-THEORY-OF-HARM-THREAT-TO-STA>.
15. Int'l J. Indian L. & Res., *Killer Acquisitions in the Indian Startup Ecosystem: Recalibrating Competition Law*, IJIRL Special Issue (2025), <https://ijirl.com/wp-content/uploads/2025/07/KILLER-ACQUISITIONS-IN-THE-INDIAN-STARTUP-ECOSYSTEM-RECALIBRATING-COMPETITION-LAW-F>.
16. Nat'l Law Sch. of India Univ., *EU Merger Review of 'Killer Acquisitions' in Digital Markets*, <https://repository.nls.ac.in/cgi/viewcontent.cgi?article=1030&context=ijlt>.
17. Nat'l Law Sch. of India Univ., *Merger Thresholds in the Digital Economy*, <https://repository.nls.ac.in/cgi/viewcontent.cgi?article=1111&context=nlsblr>.
18. PMF IAS, *10 Years of Startup India: Current Status and Challenges* (Jan. 15, 2026), <https://www.pmfias.com/startup-ecosystem-in-india/>.
19. Bhavika Sikka & Rijul Tripathy, *Killer Acquisitions in India: Regulatory Gaps, Risks to Innovation, and the Pathways to Reform*, 1 ALL INDIA CONF. ON L. & RTS. 1 (2025), <https://www.aiclr.in/post/killer-acquisitions-in-india-regulatory-gaps-risks-to-innovation-and-the-pathways-to-reform>.
20. The Competition Act, 2002, No. 12, Acts of Parliament, 2002 (India), as amended by The Competition (Amendment) Act, 2023, No. 13, Acts of Parliament, 2023 (India), <https://www.mca.gov.in/Ministry/pdf/CompetitionAmendmentAct2023.pdf>.
21. *An Indian Perspective on Merger Control in Digital Markets: Looking Ahead*, Wolters Kluwer Competition Blog (May 31, 2023), <https://legalblogs.wolterskluwer.com/competition-blog/an-indian-perspective-on-merger-control-in-digital-markets-looking-ahead-b>.
22. Vidhi Ctr. for Legal Policy, *Bridging the Gap: Antitrust Regulation in India's E-commerce Sector* (2025), <https://vidhilegalpolicy.in/blog/bridging-the-gap/>.
23. Vidhi Ctr. for Legal Policy, *Towards a Framework for Scrutinizing Combinations in the Digital Market* (2022), <https://vidhilegalpolicy.in/wp-content/uploads/2022/01/Towards-a-Framework-for-Scrutinizing-Combinations-in-the-Digital-Market->
