
WORKSHOP ON STARTUP ECOSYSTEM AND COMPETITION

SPECIAL ADDRESS

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**Shri Nandan Nilekani, Chairman and Co-founder, Infosys, and Founding
Chairman, UIDAI (Aadhaar)**

**My colleagues Dr. Sangeeta Verma, Shri Bhagwant Singh Bishnoi and
officers of CCI.**

Eminent panellists and distinguished participants

Good morning. This workshop comes at a time when rapid digitisation is changing the way world economy operates, and the COVID-19 pandemic has only accelerated the process. Every possible market, be it retail, e-commerce, food, groceries, payments, deliveries, entertainment, wealth management, trading, healthcare, education, or utilities, has undergone digital transformation, and digital startups have played a key role in this journey. 2021 was phenomenal for Indian startups—from record fundraising by tech startups, initial public offerings (IPOs), to the emergence of a record 44 startup unicorns. To continue the high spirits, National Startup Day was recently announced by the Hon'ble Prime Minister to celebrate the contributions of the ecosystem.

2. Let me point out some of the facilitating factors which have spurred the growth of this ecosystem. A sound proactive support for startups at both the central and state government level, several successful startup entrepreneurs, rapid growth in mobile connectivity, and a rich venture community have all contributed to this evolution. Most importantly, India is the only country which has a digital public infrastructure that broadly comprises Aadhar and the India Stack, enabling private entrepreneurs to create startups quickly and at affordable costs. In fact, the central government, through recent initiatives for the open network of digital commerce (ONDC), seeks to facilitate the creation of shared digital infrastructure, as was previously done for identity (i.e., Aadhar) and payments

(i.e., Unified Payment Interface). These measures will spur innovation and help facilitate the roll-out of services by startups in an efficient manner. We are immensely pleased that the founding Chairman of UIDAI (Aadhar), Shri Nandan Nilekani, is with us this morning to deliver the keynote address at this workshop on Startup Ecosystem and Competition.

3. This workshop is a part of the Commission's endeavour to use market studies and stakeholder consultations in diverse sectors, particularly in emerging sectors, to help understand the emerging dimensions and parameters of competition. Most of the recent market studies of the Commission have been prompted by emerging business models or changing competition landscapes owing to technological advancements and digitisation of markets. For instance, the market study on e-commerce was conducted to develop a better understanding of the novel competition issues that were emerging with the growing importance of digital platform-centric commerce.

4. Workshops such as these, which are undertaken as part of the advocacy mandate of the Commission, help build regulatory capacities in understanding the nuances of new-age markets. They also help bridge knowledge gaps and develop a better understanding of market conditions and business practices. To this end, we proactively reach out to stakeholders representing a diverse range of viewpoints, including industry experts, consumer groups, and other regulators.

5. As the startup ecosystem in India evolves and matures, the startup/big tech interface is set to grow in importance. Internationalisation of R&D has resulted in companies becoming eager to build on India's initial advantage in software development and engage in both technology deepening and technology widening activities. There is potential for immense value creation resulting from the complementarities between the strengths of big technology companies operating these platforms and startups. India, slated to produce over 100 unicorns by 2025, is likely to witness increased interface between big tech and startups. Network

effects and associated economies have created large digital platforms in defined markets, both globally as well as within India.

6. At the same time, the gateway position of platforms and platform companies' control over data may give rise to fundamental asymmetries vis-à-vis information and bargaining power. Both the demand side and the supply side depend on these big tech platforms for access and rely on their rankings and algorithms in order to interact efficiently. In this ecosystem, the essentiality of such platforms is critical for accessibility and cannot be ignored; an entire multi-actor ecosystem of sellers, consumers, advertisers, and application developers depends on them for survival. The relationship of multiple actors in the ecosystem with these platforms has the potential to raise competition issues.

7. Collection of data by gatekeeper firms is another critical area which merits deliberations. In the absence of interoperability and data portability, disproportionate control over data may make leveraging easier and increase the possibility of exclusionary conduct. Against this background, the right to data portability provides consumers with autonomy and control over their personal information and restores some balance to the dynamics between the consumers and providers of digital services. In addition, the right to data portability is expected to increase competition and the range of options for consumers in digital markets. Data portability makes it easier for consumers to switch between providers and for new providers to offer tailored products or services based on prior information. Several markets in the digital economy are characterised by a high degree of concentration, and data portability is likely to limit switching barriers in these markets, and thus, help increase competition. The pro-competition instruments of data interoperability and portability across platforms, too, have multi-dimensional implications spanning across critical aspects of privacy, data security, etc. The process of defining and maintaining common standards for portable and interoperable data can also be challenging.

8. Against this backdrop, the first session of the workshop “Big Techs and Startups”: Synergies and challenges will bring together all relevant stakeholders to express their viewpoints on the role of big tech in startup entry and growth as well as the emerging opportunities and challenges in the startup–big tech interface in India. This is a long session in order to allow time for discussion to explore all the aspects of the interface and understand emerging market dynamics and regulatory proposals, if any.

9. There is another metric on which the ecosystem saw record numbers in 2021, and that is acquisitions. In the last few years, the Indian startup ecosystem has witnessed a spate of high-profile M&A transactions. These acquisitions span various cutting-edge sectors such as fintech, enterprise-tech, health-tech, and ed-tech, among others. The profile of the acquirers has also changed. Lately, a new trend has emerged, wherein startups are on an acquisition spree, encouraged by increased access to funding from institutional investors. No firm trends are emerging; startups are buying startups but also acquiring established businesses, the primary motivation being to expand market reach, product portfolios, geographic spread, or simply bolster talent pools. Such acquisitions also allow startups to raise larger funding rounds at higher valuations. High funding momentum in the institutional investor’s market is also resulting in an acquisition spree. Established Indian corporates have also expanded their digital footprint by acquiring startups.

10. These acquisitions may be pro-competitive, generating substantial synergies and efficiencies, yet, there may be acquisitions that have anti-competitive risks, when such acquisitions result in the strengthening of dominance or pose a significant impediment to effective competition. The characteristics of digital markets have led to the adoption of business models that do not generate sufficient turnover to trigger M&A mandatory notification under the asset/turnover thresholds set out under competition laws. It is now widely recognised across

jurisdictions that the asset/turnover-based criteria may fail to capture potential anti-competitive transactions in new-age digital markets.

11. However, to evolve a suitable regulatory response, it is important to have a strong empirical basis for doing the same. Cogent and complete information on such transaction trends would go a long way in analysing digital transactions from the competition standpoint. The collection and analysis of digital sector transaction data thus assumes particular importance. The proposed Competition Amendment Bill also aims to expand the ambit of notification criteria by incorporating “any other criteria,” which may help bring digital transactions within the fold of merger review.

12. The Commission recently conducted an internal study on these trends with the purpose of bridging information gaps that currently limit the understanding of combination in digital markets for policy and regulatory needs. The study provides a trend and a number of deals in the digital sector in India that escaped the scrutiny of CCI owing to the asset/turnover falling below the thresholds. This study is a work in progress, and **with the second session of this workshop**, we hope to understand the trends, motivations, and changing market landscape in certain tech verticals on account of these mergers and acquisitions. However, while deciding notification thresholds, competition regimes have to strike a balance so that excessive filings do not choke up the agency’s resources and significant deals do not slip out of jurisdiction.

13. I hope that this workshop will allow for a discussion on a range of issues pertaining to the startup ecosystem and competition and provide useful inputs and insights for stakeholders, policymakers and regulators. The future of technology markets in India is in for exciting times; unicorns will become decacorns, and we already have a few of them; large global tech companies have established their footprints; and large Indian conglomerates have also forayed into the digital space. How market competition will evolve is yet to be seen, and we look forward to deliberations on these issues in this workshop.

Thank you,
