



# Role of Competition Commission of India in E-Commerce

**Brienda Girdhar, M.A., Dept. of Economics, Amity University, Noida**  
**Aditya Ralhan, BBA LLB, Vivekananda Institute of Professional Studies**

**Abstract**—The research paper highlights the role of Competition Commission of India in E-Commerce which is the exchange of information across electronic networks at any supply chain. The top leading E-commerce sites in India are Amazon, Flipkart, Snapdeal, IndiaMart. The findings of the paper have been based on a primary data to analyse the difference of mean of competition in economy before demonetization and after demonetization period and also to analyse the change in the payment of consumers pattern in Digital payment markets. It has been found that E-commerce is at the nascent stage which is growing at the increasing rate as these competition issues come in future India and it may become the platform for the anti-competitive agreements between the companies. It is observed that people are willing to use online payments over cash because it is more convenient, it provides various benefits such as cashback, discount on specific debit and credit cards, E-wallets.

## 1. INTRODUCTION

Electronic commerce is the exchange of information across electronic networks at any stage in the supply chain whether within an organization, between businesses, between businesses and consumers, or between the public and the private sectors whether paid or unpaid. There are basically 4 categories of E-commerce, B2B which involves all the transaction which takes place between the companies, B2C which involves all the transaction where the businesses are selling to the customers, C2B which involves all the transactions where a customer post a project with a set of budget online and companies bid on such projects and then customer selects the company which makes the consumer profitable, C2C involves all the transactions which takes place within online classified ads where consumers can very easily buy or their products. With the advanced facilities available to the customers E-commerce has grown so much because of the low cost available to the customers, benefits of cashback and discounts available through online payments, locate the product quicker. But apart from these advantages there are several disadvantages for opting online payments over cash which further lead to anti-competitive agreements. This is where Competition commission of India plays a significant role in the economy. This paper draws an attention towards how e-commerce affects the competition and the various cases which has been filled in CCI. This paper analyses the change in the payment of consumer pattern in the digital payment market.

### Objectives

- To Analyse the change in the payment of consumers pattern in Digital payment Market before demonetization and after demonetization period.

## 1.1 Methodology

In this research paper qualitative methodology is used. With the help of primary data it focuses on how demonetization leads to more of the usage of online payment than cash. In this paper a comparison is made with the help of questionnaire so as to understand the consumer behaviour. In this paper a statistical method known as paired T-test is used which is used to compare two population means where we have two samples in which one sample is paired with the observations in the other sample. Paired t-test is used for before and after observation on the same subjects and also the comparison of two different methods of meas

urement where the measurement are applied to same object.

## 2. LITERATURE REVIEW

### 2.1 Review

The first legislation to restrain the abuse of the market power in India is known as Monopolies and Restrictive Trade Practices Act (MRTP Act) in the year 1969. The objective of this act is to ensure that the economic system of India does not result in concentration of the market power, give freedom to monopolies and prevent unfair practices which affects the competition. The committee submitted a report on 22<sup>nd</sup> May, 2000 to replace the MRTP Act for increasing the competition and eliminate the anti-competitive practices. The Competition Commission of India was established under Competition Act, 2002 with the aim of preventing practices which have impact on the competition in India, to promote the Indian markets, to safeguard the interest of the consumers, to promote freedom of trade. In order to respond to the increasing demand of the consumers the producers provide better products at the cheapest rate possible, competing with other producers or the suppliers, lower their cost by reducing slack and also to in-

crease the level of productivity. Therefore, to protect the consumers from unfair practices Competition Act, 2002 was established. The Competition Act focuses on 4 broad areas which are listed below:

**1- Prohibition of Anti-Competitive Agreement (Section-3)**

This Act states that any agreement that restricts the production, supply, distribution, control of goods and services that cause or likely to cause adverse effect on competition (AAEC) should be prohibited. This includes Horizontal and Vertical Agreements where Horizontal agreements states that agreement which takes place between the enterprises which are operating at same level of production such as Directly or indirectly determine purchase or sale prices, Control or limit the output, technical development, services indulge in Bid rigging and lastly to share or divide the markets while on the other hand Vertical agreements are the agreements between the firms which are operating at different levels of production process which includes Tie-in arrangements, Exclusive distribution agreements, Refusal to deal and resale price maintenance.

The cases filled under Anti Competitive Agreements are Bid Rigging by Insurance Companies, Case no. 02 of 2014 and Bid Rigging in LPG Cylinder, Case no. 03 of 2011.

**2- Prohibition of Abuse of Dominance (Section-4)**

This Act prohibits a Dominant player which is abusing its market power by either restricting competition or by imposing unfair terms and condition on the customer. There are a large number of factors which violates this act such as market share, size and resources of firm and the market structure. This act comprises exploitative practices such as Directly or indirectly imposing unfair prices in purchase or sale of goods and services, Discriminatory prices which occurs when customers in different markets charges different price for the same product, Predatory prices in which producers sell the product below the cost of production so as to drive its competitors out of the market and Excessive prices in which the producer can hike the price in the absence of its competitor. The cases filled under the Abuse of Dominance are Bellaire Owner's Association and DLF limited: case no. 19 Of 2010 and MCX Stock exchange and the National Stock Exchange, Case no. 3 of 2009

**3- Combination Regulation (Section 5 & 6)**

Combination states that where mergers, amalgamations of companies of control, shares, voting rights or assets of one company by the another. This act comprises of Ex ante regulation of combination and exposed regulation of combination. The cases filled under this act are Acquisition of Bina Power Supply Limited By JSW Energy Limited.

**4- Competition Advocacy (Section 49) and References (Section 21)**

Competition Advocacy enjoins the commission to take suitable measures for the promotion of competition culture and impart training for the awareness of competition. A similar mandate of sending a reference an opinion on a reference received to/from a statutory authori-

ty is enjoyed through Section 21.

As Digital Payment market is growing on account of the E-commerce boom though India is at a nascent stage but the likelihood of anti-competitive agreements and anti-trust issues cannot be denied in future India. "Competition Act, 2002 section 3 and 4 is applicable in the anti-competitive agreements between the digital payment companies of India", while investigating anti-competitive behavior in the E-commerce markets, CCI should evaluate the pros and cons beforehand. There are likely to be the first mover advantage of anti-competitive behavior over the short term which can further deliver long term effects. Any delayed reaction by the competition authorities can lead to substantial and prolonged implications. The area of E-commerce is very innovative and also developing therefore premature intervention by competition authorities in some of the cases inhibit innovations and the development of the new market therefore to solve this problem it must apply competition law with the light hand for the present but also to raise awareness of large fines and risk of structural break up that may occur.

**2.1 HOW E-COMMERCE AFFECTS COMPETITION:**

The reason because of sales affect retail competition by:

**Lowering search cost:** It is said that customers incur near zero cost to gather information for their purchase decision. The new technology allows consumers to shop around at a cost which is lower than if they visited the physical shops around them.

**Distribution Cost:** There are markets which are hit by an abrupt process of disintermediation that resulted in the reduction of more than one supply chain.

**Increased geographic scope for transactions:** E-commerce is reached almost everywhere in the most even in the remote areas.

**Information Asymmetry:** While purchasing online it involves information asymmetry that do not exist when the customers physically visit the store and make the purchase after having inspected and tested the product also.

**3. DATA COLLECTION AND PRIMARY ANALYSIS**

**HYPOTHESIS:**

**Null Hypothesis-** There is no significant difference in mean in competition in economy before demonetization and after Demonetization period

**Alternative Hypothesis-** There is significant difference in mean in competition in economy before demonetization and after Demonetization period

**OBJECTIVE-** To analyse the change in the payment of consumer pattern in Digital payment markets

**TARGET POPULATION-** the target population of my study are CCI employees and residence of India of age group 15-60 years.

**METHODOLOGY-** The methodology which is used in this paper is Primary research and the tool used is Questionnaire.

**RESULTS**

For generating the results of the study a Paired T-test is used to compare two population means where you have two samples in which observations in one sample can be paired with observa-

tions in the other sample. Examples of where this might occur are:

- Before-and-after observations on the same subjects
- A comparison of two different methods of measurement or two different treatments where the measurements/treatments are applied to the same subjects"

**Paired Samples Statistics**

Pair	Mean	N	Std.Deviation	Std. Error Mean
1				
PreDemonitizationperiod_EWallets	.4519	104	.78678	.07
PostDemonitization_EWallet	1.5288	104	.65295	.06
2				
PreDemonitization_Debit_creditCards	.3269	104	.63003	.06
PostDemonitization_Debit_creditsCards	1.6923	104	.92513	.09

**Paired Samples Correlations**

Pair	N	Correlation	Sig.
Pair 1 PreDemonitizationperiod_EWallets& PostDemonitization_EWallet	104	.135	.172
Pair 2 PreDemonitization_Debit_creditCards &PostDemonitization_Debit_creditsCards	104	.174	.077

**Paired Samples Test**

	Mean	Std. Deviation	Mean	Paired Differences		t	df	Sig. (2-tailed)
				Lower	Upper			
1								
PreDemonitizationperiod_EWallets - PostDemonitization_EWallet	-1.0769	.95218	.09337	1.26210	-.89175	-11.53	103	.036
2								
PreDemonitization_Debit_creditCards - PostDemonitization_Debit_creditsCards	-1.36538	1.02453	.10046	1.56463	1.16614	-13.59	103	.021

The t-statistics, -11.53 & -13.59, and P=0.036, 0.021 ie a very small probability of this occurring by chance under the null hypothesis of no difference. The null hypothesis is rejected, since P< 0.05 at 95% confidence interval. There is a strong evidence that there is a competition in the economy before and after the demonetization period. This shows that the participants experienced statistically significantly greater competition in post demonetization period as compared to pre demonetization period. In other words, the difference between the two Period is not equal to zero. The sample size taken in this study is 104. In the Post-Demonetization period the payment through E-Wallets and Debit-Cards per month is increased which further led to increase in the competition in the economy

The findings in this paper have been supported by a primary survey conducted in Delhi. The test used for sampling is Paired T-test which is a type of a test that is used to compare two population means where you we two samples in which observations in one sample can be paired with observations in the other sample. The population is chosen under the age group of 15-60 in Delhi. The questionnaire has been attached as Annexure 1. The survey was conducted in order to understand the consumption pattern in the digital payment market.

**4. SUGGESTIONS**

E-commerce is now very innovative and developing so quickly therefore there is a need for premature intervention by the competition authorities so that they inhibit innovations and the development of new market. Moreover there is a need to apply competition law with a light hand for the present but to raise awareness of the large fines and risk of structural break-up that may occur in future. To safeguard from collusion it is useful for

the competition authorities to give guidance as to the long term storage of electronic data. They might also wish to develop their own market monitoring search engine software which will be used to track prices, sales and conversation in chat room. There are benefits that are gained from preventing companies from sharing important information about customers shopping habits and giving customers the rights to have greater access to the information held in the supplier's databases. This allows customers to make more sophisticated and informed choices between suppliers.

## 5. CONCLUSION

According to primary data, it has been analysed that, E-Commerce is at the nascent stage but it's is growing at a very high rate as these competition issues may come up in the future in India and it may become a platform for the anti-competitive agreements. Moreover Internet created opportunities to increase the competition which provides various benefits to the consumers such as enlarged geographical market, increased number of the alternatives, easier purchasing choice and also easier way to compare the prices of the products in different shops. E-commerce has also increased the competition as it increases the consumer's choice and it also help the businesses to achieve efficiency as they now have moved from high cost paper based transactions to faster, lower cost electronic transactions. But E-commerce also leads to practices of favoring concentration. Online sales has created barriers to entry but it does not account that entry costs in online retailing are sunk and not all websites are successful therefore other factors should also be taken into the consideration. While E-commerce also avail many advantages when compared to its rivals where concentration is easily induced by the virtual network effect as it might lead to a single firm Dominance. CCI must keep an eye on developing E-Commerce market in India and also in the credit cards companies that also indulge in the anti-competitive practices to increase their profits. CCI should keep a check on the economic activity so that anti competitive issues does not arise. It may also happen that businesses have significant power to use their position so as to stifle the competition with the change in the new technology. There are a large number of cases where the unscrupulous traders has taken the advantage of the internet as a medium to propagate old fashioned scams. A theme which emerges in this area of competition policy is whether new technology alters the way in which market power issues should be analyzed.

## REFERENCES

### ➤ Books referred :

- Competition in B2C e-commerce: Analytical Issues and Empirical Evidence
- Stefan Schmitz and Michael Laze

### ➤ Journal & Article referred :

- E-commerce and its implication for competition policy

### ➤ Newspapers referred :

- The Hindu
- The Economic Times
- The Times of India
- Business Today

### ➤ Websites referred :

- [www.cci.gov.in](http://www.cci.gov.in)
- <http://www.saneinetwork.net/>
- [www.indiainfoline.com](http://www.indiainfoline.com)
- Legal and Policy Framework for Ecommerce in India

## ANNEXURE -1

**QUESTIONNAIRE:** “The Questionnaire is formed so as to access the consumption Pattern in Digital payment market”

1. Name-
2. Profession-
  - Student
  - Corporate job
  - Business
  - Government jobs
  - Other
3. Age-
4. Are you Earning?
  - Yes
  - No
5. If you're earning then what is your income per annum?
  - Below 5 lakhs
  - 5-10 Lakhs
  - 10-15 lakhs
  - Above 15 lakhs
6. Which mode you prefer for making Online Payments?
  - Debit cards
  - Credits
  - Bank wallets
  - E-wallets such as Paytm, MobiKwik, Chillr
7. Has Digitalization made your life easier?
  - Yes
  - No
8. What are the main reason behind announcement of demonetization by the government?
  - to reduce black money in the economy
  - to promote digitalization in the economy like usage of non-cash modes of payments (E-Wallets)
  - to reduce corrupt practices
  - for equal distribution of resource in the economy
  - other
9. According to you what are the effects of digitalization?
  - Positive effects
  - Negative effects
  - No effects
10. How you feel about the acceptability of digital payments among small to medium size vendors?
11. Do you think Post Demonetization has led to increased usage of E-wallets?
  - Yes
  - No
12. Do you think purchasing goods such as tickets, books ,food online is risky?
  - Yes
  - No
13. For what kind of transactions do you use digital payments?
  - For commuting such as Cabs services
  - For online food
  - For utility bills such as electricity, bills etc
  - For Retail shopping/Super markets
  - Other
14. Do you prefer digital payments over cash?
  - Yes
  - No
15. If Yes in the above question then why?
  - Convenience
  - Discounts
  - Easy to pay in micro Denominations (145.78)
  - Other
16. According to you what can be the main reasons for not opting digital modes of payments by people?
  - Lack of financial literacy
  - Lack of ability to understand technology
  - Inconvenience
  - Security and Risk issues
  - Other
17. Did you had a bank account before announcement of demonetization?
  - Yes
  - No
18. If no then immediately after demonetization do you made a bank account?
  - Yes
  - No
19. How many times per month you make transactions through E-Wallet in Pre-Demonetization Period?
  - Never
  - 1-5 times
  - 6-15 times
  - More than 15 times
20. How many times per month you make transactions through E-Wallet during Demonetization?
  - Never
  - 1-5 times
  - 6-15 times
  - More than 15 times
21. How many times per month you make transactions through E-Wallet now?
  - Never
  - 1-5 times
  - 6-15 times
  - More than 15 times
22. How many times per month you make transaction through Debit/Credit cards in Pre-Demonetization period ?
  - Never
  - 1-5 times
  - 6-15 times
  - More than 15 times
23. How many times per month you make transaction through Debit/Credit cards during demonetization?
  - Never
  - 1-5 times
  - 6-15 times
  - More than 15 times
24. How many times per month you make transaction through Debit/Credit cards now?
  - Never
  - 1-5 times
  - 6-15 times
  - More than 15 times