

## A STUDY ON GLOBAL TECH GIANTS AND INDIAN BANKING SECTOR

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### ABSTRACT

*The primary goal of this research paper is to investigate the five Global tech giants—Facebook, Apple, Amazon, Google, and Microsoft—and their foray into banking via financial goods and services. In this research, we attempted to determine how the financial facilities provided by Global tech giants, as well as their growing involvement in the finance sector, are affecting the Indian banking system, financial institutes, and their future. Global tech giants are harnessing technology to introduce new creative financial goods and services to the public and businesses, making sophisticated processes simple to use. Many peoples in India use Big Tech financial services, which has become a source of concern for the Indian banking and finance system.*

**Keywords:** Global tech giants, Big Tech, Indian banking sector, technology.

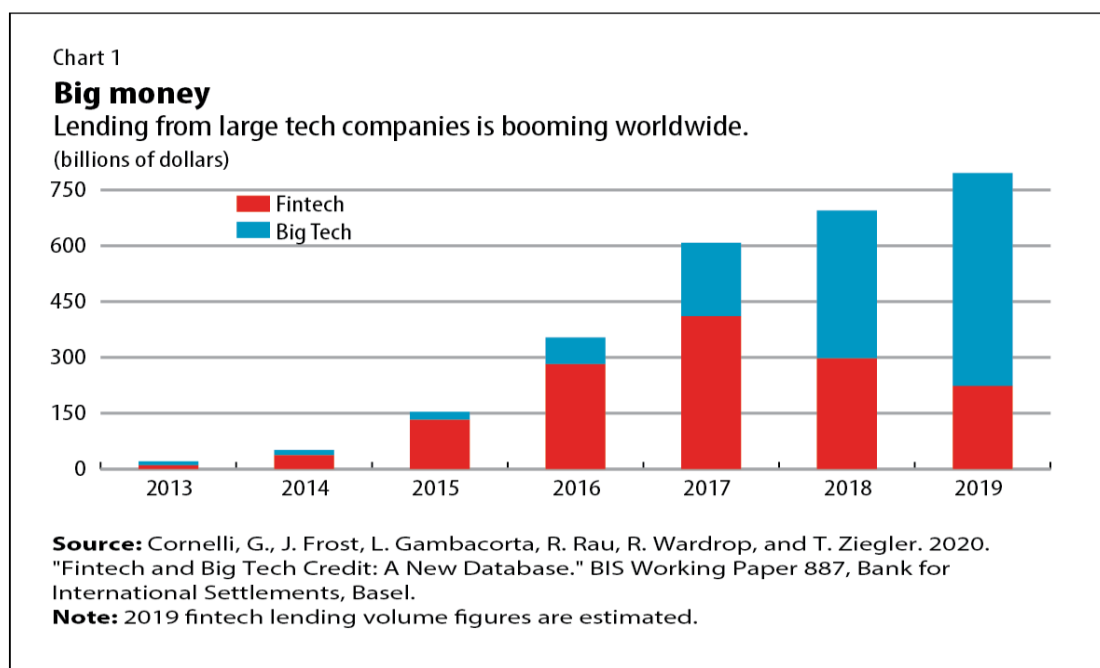
### Introduction

As technological advancements continue to redefine what it means to be a financial institution, the traditional banking model may soon be obsolete. With a lower barrier to entry into the financial industry than ever before, digital behemoths and fintech disruptors are squeezing their way into this lucrative market, winning customers' hearts and minds along the way.

With its new technology and innovations, Big Tech offers individuals new ways to bank and finance, which can be a danger or an opportunity for banks and their future. Big Tech has a vast consumer base and a wealth of data about them, allowing them to better

understand people's current financial wants and requirements. This offers them an advantage in the financial industry, allowing them to enter the market and supply consumers with a variety of financial and banking services combined with cutting-edge technology.

Electronic banking, often known as E-banking, is a method of conducting banking transactions over the internet using computers, smartphones, and the internet without the need for personal interaction. E-banking allows anyone with a computer, laptop, or smartphone with internet access to use a variety of financial services from the comfort of their own home or anywhere else without having to visit a bank.



## Literature Review

1. Financial stability board (2019), in their research paper they showed that Big Tech firms are providing range of financial services from lending to insurance. The activities of big tech related to finance have multiple benefits which includes innovations, diversification, and efficiency in financial services. Big tech firms pose a risk of financial stability which includes financial risks like leverage, liquidity mismatch and operating risks like shortcoming in governance, risk, and process control.
2. OECD (2020) published a research paper which showed that big tech firms increase competitions for banks, long run impact is not clear, but it depends on the extent to which the entry of global tech giants is allowed or will take place in the market. Banks and other financial institutions will have limited options if big tech firms enter into the market with full force. So, incumbents shall have to introduce unique financial products which big tech could not offer and hence could not commoditize. This way banks can survive, and they can also restructure themselves to be at pace with big tech.
3. Fintech Insights (2021) published a research paper in which they mentioned that Facebook, Apple, Amazon, and Google are conquering financial services through their new products, investments, mergers, and acquisitions etc. Five Global tech giants are taking strategic steps to grow their market share in financial services by offering partnerships with legacy institutions and in house solutions. Google is the most active tech giant in fintech equity investments. Incumbent deals support big tech's entry into financial services. Global tech giants pose a growing threat to legacy banks.

## Research Methodology

The foundation of this research article is secondary data. News stories, research papers, journals, official websites, and other useful blogs and secondary data sources are used to compile the information. This research paper focuses on how the rise of big tech in finance is affecting the banking industry.

### Research Objectives

1. To study the scenario of Global tech giants in Indian Banking sector.
2. To study the opportunities and challenges for Global tech giants in Indian Banking.
3. To study the opportunities and challenges for Indian banks with the emergence of Global tech giants.

### Secondary Data Analysis

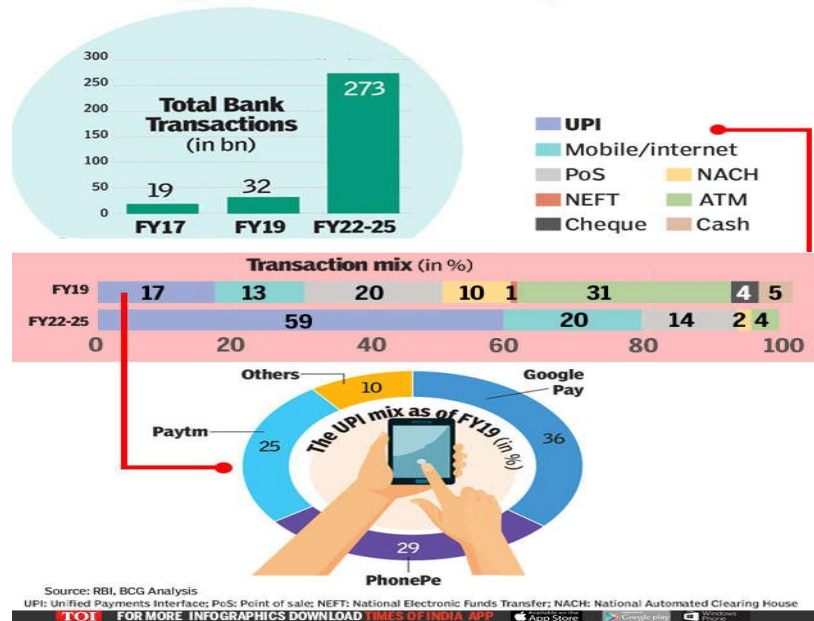
Indian banks are being offered a variety of collaborations and deals with these large tech corporations, which provide potential for our banking system to advance, expand with the latest technology, and become more efficient. Since Big Tech began offering financial products and services in the Indian market, it has posed various problems to the Indian banking system, such as diminishing public contact and utilisation of our own bank's facilities, and transferring to Big Tech banking-related products.

User data from current business lines in e-commerce and social media, as well as the inherent network effects in digital services, allow big IT firms entering financial services to scale up quickly.

In addition to traditional policy concerns such as financial hazards, consumer protection, and operational resilience, the entry of big technology into financial services introduces new issues including as market power concentration and data governance.

The existing regulatory structure for financial services is centred on activities, with providers required to obtain licences for certain business lines. By creating unique entity-based rules, it is possible to meet the new policy concerns.

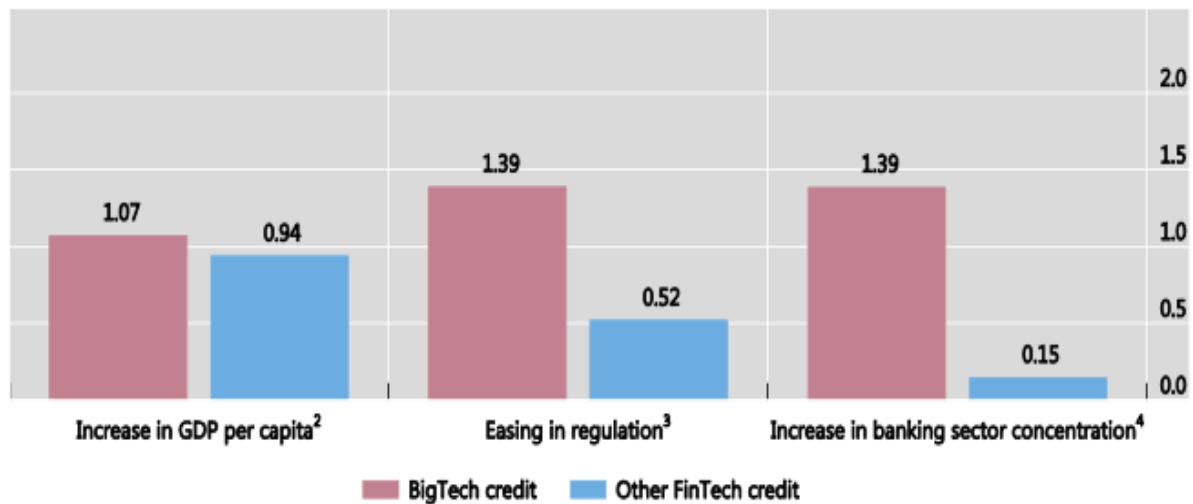
## India's Banking System Poised For Significant Disruption



- Facebook has entered the financial market with its 'Facebook Pay' payment network, Novi's digital wallet, and its own cryptocurrency. Indian banks utilise this company's apps to recruit new customers by advertising on social media platforms/apps, as well as to retain customer relationships with existing customers by employing phone and text functionalities in these apps.
- Apple's foray into finance begins with the release of Apple Pay, a payment programme that only works on Apple devices. The corporation introduced 'Apple cards' for payment purposes. Apple also provides 'Apple financial services' to businesses and institutions, ensuring that Apple goods utilised in the workplace have the maximum resale value. Unfortunately, due to the methods used in their goods, all of these Apple financial products are either not used by the Indian public or are not approved by Indian regulatory organisations.
- Amazon began its financial services for consumers by creating 'Amazon Pay' and 'Amazon 'Cash,' which are widely utilised in India for various payment and buy

operations. 'Acko,' an Amazon insurance venture, offers a variety of insurance options to the Indian public. Amazon is also lending money to Indian businesses through partnerships with many Indian institutions. It has partnered with ICICI bank to offer credit cards to Indian customers.

- With 'Google Pay,' a digital payment service, Google entered the finance sector. Millions of individuals in India and throughout the world use it on a daily basis to conduct a variety of online transactions. Google's 'Cache' project is preparing to provide users with bank accounts tied to Google Pay. For numerous finance-related people, the 'Finance' part of the Google search engine is extremely useful. It also partnered with Indian banks to create debit and credit cards, as well as digital loans.
- Microsoft has entered the financial services market by launching the 'Microsoft Cloud,' which serves as a data centre for financial institutions and corporations. Microsoft intends to target the Indian cloud market and encourage Indian financial institutions to use its cloud computing platform in the country.



### Opportunities

In EMDEs, the adoption of BigTech enterprises in financial services has been faster and more widespread than in advanced nations. Lower levels of financial inclusion in EMDEs generate a market for BigTech services, particularly among low-income populations and in rural areas where traditional financial institutions are underserved. The rising availability of mobile phones and internet connectivity has aided BigTech enterprises' provision of financial services in EMDEs. These companies may reach customers who were previously underserved, for example, due to a lack of credit history, thanks to technology and the data it generates, as well as the flow of that data across borders. BigTech companies also base lending decisions on new sources of customer data, such as data from their core technology operations.

The development of Big Tech businesses has provided a variety of opportunities for Indian banks, as these companies are cooperating with various Indian banks to provide the public with creative and distinctive financial amenities. They're investing in Indian start-ups and banks in order to expand and penetrate the Indian fintech market. All of these provide new chances for the Indian banking sector to expand and progress in the future.

### Challenges

The growth of Big Tech corporations in financial services is causing concern among Indian financial regulatory organisations, such as the Reserve Bank of India (RBI), as it threatens the financial sector's stability. These

businesses may also be vulnerable to cyber-threats, data-related dangers, and antitrust violations. These corporations are already delivering numerous fintech services in India, and regulatory bodies must now monitor and supervise their activity in order to protect the interests of Indian citizens and organisations.

According to reuters.com, a union representing the State Bank of India (SBI) and a global coalition asked the Reserve Bank of India (RBI) in June to prohibit large companies from setting up payment networks, claiming that privatisation would jeopardise data security. The Reserve Bank of India cautioned in its semi-annual financial stability report that huge internet corporations might become dominating participants in India's financial services industry and become "too-big-to-fail."

The Reserve Bank of India (RBI) has issued a cautionary statement against the expanding involvement of large technology companies in India's digital financial services and payment systems. In India, Amazon.com Inc (AMZN.O) and Google offer basic payment services. In conjunction with Indian corporations such as Reliance (RELI.NS) and lenders, both companies, as well as Facebook and others, have sought for licences to operate broader retail payment and settlement systems. The central bank's warnings come at a time when the Indian government and American digital firms are at odds over topics ranging from e-commerce regulations to data privacy and content uploaded on their platforms. Disputes have erupted between Amazon, Facebook, Facebook-owned WhatsApp, and Twitter.

### **Conclusion**

Global tech giants have risen to prominence in the financial sector by offering unique financial services, particularly in the areas of digital payments and lending. They are developing new products and processes that will help to simplify and modernise the traditional system of providing financial services and operating financial institutions. Many people and organisations in India use Global tech giants' financial products and services, but as these facilities expand into deep finance and other

aspects of providing core finance activities, they may pose a number of threats and challenges to Indian banking and other financial institutions, which Indian regulatory bodies are already concerned about and raising alarms about. The Indian financial system must begin developing or improving financial techniques and services that will enable them to maintain their influence in the future and reduce their reliance on Big Tech procedures and services.

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