Concentration of a few Big Tech players in fintech-based retail payment could lead to competitive weaknesses: RBI official

Managing Big Tech's entry into financial space in a non-disruptive manner a challenge for regulators: RBI ED Mr. T. Rabi Sankar

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The concentration of a couple of third-party service providers in the Fintech-based retail payment space could lead to anti-competitive practices, a senior RBI official has cautioned and said that the challenge for regulators was to manage the entry of Big Tech companies into the financial space in a non-disruptive manner.

Referring to the growing popularity of the Aadhar-based Unified Payments Interface (UPI) -- an instant payment system developed by the National Payments Corporation of India (NPCI) -- Mr. T Rabi Sankar, Executive Director, RBI, said "they (Big Tech companies) are obviously extremely helpful due to the client base of a couple of Big Tech companies. Look at the popularity of UPI because of the client base of a couple of Big Tech companies. But this process has to be managed."

Speaking at a webinar on 'Banks, Finance and Changing form of Technology: New Options with FINTECH' organised by RIS, India International Centre in collaboration with University of Essex, UK, Mr. Sankar said, "the concentration of two or three third party providers in these retail payment space could give rise to competitive weaknesses. That is a challenge that we need to look at and solve going forward." He added that the overall theme of speeding up Fintech absorption in the financial space without undermining the integrity or stability of the financial system will remain the primary challenge for regulators in the next decade or so.

Mr. Sankar, however, noted that there are not too many payment systems in India and that the number of players is currently limited. "There is a tendency to look at third party app providers in the UPI system, where roughly about 70 per cent is provided by two apps. Strictly speaking they are not providers as such, as they are just the front-end and just onboard customers. They have no control on the entire UPI itself. In that sense, there is not so much a concern on anti-trust or monopolistic tendencies because there is hardly any pricing that happens there," he said.

In the UPI-based system, the NPCI has laid down path for a more even distribution of share of third-party app providers, the senior RBI official said, adding that apart from that there are apparently no such *ex-ante* anti-trust regulatory provision. The reason for such a regulatory approach was to ensure the development of the Fintech market. "If the UPI is gaining popularity, you will have to think twice about stepping in and controlling the market share of two or three popular apps because that could actually hurt absorption of this tech in the population," he said.

Speaking on the occasion, Dr. Srinivas Yanamandra, Chief of Compliance, New Development Bank, Shanghai, said it was important to have a differentiated regulatory approach – one for start-ups with a view to promote innovation, and another for Big Tech players to ensure that there are no monopolistic and anti-competitive practices. Pointing out the recent anti-trust-related actions by the People's Bank of China against some leading Big

Tech players in China, he said other countries were also looking at that approach and considering replicating it in their own jurisdiction.

Professor Thankom Arun, Director, Centre for Accountability and Global Development (CAGD), University of Essex, UK, said while the new technologies have the potential to reshape banks and other financial institutions, it was important to harness such technologies to the betterment of the entire population. He further stressed that Fintech should ideally reuce the cost of financial intermediation and ensure financial inclusion.

Professor Sachin Chaturvedi, Director General, RIS, said Fintech investments have grown globally following success stories like M-Pesa in Kenya and the UPI in India, adding that many developing countries were looking to emulate countries like India and Kenya in this regard. There is scope for replicating such models of cooperation through innovative development cooperation projects in Asia and Africa. However, he said it was important for regulators and the players to ensure safety and security of digital transactions.

Prof. K.J. Joseph, Director, Gulati Institute of Finance and Taxation, Thiruvananthapuram, said finance was at the core of all development issues, adding that, therefore, to achieve Sustainable Development Goals, it was important to harness fintech in a manner that was inclusive. Dr. Priyadarshi Dash, Associate Professor, RIS, also spoke on the occasion. (ENDS).

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