



Report by RBI on Big Techs

For Prelims: Reserve Bank of India, Big Techs

For Mains: Big Techs and associated risks, Indian Economy and issues relating to planning, mobilisation of resources

Why in News?

According to a new report by [Reserve Bank of India \(RBI\)](#), **large non-financial technology firms, referred to as “big techs,” pose challenges to financial stability** owing to their technological advantages, large user base, wide-spread use by financial institutions and network-effects.

What are the Big Techs?

- **About:**
 - Big techs include companies such as **Alibaba, Amazon, Facebook, Google, and Tencent.**
 - They **usually hold service licenses through subsidiaries or Joint Ventures** with varying levels of ownership control and jurisdictional regulatory advantages.
- **Increasing Role of Big Techs:**
 - Big techs, given their pervasive **adoption as third-party service providers, generally become the underlying platform** on which a host of services are offered.
 - This **uniquely positions the big techs to easily acquire cross-functional databases** which can be exploited for generating innovative product offerings, making them dominant players in the market.
 - The **pervasiveness of big techs provides them with a large client base** who are entrenched in using their platforms/ products with access to multiple facets of customers' data, generating strong network effects.
 - The **entry of big techs into finance also reflects strong complementarities** between financial services and their core non-financial services.
 - Besides the technological advantages, the **big techs typically also have the financial muscle to withstand the competitive pressures.**
- **Related Steps taken by India:**
 - In India, **efforts have been made for local storage of payment data and to bring critical payment intermediaries** into the formal framework.
 - Initiatives are also underway to **increase the payment acceptance infrastructure and create a [data protection law](#).**

What are the Risks associated with the Big Tech Sector in Financial Services?

- **Complex Governance Structure:**
 - The complex governance structure of big techs **limits the scope for effective oversight and entity-based regulations.**
 - **Due to the adoption of big techs as third-party service providers,** they have

become the underlying platform on which a host of services are offered.

- **Barriers in Creating Level Playing Field:**
 - Big Techs are a **barrier in creating a level playing field to promote innovation in the fintech space.**
- **Data Privacy Issues:**
 - There is a lack of transparency in how tech companies process user data, which has raised serious and pressing privacy concerns.

What are the Suggestions?

- **Realign Framework to Facilitate a Level Playing Field:**
 - To facilitate fairness in the fintech space, **regulators are realigning their regulatory frameworks** while managing the possible risks posed by bigtechs.
- **Need to Keep up the Pace with Innovations:**
 - With the increasingly complex inter-linkages between financial institutions and tech-companies, the regulatory frameworks **need to keep up the pace with innovations to contain the vulnerabilities** that may arise from the new risk propagation channels.
- **Mindful of the New Linkages:**
 - The regulations in EMDEs (Emerging Markets and Developing Economies) **need to be mindful of the new inter-linkages** that bigtechs might create with the existing financial institutions.

[Source: ET](#)

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