COMPETITION LAW AND DIGITAL FINANCIAL MARKETS: REGULATING BIGTECH AND FINTECH IN INDIA

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ABSTRACT

The rapid digitalization of India's financial sector has transformed the traditional banking and financial services landscape, leading to the emergence of Financial Technology (FinTech) companies and large technology-driven enterprises commonly known as BigTech. The widespread adoption of digital payment systems, particularly the Unified Payments Interface (UPI), along with digital lending platforms, mobile wallets and online financial services, has significantly reshaped the structure and functioning of India's financial markets. While these developments have promoted financial inclusion, technological innovation and consumer convenience, they have also introduced complex competition-related challenges.

This research paper examines the evolution of digital financial markets in India and analyses the growing influence of BigTech and FinTech enterprises in the financial services industry. It further explores the relationship between competition law and financial market regulation, with particular emphasis on the applicability of the Competition Act, 2002, in addressing anti-competitive practices within digital financial ecosystems. Issues such as market concentration, abuse of dominant position, network effects, data concentration, platform dependency and barriers to market entry are examined to understand the challenges associated with regulating digital financial markets.

The paper also evaluates the role of the Competition Commission of India (CCI) and the Reserve Bank of India (RBI) in maintaining a competitive, transparent and accountable digital financial environment. It argues that an effective regulatory framework must strike a balance between encouraging technological innovation, protecting consumer interests and ensuring fair competition. The research concludes by suggesting the need for stronger regulatory coordination, data portability, interoperability and adaptable competition law mechanisms to address the evolving challenges of India's digital financial economy.

RESEARCH QUESTIONS

1. How have digital financial markets evolved in India, and what role have technological advancements and digital payment infrastructure played in this transformation?

2. How have BigTech and FinTech enterprises transformed India's financial services industry, particularly through digital payments, UPI, digital lending and other online financial services?

3. To what extent is the existing legal framework under the Competition Act, 2002, effective in regulating anti-competitive practices and abuse of dominant positions in India's digital financial markets?

4. What are the major competition-related challenges arising from network effects, data concentration, market dominance and platform dependency in the digital financial ecosystem?

RESEARCH OBJECTIVES

1. To examine the evolution of digital financial markets in India.

2. To analyse the growing role of BigTech and FinTech enterprises.

3. To examine the applicability of the Competition Act, 2002.

4. To identify the major competition-related challenges and to evaluate the regulatory roles of the CCI and RBI.

INTRODUCTION

The rapid advancement of technology has significantly transformed India's financial sector, shifting traditional banking and financial services towards a digital and technology-driven ecosystem. Increased internet penetration, smartphone adoption and government-led initiatives have accelerated this transformation. The introduction of electronic payment systems, the establishment of the National Payments Corporation of India (NPCI) and the launch of the Unified Payments Interface (UPI) in 2016 have played a significant role in making financial transactions more accessible, efficient and convenient. This digital transformation has

facilitated the emergence of Financial Technology (FinTech) companies and large technology-driven enterprises known as BigTech. These enterprises have expanded their presence through digital payments, online lending, investment services and other technology-based financial products. While their growth has encouraged innovation and financial inclusion, it has also raised concerns regarding market concentration, data dominance, network effects and barriers to entry for smaller competitors.

In India, the Competition Act, 2002, provides the primary framework for preventing anti-competitive practices and abuse of dominant positions. However, the unique characteristics of digital markets create new challenges in applying conventional competition law principles. The regulatory responsibilities of the Competition Commission of India (CCI) and the Reserve Bank of India (RBI) also make coordination between competition law and financial market regulation increasingly important.

Against this background, this research paper examines the evolution of digital financial markets in India, the growing influence of BigTech and FinTech enterprises, and the effectiveness of the existing competition law framework in addressing emerging regulatory challenges. It further explores possible legal and regulatory measures to ensure fair competition, protect consumer interests and encourage sustainable technological innovation in India's digital financial ecosystem.

EVOLUTION OF DIGITAL FINANCIAL MARKETS IN INDIA

The evolution of digital financial markets in India represents a drastic transformation in the country's financial and banking sector. Traditionally, financial transactions in India were predominantly dependent on physical banking infrastructure, cash-based payments, paper documentation and conventional financial intermediaries. However, advancements in information technology, increased internet use, smartphone adoption and government-led digital initiatives gradually transformed the financial ecosystem. Digitalization has not only modernized conventional banking services but has also facilitated the emergence of new financial market participants, particularly Financial Technology (FinTech) companies and technology-driven enterprises.

The first phase of digital financial development in India began during the 1990s and early 2000s with the introduction of computerized banking, Automated Teller Machines (ATMs), debit and

credit cards, internet banking and electronic fund transfer facilities. These developments gradually reduced dependence on physical banking transactions and introduced greater efficiency in financial services. A major development occurred with the introduction of the Real Time Gross Settlement (RTGS) system in 2004 and the National Electronic Funds Transfer (NEFT) system in November 2005 by the Reserve Bank of India (RBI). These systems enabled electronic transfer of funds between bank accounts, providing a more secure and efficient alternative to traditional payment methods. The enactment of the Payment and Settlement Systems Act, 2007 further strengthened the regulatory foundation of India's digital payment infrastructure by providing the RBI with statutory authority to regulate and supervise payment systems. Subsequently, the establishment of the National Payments Corporation of India (NPCI) in 2008 laid the foundation for developing an integrated and interoperable retail payment ecosystem.[1]

The next phase between 2010 and 2015 witnessed significant improvements in India's digital financial infrastructure. The introduction of the Immediate Payment Service (IMPS) in 2010 enabled instant interbank electronic fund transfers, making digital transactions more accessible and convenient. Another significant development was the introduction of Aadhaar in 2009 and the launch of the Pradhan Mantri Jan Dhan Yojana (PMJDY) in 2014. These initiatives, together with the expansion of mobile connectivity and Direct Benefit Transfer (DBT), contributed to financial inclusion by enabling a larger section of the population to access formal banking services. During this period, private digital payment companies and mobile wallet providers also began entering the Indian market. Their services introduced new methods of conducting transactions, bill payments and merchant payments, thereby encouraging competition and innovation in the financial services industry.[2]

EMERGENCE OF BIGTECH AND FINTECH COMPANIES

The COVID-19 pandemic phase accelerated the adoption of digital financial services in India. Restrictions on physical movement, increased online shopping and the growing demand for contactless transactions encouraged individuals and businesses to rely on digital payment platforms. During this period, FinTech companies expanded beyond payment services into digital lending, wealth management, insurance technology (InsurTech), investment advisory

[1] Reserve Bank of India, *Payment Systems in India: Journey in the Second Decade of the Millennium*
[2] S. Mani and C.G. Iyer, "Diffusion of Digital Payments in India, 2011–2012 through 2020–2021: Role of its Sectoral System of Innovation", 31(3) Asian Journal of Technology Innovation 479–502 (2023)

and financial data management. Simultaneously, large technology companies, commonly referred to as BigTech enterprises, increasingly entered financial services through digital payment applications, merchant platforms and partnerships with banks and Non-Banking Financial Companies (NBFCs). The growth of digital lending platforms also transformed the credit market by enabling borrowers to apply for loans through online applications, often with automated credit assessments and quicker loan disbursement. Furthermore, the Account Aggregator framework introduced by the RBI facilitated the consent-based sharing of financial information between regulated financial institutions.[3] This development strengthened the foundation for open finance and data-driven financial services. Consequently, the boundaries between traditional banking, technology companies and financial service providers became increasingly interconnected, creating new opportunities as well as regulatory and competition-related challenges.[4]

The contemporary phase of India's digital financial markets is characterized by increasing technological integration, regulatory intervention and the expansion of digital financial infrastructure. UPI has emerged as a central component of India's retail payment ecosystem, while digital lending, embedded finance, artificial intelligence and data-driven financial services continue to reshape the financial sector. The RBI's initiatives concerning digital lending, including the Digital Lending Guidelines issued in September 2022 and subsequent regulatory developments, reflect the growing importance of consumer protection, transparency, data privacy and accountability in technology-driven financial services.[5]

The introduction of the Public Tech Platform for Frictionless Credit pilot in 2023 further demonstrated the potential of digital public infrastructure in improving access to formal credit. Similarly, developments relating to the Open Network for Digital Commerce (ONDC) have created opportunities for greater digital participation by merchants and service providers. The RBI's Report on Currency and Finance 2023–24, particularly its discussion on digitalization and financial innovation, recognizes the increasing collaboration between banks, NBFCs, FinTech companies and BigTech enterprises. It also highlights emerging concerns relating to digital lending, financial stability, data governance and regulatory supervision. Thus, India's

[3] "Digital Payments in India—How Demonetization and COVID-19 Shaped Adoption?", 246 Economics Letters 112074 (2025)
[4] Shashwat Alok, Pulak Ghosh, Nirupama Kulkarni and Manju Puri, "Breaking Barriers to Financial Access: Cross-Platform Digital Payments and Credit Markets", National Bureau of Economic Research, Working Paper No. 33259 (2024)
[5] "Growing Retail Digital Payments: The Value of Interoperability", International Monetary Fund (2025).

digital financial markets have evolved from basic electronic banking facilities into an interconnected ecosystem involving banks, payment service providers, FinTech startups, BigTech enterprises and digital financial intermediaries.[6]

The evolution of digital financial markets has fundamentally altered the competitive structure of India's financial services industry. Traditional banks are no longer the only significant participants in financial service delivery. FinTech startups and BigTech enterprises have emerged as important competitors by offering innovative, accessible and technology-driven financial products. However, the increasing dominance of certain digital platforms also raises concerns regarding market concentration, network effects, control over consumer data, platform dependency, predatory pricing and potential exclusion of smaller competitors.[7]

Therefore, the development of India's digital financial markets has created a pressing need for an effective regulatory framework that balances technological innovation, financial inclusion and consumer welfare with fair competition.[8] This evolution provides the necessary foundation for examining the role of competition law in regulating BigTech and FinTech enterprises in India's rapidly expanding digital financial ecosystem.[9]

ROLE OF DIGITAL PAYMENTS, UPI, AND OTHER ONLINE FINANCIAL SERVICES

India’s payment market has changed drastically in the past decade, thanks to the rapid adoption of Unified Payments Interface (UPI). UPI is a fast payment system, and was introduced by the RBI in effort to modernize India’s payment systems and promote digital transactions. UPI has had a massive impact on the industrial organization of India’s payment market.[10] Mobile payment applications and digital wallets have simplified the process of transferring money between individuals and businesses, and the digital payment market has been one of the most prominent outcomes of rapid FinTech development.[11]

[6] Vijaya Marisetty, Akbar Ali and Varsha Mamidi, "Public Digital Platforms as Institutional Equalizers: Evidence from India's UPI Ecosystem" (2025)
[7] Reserve Bank of India, *Report on Currency and Finance 2023–24* (2024).
[8] "Supply Side Drivers of Digital Payment Adoption in India", Discover Sustainability (2026).
[9] Chidambaran G. Iyer, "Diffusion of Digital Payments in India: A Tale of Two Technologies", 11(2) Journal of Entrepreneurship and Innovation in Emerging Economies 309–324 (2025)
[10] SUERF Policy Note No. 355, 2024, available at: https://www.suerf.org/publications/suerf-policy-notes-and-briefs/the-organisation-of-digital-payments-in-india-lessons-from-the-unified-payments-interface-upi/#f3
[11] Bhandarkar, Dr & Kamble, Mr. (2026). Role Of Fintechs in Transforming Financial Services in India. International Research Journal on Advanced Engineering and Management (IRJAEM). 4. 2709-2716.

To put into perspective precisely how prominent UPI has become, it is pertinent to understand the scale of the market it operates in, i.e., India's digital payments market. Digital payments as a whole contain five main components: financial market infrastructures (FMIs), retail credit transfers (which includes services such as UPI), debit transfers, card payments, and prepaid payment instruments. By 2026, this market was worth USD 10.43 Billion, and this figure was largely bolstered by UPI.[12] India went from 90,000 UPI transactions in August 2016 to 24.51 billion in August 2026. That jump shows how quickly digital payments have moved from an option to an everyday way to pay.[13]

Over the past few years, the volume of digital payments in India has surged significantly, thanks in no small part to UPI. Over a decade of operations, UPI has demonstrated extraordinary scale and momentum. Annual transaction volume expanded from just 2 crore transactions in FY 2016-17 to over 24,162 crore transactions in FY 2025-26, representing an almost 12,000-fold surge in transaction volume. Parallelly, transaction value rose sharply from ₹0.07 lakh crore in FY 2016-17 to approximately ₹314 lakh crore in FY 2025-26, translating into a more than 4,000-fold increase in transaction value.[14] The Payment System Report for December 2025, released by the RBI on 18th May, 2026, shows that UPI led the share of transaction volume at 85.5 per cent, followed by NEFT at 3.6 per cent and Prepaid Payment Instruments (PPIs) at 3.6 per cent, while RTGS accounted for a mere 0.1 per cent, reflecting its role as a high-value, low-volume system. Although, it is worth noting that in terms of transaction value, RTGS dominated with 68.6 per cent of the total transaction value, followed by NEFT at 14.9 per cent and UPI at 9.5 per cent, with PPIs contributing only 0.1 per cent — a clear illustration of how RTGS handles large-value settlements while UPI drives mass retail transactions.[15]

More recently, the National Payments Corporation of India (NPCI), the central entity behind UPI, has now announced a revised Merchant Discount Rate (MDR) framework for select Person-to-Merchant (P2M) transactions. The framework is supposed to have taken effect from 15 October 2026. According to the new framework, an MDR of 0.4% will apply to

10.47392/IRJAEM.2026.0386, available at: https://www.researchgate.net/publication/413929269_Role_Of_Fintechs_in_Transforming_Financial_Services_in_India

[12] https://www.imarcgroup.com/india-digital-payment-market

[13] https://www.oxigenwallet.com/statistics/digital-payment-statistics/

[14] https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2257087&reg=48&lang=2

[15] Payment System Report for December 2025 by RBI, available at: https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=23813

eligible P2M UPI transactions above ₹2,000. For eligible transactions of ₹75,000 and above, MDR will be capped at ₹300 per transaction. P2P transactions and eligible P2M payments up to ₹2,000 remain outside the MDR framework.[16] The ramifications of the same, however, remain to be seen.

THE RELATIONSHIP BETWEEN COMPETITION LAW AND FINANCIAL MARKET REGULATION

The Competition Act of 2002 serves as the basis for competition law in India. The Competition Commission of India (CCI) serves as the primary enforcer of the law. The CCI has jurisdiction over India's rapidly evolving digital markets, and new challenges such as data, platform, and collusive issues require flexible regulation.

Among its key provisions, the Act regulates anti-competitive agreements and prohibits the abuse of dominant market positions under Section 4. Additionally, it establishes guidelines for mergers and acquisitions to prevent market concentration that could hinder competition. These measures are designed to promote consumer welfare and restrict monopolistic tendencies that may impede fair trade or restrict market access. Furthermore, the Act prevents dominant enterprises from leveraging their market power to engage in exploitative or exclusionary practices that could harm competition.[17]

However, despite its robust framework, the Act faces notable challenges when applied to digital marketplaces. One of the significant limitations is its inability to comprehensively address the complexities of digital platforms, which operate on a global scale. Defining the relevant market and assessing dominance in digital ecosystems remains a challenge due to the dynamic nature of online platforms. Unlike traditional markets, digital platforms benefit from network effects, data-driven business models, and cross-border operations, making regulatory enforcement more complex. These challenges highlight the necessity of adapting competition law to the evolving digital economy and ensuring regulatory frameworks remain effective in addressing emerging competition concerns.[18]

In the case of *Matrimony.com Limited v. Google LLC*, commonly referred to as the Google

[16] https://www.hdfc.bank.in/blogs/upi/new-upi-rules-2026
[17] Taxmann, Competition Law Manual (2023)
[18] Parsheera et al., Competition Issues in India's Online Economy, National Institute of Public Finance & Policy (2017).

Search Case, the Competition Commission of India (CCI) observed that it exercised considerable restraint in not intervening in Google's search algorithm. The CCI reasoned that such interference could hinder future innovations and disrupt digital market experimentation.23 This decision illustrates the Commission's attempt to strike a balance between competition concerns and consumer benefits derived from Google's search functionalities.[19] On the other hand, in the case of *Federation of Hotels and Restaurant Association of India and Others v. Make My Trip India Private Limited*, the CCI prioritized creating a level playing field. It aimed to ensure that all market participants had an equitable opportunity to compete based on merit, thereby upholding fair market principles.[20]

A more recent case, *Umar Javeed v. Google LLC*, saw the CCI imposing a substantial penalty of Rs. 1337.76 crores on Google for abusing its dominant market position concerning the pre-installation of Google applications on mobile devices during their manufacture.[21]

From the above discussion, we find that while the Act of 2002 does serve as a robust framework for regulating digital marketplaces, the evolving nature of digital platforms makes the continuous assessment of the applicability of the Act indispensable.[22]

CONCLUSION & SUGGESTIONS

A strong and adaptable regulatory framework, along with ongoing cooperation between agencies, is essential for ensuring fair competition and protecting consumer interests in India's changing economy. This requires regularly re-evaluating existing laws and developing new legal tools to address the complexities brought by technological changes and global market integration. Moreover, promoting an environment that encourages innovation while addressing anti-competitive practices needs active engagement with new market trends and international best practices. Such an approach would help improve India's global competitiveness by making its markets more attractive for investment and ensuring businesses operate on a fair playing field. A thoughtful regulatory structure is crucial for moving India toward becoming a global economic leader while balancing growth with fair market practices. Additionally, future plans

[19] Matrimony.com Limited v. Google LLC, Case No. 07 & 30 of 2012
[20] Federation of Hotels and Restaurant Association of India & Ors. v. Make My Trip India Pvt. Ltd., Case No. 14 of 2019, Competition Commission of India (CCI).
[21] Umar Javeed v. Google LLC, Case No. 39 of 2018.
[22] Dr. Mohmad Sharif & Usman Saifi, Regulating Digital Market Dominance: Challenges and Prospects for Indian Competition Law, 9 INT'L J.L. MGMT. & HUMAN. 2315 (2026).

should focus on combining regulatory markets where private sector innovation can support public sector oversight in rapidly changing areas like artificial intelligence and digital platforms. This can lead to more flexible and effective regulatory solutions. The changing digital landscape, particularly with the rise of artificial intelligence, requires a regulatory framework that guarantees ethical algorithms and fair practices across the entire process, from development to use. This includes closely examining data policies to ensure they foster competition and prevent monopolistic control over essential digital resources. Additionally, setting clear guidelines for data portability and interoperability is crucial for promoting competition within the digital economy and reducing the risk of data-driven monopolies.[23]

[23] Jaiswal, Agarwal, Kumar, A R, Sharma, Gupta (2025). Competition Law and Market Regulation: Managerial Challenges and Strategic Opportunities, available at: https://acr-journal.com/article/competition-law-and-market-regulation-managerial-challenges-and-strategic-opportunities-1661/