**ANALYSE THE FINANCIAL SERVICE INDUSTRY AS A WHOLE**

**Executive Summary**

It has been seen that financial services play a crucial role in managing an economy. In the UK it seems that financial firms maintain a good position in its economy. The study has been finding that after the crisis every financial firm prefers to involve with advanced technologies to reduce risk in their products and services. There is a variety of firms addressed in the UK that serve financial services such as banks, credit card companies, and accountancy firms. It seems that since 1970, competition increased in financial sectors due to internationalisation and deregulation.

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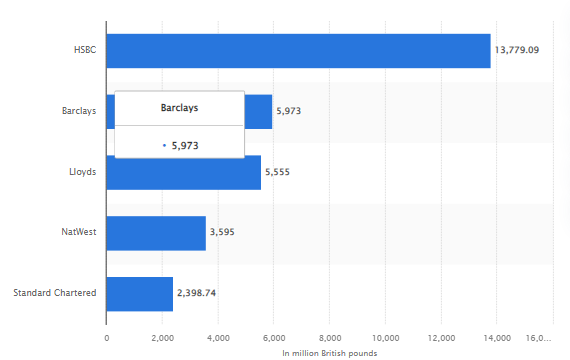
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# Introduction

In the study, it seems that professionals see that changes in the market need to create complexity and specialisation of processes in GPNs while managing financial services. The key function of a financial service firm includes managing or reducing risk, staying dynamic in nature, and redistributing risk. The UK is considered to maintain a strong financial industry for its international reach. In order to stay attractive in these competitive market financial firms need to use advanced tools such as AI, VR, cloud computing, and IoT. Along with this, maintaining appropriate rules and regulations is also required for financial firms to get better market access.

# Industry Overview

After analysing the financial industry it finds that it includes ***commercial banks, accountancy firms, insurance companies, investment banks, credit card companies,*** and ***security houses*** (2b7d8173110004698468929407f00dd4week\_8\_lecture\_8, slide 5). The primary function of a commercial bank includes managing and administering financial transactions for a large number of clients such as clearing cheques and making payments. Accountancy firms certify the accuracy of bank accountants through corporate audits (2b7d8173110004698468929407f00dd4week\_8\_lecture\_8, slide 5). Along with this, it seems that with the help of security houses, an individual can buy or sell securities of bonds or stocks on behalf of a corporate investor. It is the responsibility of credit card companies to manage the international network of credit card services in relation to banks and other financial firms.



**Figure 1: Net profit of leading banks in the United Kingdom (UK) in 2022**

(Source: Statista.com, 2023)

The above figure states that HSBC holds the highest net profit among the other largest brands in the UK, which holds 13.8 billion in revenue in its platform. It figures out that China holds top leading position in the financial sector after the UK. It seems that in most cases insurance companies across the globe maintain global partnerships with financial firms to reduce the risk of payment. The UK is considered the home of the most developed financial market across the globe and holds the 6th largest economy in terms of nominal GDP (Statista.com, 2023). After the pandemic, investment banks tried to arrange flotation to deal with new security issues. Maintaining ***international debt insurance, reinsurance, commercial insurance,*** and ***foreign exchange trading*** assists the country in holding a strong financial centre (Gov.uk, 2022). Moreover, it can be understood that the UK maintains a strong financial structure that drives growth across the nation.

# Resources controlled by States

Finance always plays a vital role in managing the success of the business by providing necessary funds to companies and by operating their operations. Power resources that are controlled by States include ***“availability of suitable infrastructure”, “access to the domestic market”, “government incentives”, “control of natural resources”, “availability of appropriate labour”,*** and ***“political climate”*** (2b7d8173110004698468929407f00dd4week\_8\_lecture\_8, slide 16). Financial resources support a firm to facilitate its flow of cash between borrowers and savers.

Moreover, it can understand that financial resources are maintained efficiently towards promoting economic growth and development. However, an organisation starts its business without financial resources that face barriers in managing operations such as making a long-term investment or buying products or services. Investigation on the global financial market finds that New York holds $24.3, Europe holds $6.4, and Japan holds $5.63 in stock the exchange market (Tradebrains.in, 2022).In order to get access to the domestic market financial firms need to maintain a degree of global integration in the industry. As per the views of Rezgallah *et al.* (2019), government incentives many times deal with political instability or uncertainty in the financial industry. However, a financial firm does not manage competition among countries while making investments; it creates pressure on controlling natural resources (2b7d8173110004698468929407f00dd4week\_8\_lecture\_8, slide 16). On the other hand, it seems that the political clinical climate of a State is based on the dependency of the economy on FDI. Moreover, it can be understood that States can influence finances in several ways including *taxation, banking operations,* and *standard accounting practices* (Nechaev *et al.* 2022). Besides this, minimum availability of labour can create issues of balance payment and debt issues.

# Resources controlled by MNCs

MNCs prefer to control their production in different ways such as buying a local production company, making partnerships with local companies, and placing orders for production. Power resources managed by MNCs include ***“access to markets or export potential”, “employment”, ”technological complexity”, “capital”, “intense rate of change”, “product differentiation”, advertising intensity”,*** and ***“control over global production network”*** (2b7d8173110004698468929407f00dd4week\_8\_lecture\_8, slide 16).

According to professionals, however, loans become limited in duration or time, organisations need to be involved in Intercompany financing. The financial sector provides funds to manage challenges while starting a business by making green home improvements. After analysing HSBC's financial strengths it can be found that requires future success the firm focuses on active steps of international reach. A multinational firm can make agreements with local firms to export or import their products in the home demography. However, resources controlled by overseas firms it allow the foreign organisation to sell its products in different foreign markets and provide control in different sales operations. However, an organisation runs their services without adequate finance and does not manage essential resources such as employees or equipment. Apart from this, financial resources also have an impact on the decision-making process in the firm (Diaz *et al.* 2021). Moreover, with financial resources MNCs can easily understand their financial condition and identify the area of generating wealth.

# Factors that influence the resources

The main reason for relocation is to repeatedly cope with the global business environment. There are many factors that influence resources controlled by the State such as the ***degree of compensation, political uncertainty, debt issues, degree of global integration, and too much dependency on FDI*** (2b7d8173110004698468929407f00dd4week\_8\_lecture\_8, slide 16). On the other hand, it seems that factors including *socioeconomic background, income, credit rating,* and *expenses* impact on an individual’s financial health. Market analysis finds that every firm needs to maintain high capital to run its daily operations.

In this competitive market, there are many factors that influence the resources of the global financial industry such as changes in trust, spreading negative bias about a firm, government regulation, and minimum customer debt. However, financial firms in China want to invest in different countries stork they tried to focus on leverage, firm size, popularity, liquidity, and firm value. Purpose and time are considered effective factors that support a find to raise money by making a partnership or business. Every banking sector across the globe has its individual financial needs for managing its different purposes such as capital expansion. Influencing factor of resources that are controlled by MNCs includes ***concentration on the industry, customer, government, degree of competition,*** and ***distributor*** (2b7d8173110004698468929407f00dd4week\_8\_lecture\_8, slide 16). Based on different influencing factors, it seems that there were nearly 1.8 million financial job offers in 2022 in the UK (Parliament.uk, 2022). However, if a firm wants to raise funds by issuing security shares it can deal with the challenges of debt funds. Moreover, it seems that various sources offer different tax benefits such as *credits, deductions,* and *exclusions* to the financial firm.

# State and MNCs Resource Power

## Technology

In recent years, it seems that the efforts of the government need to control over their own national economies. The market analysis finds that the individual freedom of MNC managers in deploying economic resources increased day by day. A wide range of expansion of computing power helps financial firms make fast changes in financial products (2b7d8173110004698468929407f00dd4week\_8\_lecture\_8, slide 10). Digitalisation has a strong influence over the financial industries that support financial firms to use a wide range of advanced tools in their platform. However, the UK wants to become a major exporter to competitive markets. It needs to use the best technologies. Technology assists MNCs in increasing the efficiency of systems, services, and products by providing streamlined processes.

## Access to market

Control of market access always focuses on the degree of completeness. However, the government controls customer purchases and they get the access of gaining bargaining power. In order to be involved in joint venture arrangements, government representatives need to focus on their boards and participate in R&D. An example of access to the market includes *“ITT’s European telecommunications equipment”* which received a variety of research contracts from the host government on the consent of advance equipment (Kim and Park, 2022). On the other hand, it seems that smaller multinationals often deal in this competitive world by enlisting host-government assistance.

## Natural climate

Every organisation has been impacted by climate change which left an impact on its profit and loss ratio. However, MNCs run their business in the local area which supports them in getting natural resources like fuel and energy quickly compared to others (Yeganeh, 2019). On the other hand, it seems that MNCs need to figure out a large range of environmental issues interconnected with the global supply chains such as waste disposal, greenhouse gas emission, and water pollution.

## Political climate

A multinational MNC not only maintains a relationship with host governments to reconstruct their autonomy and freedom. Many times it seems that the competition of MNCs is based on market position and local bodies where they plan to perform (Shao and Janssens, 2022). Besides this, smaller multinationals often survive in this competitive market just by managing government protection and policies.

## Government incentives

MNCs can easily outsource parts of the production process that develop economies with environmental legislation. In developing economies like the UK, large MNCs can use economies of scale to push local companies out of business with the help of government rules.

# How resources are used to generate more power

Resources help a financial institution to maintain a relationship with another firm. It identifies that with the use of consolidation strategies, an organisation is easily involved in horizontal mergers and inventory management. As per the views of Sarpong (2021), maintaining good financial resources is the key to achieving goals in different working situations. As an example of low resources, it seems that HSBC did not have enough funds to pay salaries in the UK which forced the firm not to provide salaries to its employees. According to York and Bell (2019), every financial firm needs to build up a realistic monthly and annual budget for upgrading finances. However, banks or insurance companies want to purchase effective resources they need to save money through investment strategy.

# Constraints in State and MNC’s Bargaining Relationship

The relationship between local bodies and MNCs regarding FDI has become effective in the sector of international political economy. The contribution of FDI is to develop the economic growth of the host country. In recent times MNCs are considered as semi-governmental institutions while having much power. As per the opinion of Mendes (2021), the main issue of MNCs is to make interaction with different national governments that have their individual policies. The market analysis finds that the big challenges that MNCs face are while interacting with national governments with their individual regulations. Many times it seems that MNCs face drawbacks in managing relationships with the host country including local businesses that may not be able to compete with MNCs. in order to maintain good relationships between states and MNCs they need to maintain a balance between risk and reward.

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| --- | --- |
| ***MNC*** | ***Relationship with host countries*** |
| HSBC | HSBC facilities nearly 8% of local exports and 10% of FGDI in India (Indiatimes.com, 2023) |
| In future the firm plan to move its headquarters to China. |
| The financial firm helps Japan’s growing trade since 1866. |

**Table 1: The relationship between MNC and host countries**

(Source: Self-developed)

# Dynamics of Power of States and MNCs

Based on dynamic power it seems that MNCs can engage in leverage politics, and lobbying of state politics. On the other hand, MNCs can easily shift production from states with high costs to states (Naseemullah, 2022). Many times it seems that the UK government depends on MNCs to link national economics with various MNC activities.

# Conclusion and Recommendations

After analysing the above study it can be concluded that the expansion of different financial services is interconnected to the development of “***GPNs (Growth of multinational corporations)”***. In this competitive market, each financial firm tries to maintain lots of power and high working efficiency for maintaining relationships with states. On the other hand, it seems that states that maintain relationships with large financial centres easily maintain strong and influential positions in the market. Drivers of financial globalisation include technology, political climate, natural climate, and government incentives. Intense competition becomes the reason for greater risk-taking and it also becomes the reason for the entire team collapse. These days, it can be recommended to the financial industry to build an advanced working structure. Market analysis reveals that with innovative tools, a financial firm can maintain a stronger position in the UK. States are required to maintain regulation and deregulation both in domestic and international markets.

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