

Neo Banks: A New Era of Banking Experience

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Abstract— *The Term Neo Banking has gained momentum recently considering its entry in the financial technology segment. neo banks are fintech firms that function like banks and operate digitally- a collection of financial apps and services. Every transaction is done online and is entirely safe, customised, and more convenient in several aspects compared to traditional banks. Neo banks break old banking traditions such as cash deposits, bulky documentation, and personal interaction with a bank official. The primary purpose of Neo Banking in the economy is to provide cutting-edge financial services and facilities through fintech and AI at a lower cost. Whereas Traditional Banks require you to visit a physical branch, have high account fees and focus mostly on offering as many financial services as possible traditionally, banks have provided all our financial needs, including loans, deposit accounts, debit and credit cards, and insurance. The banks have met the needs of most of their customer with the help of their branches all over the world. This paper will give a brief glance overview of neo banking in India. Neo banking means the banks which operates only digital platform. This present study focuses on the growth of the neo banking and its operations in India. The main features of neo bank are they don't have physical presence in the operations. Neo banks having a bigger opportunity in the current scenario as the customer are averting banking activities in branches.*

Index Terms- Neo Banking, Finance, Traditional Bank, Insurance, Debit and Credit Cards.

I. INTRODUCTION

Post pandemic has changed the way people work and operate, and this transformation has triggered disruptions across different sectors. One sector that is responding to these changes is the banking sector. Traditional banks must adopt to the new banking era demanding customer engagement. Moreover, there is stiff competition from fintech players that is disrupting the entire banking sectors. Traditional banks follow an omni channel method i.e., having both physical branches, offices and ATMs and digital banking presence to offer a bundle of services. Neo banks as a disruption in the banking industry by leveraging high-

end technology which provides a range of personalised services to customers resulting in client happiness, transparency, responsiveness and ease of use. Neo banking applies a creative design thinking approaches to banking operations and custom tailors their products and services in such a manner that makes banking simple and convenient to use of customer. As this a challenge for them to make banking simple and convenient, they are sometimes referred to as challenger banks. They are changing the work processes of traditional banks and bringing disruption to the banking era. Due to increasing digitalisation and the impact of pandemic, banks are failing to match customer expectations. Evolving customer requirement have given rise to a new class of banks called neo-banks.



A Neo Banking is a type of direct bank that operates exclusively using online banking without traditional physical branch networks that challenge traditional banks. The past few years have seen the fintech revolution grip in India. With hundreds of fintech companies popping up. Neo banking constitute a significant part of these fintech companies disrupting the traditional banking ecosystem. These financial institutional are bridging the gap that exists in the conventional banking system by offering tech-first solutions.

The young generation of truly digital natives who rarely visit the banks for financial transactions and who are not relate to the timing of online banking are

boost for the fastest growth of neo-banks. Due to covid-19 pandemic mostly people prefer to go for digital transactions rather than physical mode of transactions, this makes a big boost for the growth of neo banks. Usage of smart phones making them easier to do online transaction.

Function of Neo-Banking

- Fast and simple steps to open a new account
- Could storage of data
- Cash deposits
- Money lending
- Online payment
- Money transfer

II. RESEARCH METHODOLOGY

The objective of the paper is to present a new era of banking experience i.e. Neo Banks. The study has taken with the help of secondary source as well as primary source to gain and understanding the neo banks in India and study the perception and awareness of people to words neo banking in India.

Sampling

Convenience sampling method is used to select respondents is considered for study. A sample size of 50 respondent is considered for the study. The respondents are students, professor, salaried people, and others. The responded across all segments of the society were selected deliberately to seek the awareness towards neo banking concept.

Methodology

A formal questionnaire is circulated to the respondents through google form for seeking their awareness and perception level. The data collected so classified and presented in tabular format, further it has been analysed by using percentile method to arrive at specific conclusions.

Objective of the study

- 1.To Study the Neo-Banking in India.
2. To Study the different between Neo-Banking and Traditional Banking
3. To Study the perception and awareness of people towards Neo-Banking.

Neo-Banking in India

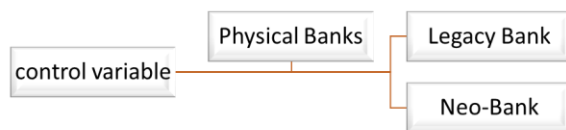
Finin is the first Neo-Banks in India, founded in 2019 by suman Gandham and Sudheer Maram. The Bengaluru-based start-up having a tie-up with the state bank of Mauritius (SBM) for their operations. They are offering instant savings account and debit cards.

Following is the list of Neo-Banks in India

Neo-Bank	Partner Bank	Services
Razorpay x	RBL	Current account, payment gateway, cash advance, capital loan& payout etc.
NIYO	IDBI, YES BANK	Saving account, wealth management, foreign exchange.
Open	ICICI, SBI, AXIS	Current account, business loan, payment gateway, cash advance, and payout etc.
Instant pay	ICICI, HDFC	Saving account, insurance, wealth management, foreign exchange.
PAYZELLO	YES BANK	Virtual debit card, money transfer
YeLo	ICICI	Credit payment, banking.
Walrus	NA	Saving account, credit and investment.
Finin	SBM	Saving account, payment gateway, investment.
Aceware	ICICI	Micro ATM, money transfer, FasTag, money transfer.
Freo	NILL	Credit card, fero card, buy-now-pay-later facility, fero utility.
Jupiter	FEDERAL BANK	Debit cards, UPI transaction, debit cards and credit cards.
Fampay	NILL	Debit cards, virtual payment cards, online shopping etc.
Niyo	NILL	Current account, loans with zero fee, money transfer etc.

Neo-banks are not offering any new services to the customers, their services are almost the same provided by the traditional banks, transparency of neo-banks are another significant advantage, there is no hidden charges or commission in neo-bank's operations. Application programming interface (API) is user-friendly, and customer can integrate the same with their business transaction very easily. Because of cost-effective operations, neo-banks are offering more interest to their customer. Neo-banks is offerings automated and real-time service to its customers. Error-free transactions are another major advantage of neo-banks.

Conceptual module of Neo-Banking as a new ecosystem



Control variable:

- RBI regulation
- Cyber crime
- Change in customer attitude
- Physical bank:
- Disruptive innovations
- Value proposition
- Real time data
- Integration
- Customer centric
- Hassle free banking
- Legacy bank:
- Physical
- Infrastructure
- RBI licensed
- Huge customers
- Database
- Trust and relationship
- Product centric
- Neo Bank:
- Cutthroat technology
- Convenience at peak

- 100% digital
- Personalisation
- Easy payments
- 24*7 accessibility

Difference between Traditional Bank and Neo Bank
 Neo banks operations are totally different from traditional banks, neo banks completely technology based online transaction, and access requires little to one stress. It is very simple to open a new account at neo bank the complete processing will be done within twenty fours. At neo banks transaction and payment can be done at international level, cards provided by neo banks can be accessed around the world. Neo banks are attracting younger generation by providing next level online financial transaction in very simple steps. Traditional banks are regulated by reserve bank of India whereas neo banks are not licensed by reserve bank of India hence these banks are operating in connection with licensed partners.

Particular	Traditional bank	Neo bank
Commonly known as	Legacy bank of brick-and-mortar bank	Challenger bank or physical bank
Cost	High	Low
Process time	Long	Less and quick decision
License	Banking license issued by RBI	No license issued by any apex body
Personalised service	Standardised service	Bundle of personalised offering
Service platform	Physical branches	Online workspace
Customer support	In-personal, phone, online	Phone, online
Fees	High	Low
Operational mode	Independent	In partnership with traditional banks

Neo Banks-opportunities:

- International payment made easy
- Transfer and holding multiple currencies

- Instant transactions
- Higher rate of interest
- Round the clock services 24/7
- Transparency of transactions
- Neo Banks-challenges:
- Restricted regulatory instructions
- Lack of personal interactions with customers
- Limited financial products and revenue streams
- Difficult to become primary bank
- Cost of acquisition in high
- Providing customers awareness towards new technology

Market scope of Neo-Banking:

Components	Details (in billions \$)
In 2022, the market valuation	\$66.82B
By 2030, the revenue forecasted	\$2,048.53 B
Forecasted growth rate	53.4% as CAGR from 2022 to 2023
Report covered	Revenue forecast, company market competitiveness space, growth rate and trends
Division covered	Accounts, application, region

Perception and awareness of people to words Neo Banking

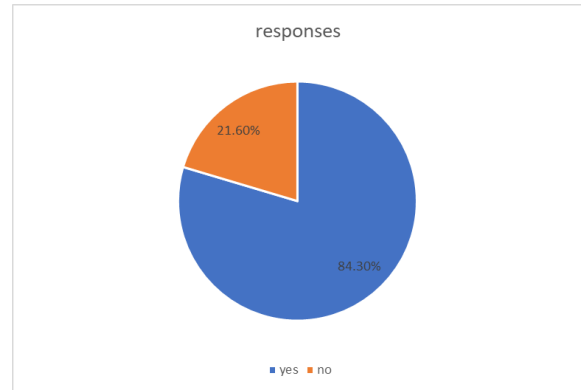
Data analysis

1.1 Table showing usage of mobile wallets by the respondents:

Use of mobile wallets	Yes	No
no. of responses	43	11

1. Do you use mobile wallets?

51 responses



Interpretation:

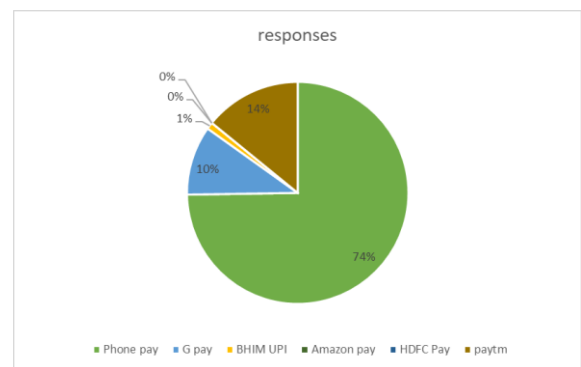
The above graph shows awareness among people regarding e-pay. In sample size of 51, 84.30% of people use mobile wallets.

1.2 Table showing availability of different mobile wallets options in the market.

Name of wallet	G pay	Phone pay	BHIM UPI	Amazon pay	HDFC pay	Paytm
No. of people	5	37	1	0	0	7

2. If yes, which one do you use most frequently?

50 responses



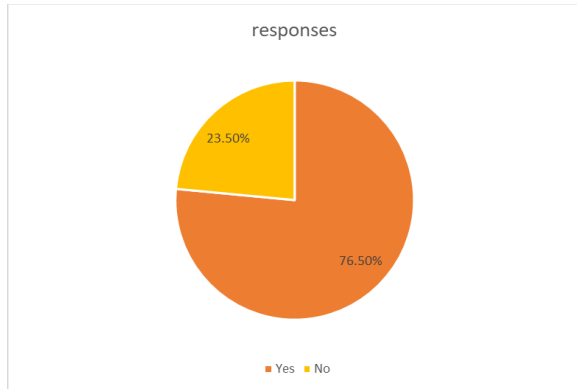
Interpretation

The above graph shows different mobile wallets people use, phone pay being most popular have highest preferences of 37 followed by G pay and others.

1.3 Table shows use of net banking among respondents.

Use of Net Banking	Yes	No
Number of people	40	12

3. Do you use net banking services?
51 responses

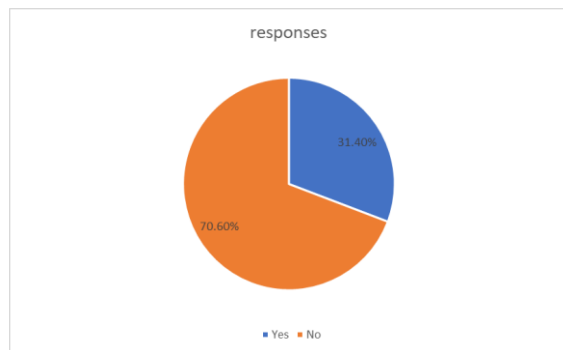


Interpretation
The above graph shows that most of the people are aware about Net banking service.

1.4 Table shows respondents awareness regarding Neo Banking?

People awareness to words Neo banking	Yes	No
Number of people	16	36

4. Are you aware of Neo Banking concept?
52 responses

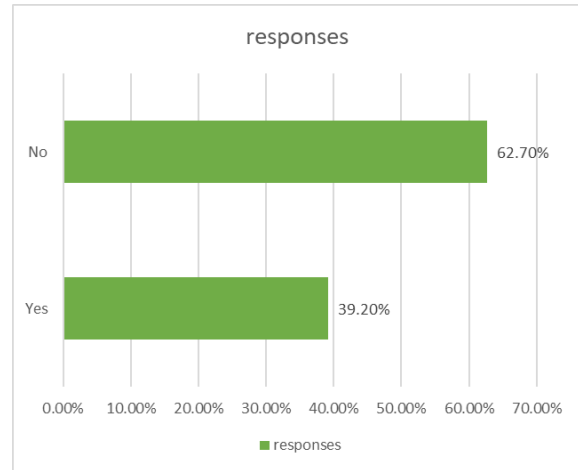


Interpretation
The above graph shows neo banking is relatively new concept so majority of them was not aware regarding the concept.

1.5 Table shows respondents use of neo banking services

Use of Neo Banking services	Yes	No
Number of people	20	32

5. If yes, do you use Neo Banking services?
51 responses

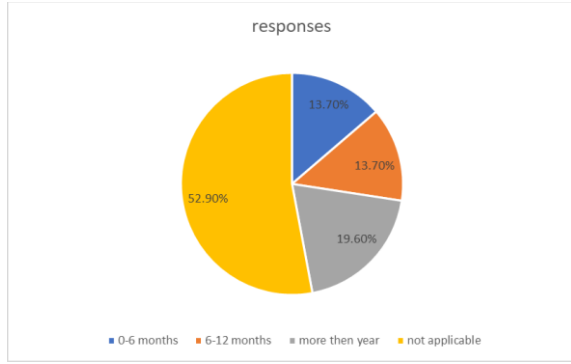


Interpretation
Since Neo Banking is relatively new concept so most people were not using these services.

1.6 Table shows the time from which respondents are using Neo Banking services

Time period	0-6 months	6-12 months	More than year	Not applicable
No. of people	7	7	10	27

6. Since how long using Neo Banking services?



Interpretation

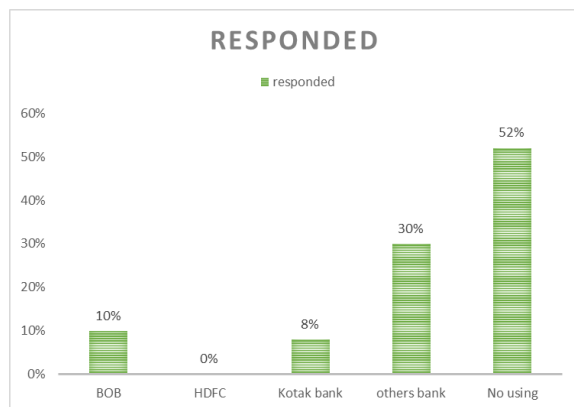
The above graph shows 47% respondents use of Neo Banking services, through majority of the respondents were not aware of the services since it's a new concept.

1.7 Table shows name of neo bank they are using

Name of bank	BOB	HDFC	Kotak bank	Other banks	No using
No. of people	5	0	4	15	26

7. Which bank's neo bank services you are using?
Specify bank name?

50 responses

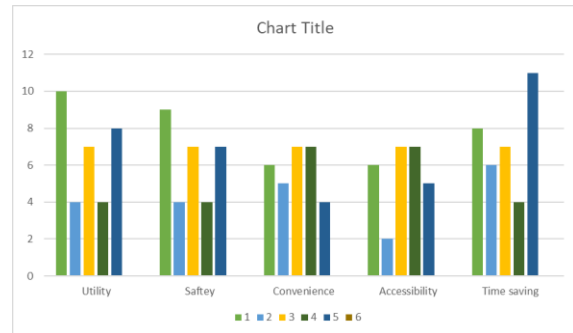


Interpretation

The graph shows most people don't use Neo Banking services while some of them other banks and BOB and Kotak bank.

1.8 Graph shows parameters on which respondents will rate Neo Baking services.

8. if you are using Neo Banking services then, please rate the Neo Banking services on the following scale: (1to5 i.e. lowest to highest)



Interpretation

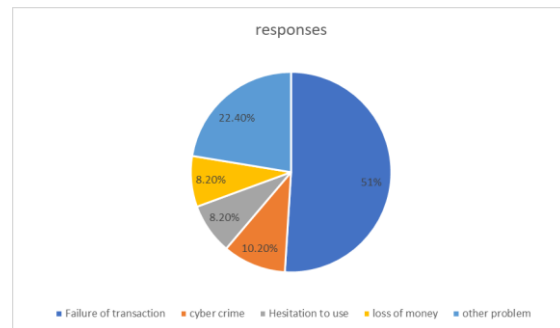
The above graph shows most of the people feel it is time saving and efficient to use and higher utility.

1.9 The Table shows challenge respondents faces while using online banking services.

Reasons	Failure of transaction	Risk of cyber fraud	Hesitation to use	Worry of loss of money	Other problem
Number of people	25	5	4	4	11

9. What are the challenges you face while using online banking services?

49 responded

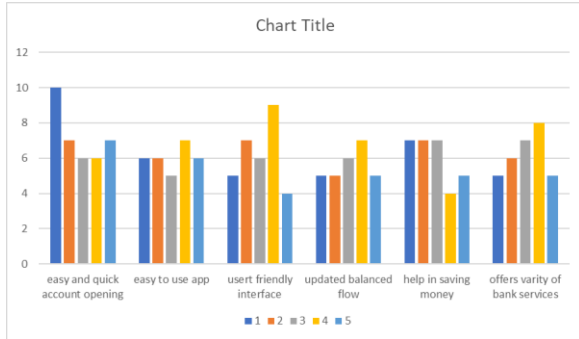


Interpretation

The above graph shows different challenges face using online banking, failure of transaction and other problems.

1.10 shows rate the benefits of Neo Banking services on the scale (1 to 5 i.e., highest to lowest)

10. Rate of benefit of Neo Banking services on the scale (1 to 5 i.e., highest to lowest)

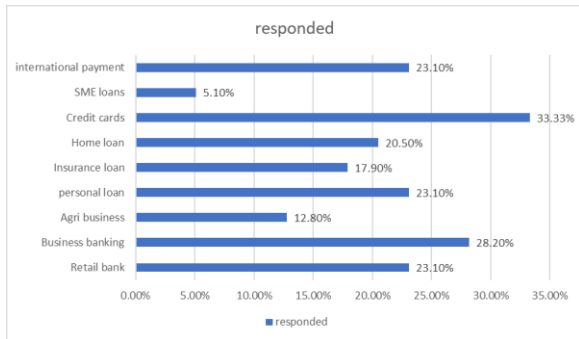


Interpretation

The graph shows that the most important benefits of Neo Banking is easy and quick account opening, followed by others.

1.11 which of the following Neo Banking services you are aware of: (put a tick mark)

39 responses



Interpretation

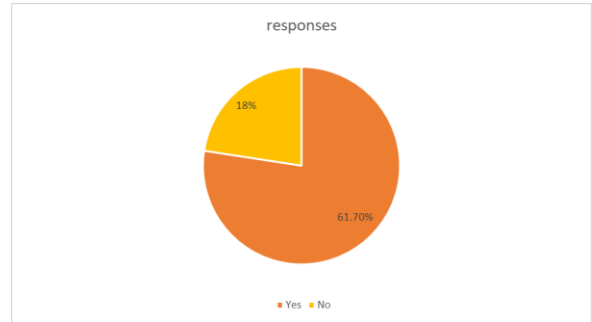
The above graph shows credit card facilities are most service offered by thr Neo Bank followed by others.

1.12 Table shows when people were asked would they recommend the Neo Banking services to others

Yes/No	Yes	No
Responses	29	18

12. would you recommend the neo banking services to others?

47 responses



Interpretation

The above graph shows most people will recommend Neo Banking services to others.

The finding of the study based on primary data as revealed following point

- The composition of respondents covers 10% of salaried and 90% of students and others.
- The composition of age of respondent covers 81.8% youth 16.36% of group belongs middle age 1.8% senior citizens.
- The respondent covers 26.5% female then 75.5% male.
- 88.2% of respondent have report a that they use mobile wallet is phone pay, G pay followed by Paytm and others.
- 70.7% of respondent have reported that they use net banking services.
- 30.5% of respondent have reported that they are aware neo banking concept remaining 69.5% of respondent not aware of neo banking concept.
- 18% of respondent are using neo banking services.
- Neo baking services are rated highest time saving and efficient and utility parameter and safety parameter and respondent.
- Benefit of neo banking services is easy and quick account opening and credit card facilities.
- The general experience of the respondent towards the neo banking as brought to light following point: easy in making transaction and time saving safe transaction at an odd place were suspect card theft / data theft

CONCLUSION

Neo banking may eventually become the new craze of the financial world. Neo banks could enter the banking industry in the coming years, forever changing the banking industry as we know it. Neo banking can improve customer experience and simplify complex banking procedures because they have no legacy and ultimate technological capabilities. Neo Banking are becoming the new face of Indian banking system. They have rightly identified the gap between the need of the customers and the services offered by traditional banks. The service provided by them ensure seamless services provided to the customers. They also ensure that the customer have a hazel free transaction. The entire world has witnessed the growth of digital platforms specifically during pandemic, when visiting the bank branches for frequent transaction was not feasible, due to lockdown kind of situation. Neo Banking has come as a blessing in disguise to all those who wants to avail banking services remotely. Neo banking not yet get licences from RBI, but it can partner with existing bank which has physical branch. The analysis of the primary data most of the respondents have Phone pay and Google pay and they find it convenient to use, Neo Banking is a new concept, the respondents are aware about net banking and mobile banking, but study revealed that there is lack of awareness about Neo Banking services. Current scenario has given a push to use of digital Banking through which Neo Banking will also be benefited.

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