



Neo Banking the future of Banking System in India

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INTRODUCTION

What is NEO Banking?

Neo banks are **banks with only a digital presence and no physical branches**. These banks leverage technology and Artificial Intelligence to provide personalized services to their customers and minimize operating costs.

It's a wide umbrella of financial service providers who beseech today's tech-savvy customers. Neobanks can be called fintech firms that provide digital and mobile-first financial solutions payments and money transfers, money lending, and more.

Neobanks don't have a bank license of their own but count on bank partners to provide bank licensed services.

As the financial landscape is shifting towards customer experience and satisfaction, a gap has developed from what the traditional banks offer to what customers expect. And, Neobanks are making an attempt to fill that gap.

Most traditional banks are bogged down by their legacy-based infra. So, they crumple when it comes to aiding SMEs with financial services like providing a payment gateway, an invoicing software, multiple views of cash management, among others.

This disparity, along with the explosion of mobile technology, it only makes sense that banking services can coalesce with other financial services.

LITERATURE REVIEW

Tinesh Bhasin in his article "**What do neo banks offer and should you try them?**"⁵ has stated that neo bank is coming up with a new concept to ease the banking services with the help of information technology and artificial intelligence. He has also included in his article about the companies taking initiative to come in India.

Advait Rao Palepu in his article "**India's Neo-Banks: What's So 'Neo' About Them?**"⁶ has done quantitative research where he has mentioned about the global approach of the neo banks in terms of capital investment and global reach. This paper also takes about regulatory framework for neo banks in India and also stated reasons for the restrictions imposed by RBI on certain aspects where neo banks cannot deal in. He also mentioned in his paper that neo banks have great opportunity in India because they have targeted customer segment with digital services which they are providing is much more than what traditional banks are providing.

Vanita D'souza in her article "**5 Neo Banks that are changing the way India Does banking**" has included the a report published by 'Allied Market Research' which states the growth rate of neo banks from year 2017 to 2020, the research also mention about the view of the customer and their preference in respect of neo bank. This article also states that neo bank has a great opportunity in Indian market and can be proved beneficial for MSMEs in terms of loan advancement, ease of payment method, creditworthiness.

Gabriel Hopkinson, Romeo V. Turcam, Diana Klarova and Valeria Gulieva in their article "**How neo banks business models challenge traditional banks**"⁸. They have mentioned about the revolution that has been brought by the neo banks in the banking sector and have also stated the reason for such a great revolution i.e. transparency, Low-cost structure, end to end customer services, 24*7 customer support, money management tools etc. They have also mentioned about how neo banks have made investment easy for everyone. Now everyone can invest into mutual funds

without any difficulty. Neo bank also provide them with the flexibility of anytime switch in or switch out which is widely attracting customer for investments through neo banks, not only this but customer also get higher rate of interest than what they get through traditional banks.

PROBLEM STATEMENT

- Many consumers are not using Mobile Banking, due to scams and frauds.
- Consumers who are not aware of technologies are facing difficulties to use Banking apps.
- Due to some technical problems, sometime smart phones and electronic gadgets not work properly.
- Electricity and good network connectivity are the biggest concern.

OBJECTIVES OF THE STUDY

Primary

- To identify factors influencing customers transferring funds online rather than offline.
- To analyze the most preferable Payments Bank Application .
- To identify the consumer perception toward online payments.
- To identify most preferable mode of payment while doing online shopping.

Secondary

- To study different strategy used by different Neo Banks to retain their customer.
- To ensure safety and security of customers data and control measures taken by different Neo Banks.
- To study the growth & trend of online UPI or Payments services in market.

RESEARCH METHODOLOGY

Population –

The consumers of Gujarat State are taken as population of the research.

(Population of Gujarat is taken because we live in Vadodara city of Gujarat so we can easily conduct collect data from the respondents and conduct our study with ease)

Sampling Size –

182 respondents are taken into consideration as a sample. *(Districts of Gujarat state is covered)*

Sampling Method –

Convenience sampling method

(We have selected this method because it will be easy for us to contact people for data collection)

Type of Study –

Descriptive study

(It is selected to describe and reveal the perception of customers towards online fund transfer using Neo Banks)

Data Collection Sources –

Questionnaire

(With the help of questionnaire data collection is relatively cheap, quick and efficient)

Statistical Analysis –

Pie charts & Bar graph

(These two statistical analysis are used to summarize large set of data in visual form)

Statistical Methods & Tools–

MS Excel & Google Forms

(These tools are helpful to easily compile the descriptive statistics and parametric analysis)

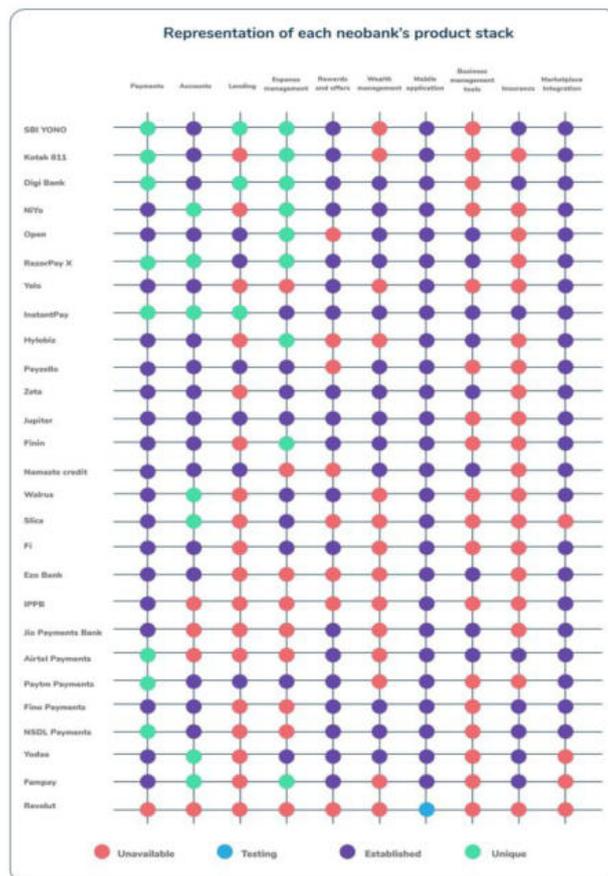
Data Collection Method–

Primary – Questionnaire

Secondary – Magazines, eBooks, journals, websites.

(primary collection method in form of questionnaire is selected to get the data directly from consumers and secondary data collection methods are selected to get sufficient information for the research)

ANALYSIS



Neo bank is the future of banking sector. It enables the seamless banking with various services that eliminate the gap between traditional banks and customers. It is very much essential to convert traditional banks into neo bank in the age of digitalization because now everyone wants that their work should be done at just one click without being waiting for long day. It also help in reducing the corruption because of transparency in working process. It will also help in cutting the additional transaction cost such as processing charge and other charges.

Neo bank is introduction lots of new user data with user friendly interface in order to provide hassle free transaction. Neo bank will also help in creating funds and allocating the funds in proper account and government can have proper check on it.

Neo bank targets MSMEs because they are focusing on development of the country at minimum cost. Therefore, neo bank can we suitable banking option for fast payment and collection process and for tax compliances as most of the neo bank also allow customers to file their GST return and other indirect taxes.

According to Digital Evolution Index, "India is among the top nation that has huge potential for digital payment. Cashless society is required and we will be able to achieve it. The aim must go from a cash economy to a less cash economy".

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