



# A STUDY ON THE GROWTH AND EMERGENCE OF NEO BANK IN INDIA

**Gibin Jacob**

*Assistant Professor, St Paul's College, Kalamassery*

## ABSTRACT

*Neo bank which operates on the digital platform and gained more significance in the financial technology segment. It is the bank which do not have any corporeal presence. It provide a seamless online banking experience to the customers. The current study is based on the secondary data available from various sources to analyze the role of neo bank in India.*

**KEYWORDS:** *Neo bank, Financial technology, Digital platform*

## INTRODUCTION

Banking business is changing rapidly and banking products and services are built on disruptive technology and reach the customer according to their convenience, transparency, pricing and customer services. All the banking services provided to the consumer can be accessed by a non-banking service provider through its innovative technology and banking models. Under the new business model banking services are delivered through internet or electronic channels and these non-banking service providers are called neo-banks. It exists indemnly online without any physical branches and success of neo banks are adoption by millennials, micro small and medium enterprises and those having sporadic income and earnings, embracement of innovative technologies and rising consumerism. It functions mainly through a mobile application.

Neo bank is a digital bank without physical branches, all the transactions done online without any specific location. It is considered as a fintech firm providing digitized and mobile first financial payment solutions, money transfers, money lending and so on. It does not have a bank license of its own, but rely on bank partners to offer bank licensed services. It is more customer centric and provides customized services to their customers backed up by technology.

In this era of modernisation in the banking sector through digital means, neo banks are essential and an alternative to cost effective model. The establishment of neo banks in India is a difficult process, due to strict RBI guidelines. RBI allow neo bank to operate in Indian banking environment in 2019.

### Neo Bank in India: Scope of opportunities

The first Neo bank in India Finin was founded in 2019 by Suman Gandham and Sudheer Maram which offer financial services such as instant saving accounts and debit cards. There are 27 Neo banks in India ,8 of the 27 neo banks offer their customers with unique payments options such as virtual debit card, split payment etc.

Neo banking in India has significant growth as MSMEs in the country can avail their service on a large scale. At present there are 4 main neo banks in India which have received sizable

funding from India and global banks view India as an engine of growth.

### Significance of Neo bank

The Neo bank is cheaper, faster and can integrate the financial portfolio in a single platform and provide solution to the customer very fastly compared to the traditional banking. It provide various financial services like opening account, payment and money transfer, loans and other services. It is more easy and convenient to handle a mobile application and helps in various decision making. It provide fluidity which make customer comfortable in executing digital transactions. It offers more interest to their customers and offers real time service to its customers.

### Structure and regulatory framework of Neo Bank in India

Neo banks operates through Application programming Interface and has been divided in to 3 major parts

- Core infrastructure: Payment gateway connected with their partner banks
- B2B/B2C Modules: This modules are used for transactions and provide various financial services
- customer: It includes B2B customers.

In India RBI is not providing license to virtual banks, hence it is outsourcing its banking activities to licensed bank. To overcome these limitations licensed banks are starting neo banks. If license has been provided by RBI, it can work as a stand alone bank with transparency and more cost effective..

## LITERATURE REVIEW

**Yashraj Dokania (2020)** in his study on neo Bank-Revolution in Indian Banking sector-A critical analysis emphasizes on the working aspect of neo banking in India and focuses on the regulation of the neo-banking and their reorganization in the Indian Banking Sector. The study put a light about the comparative study of working of Neo banking in India and in other countries.



**Tinesh Bhasin(2020)** in his study on “what do neo-banks offer and should you try to analyses the new concept to ease the banking services with the help of Artificial intelligence and IT. They emphasis more on the services they offer, mode of offering services to the customer.

**Ashish C Plus and Vel Murugan RamaSwamy(2021)** in their study on the growth and operational mechanism of neo banks in India focus more on growth and operation of neo bank. It emphasis more on increased use of internet and smartphones will add to the market potential of neo banks in India. The study concluded that lack of awareness about neo bank will reduce the growth and its aggressive promotional strategies.

**OBJECTIVE OF THE STUDY**

1. To study the growth of neo bank in India
2. To analyze how neo banks overcome the shortcomings of traditional banks.
3. To fill the gap of traditional banks with the help of technology.

**RESEARCH METHODOLOGY**

Descriptive research using quantitative and qualitative aspects from various sources of secondary data collected from journal and website.

**ANALYSIS AND INTERPRETATION**

**1.Business growth of neo banks in India and Globally**

**Table :1**

**Business growth of Neo Banks(in \$Billion)**

Year	India	Global Business
2019	0.09	19.3
2020	0.12	22.4
2021	0.25	47.89

The above table shows the business growth of neo banks between 2019 and 2021 in India as well as in global market In India the volume of neo bank business growth in terms of billion in 2019 is\$ 0.09 and it rise to \$0.25 in 2021.The Volume of global business growth of neobank which stood at \$19.3 in 2019 to \$47.39 in 2021.There was a substantial high growth rate of neobank in India and well as in global market business.

**2.Business of traditional and Neo bank in India**

**Table :2**

**Business of Traditional bank and Neo bank in India**

Year	Traditional Bank	Neo Bank
2019	2163	1936
2020	1986	2102
2021	1842	3526

The above table reveals that the volume of traditional bank business in India stood at 2163 billion during 2019 reduced to 1842 to 2021 which shows a negative growth, The volume of neobank business stood at 1936 billion during 2019 and increased to 3526 in 2021 which showed a positive growth.

**SUGGESTIONS**

The neo bank will attract more customers and is cost coffective. It is a convenient platform for all the customers .When

compared to traditional bank neo bank provide more services to their customers and fee and other transaction charges is very less. It concentrates more on corporate customers and starts its business towards retail customers. The majority of the customers is not aware of the services provided by neobanks. Various promotional strategies have been implemented to promote the growth of neo banks.

**CONCLUSION**

Neo banks become the new face of the Indian Banking system. It will bridge the gap between traditional bank and modern bank. It provide more services based on the requirement of the customers. It ensure seamless services and will have hazle free transactions. The increased use of internet and AI will attract more customers to neo bank and increased the Market potential in India.

**REFERENCES**

1. *Shahim(2018),Instant Pay launches Neo Bank for SMEs,ET online*
2. *Priya Raman,Dr.Angad Tiwary(2022),Neobanks:Future of Indian Banking System,ARK Jain University*
3. *Ashish C Plus and VelMurugan(2021),A Study on the growth and Operational Mechanism of Neo banks in India,Vol:VII No:2,Journal of Fundamental and Comparative Research.*
4. *HTTP://Economic times.Com*