

A STUDY ON CHALLENGES AND FUTURE OF NEOBANKS IN INDIA

¹UMME ASMA, ²JOHNSY MARY JOHNSON, ³GISA GEORGE

¹Assistant Professor, Dept. of MBA, St Claret Institute of Management

²Assistant Professor, Dept. of MBA, St Claret Institute of Management

³Assistant Professor, Dept. of Commerce, St. Joseph College (Autonomous)

ABSTRACT

The financial industry embraces digital services in every aspect of its operations as the globe enters the digital age. To a large extent, customers in financial institutions and banks increasingly rely on digital services. A neobank is a financial institution that is solely accessible online. Compared to typical banks, neobanks tend to have limited functions. Neobank's services are centered on the customer's needs and are supported by cutting-edge technology. The Neo bank uses an Application Programming Interface (API), a computer-based programming language that makes it possible to link together different software applications. Neobanks cater to a younger, more tech-savvy demographic familiar with making electronic payments. The banking industry's future lies with Neobank. Customers and traditional banks can now seamlessly conduct their business thanks to a variety of services provided by the platform. The digital revolution is here to stay. Investment in enabling technologies is expected to rise significantly in the post-pandemic world.

The study aims in fulfilling the following objective

1. To comprehend neo banking's structure.
2. To examine the potential problems that Neo Banks is facing.

This study involves a descriptive research design that incorporates qualitative and quantitative data from a variety of secondary sources. The situation of Neo Banks and Traditional Banks is also analyzed using a comparative method. The new face of the Indian banking system is the neobanks. They correctly identified the gap between users' needs and the services provided by traditional banks. They provide services that ensure that customers receive consistent service. They also make certain that the consumers' transactions are free of hazard.

Keywords: Artificial Intelligence, Data Privacy, Digital Services, Neobank, Security.

INTRODUCTION

The financial industry embraces digital services in every aspect of its operations as the globe enters the digital age. To a large extent, customers in financial institutions and banks increasingly rely on digital services. Profitability and ease of operation are significant advantages for banks, while convenience, cheap fees, and anyplace transactions benefit clients. Generally, these services are referred to as E-banking in the banking business. Neo Banks, a significant revolution in e-banking, is now taking place.

Consumers increasingly expect different financial institutions to meet their needs by delivering their clients highly integrated experiences. While the necessity for various financial service providers is driving the market toward neobanks, traditional banks have much to gain from switching to PFR payments as a central model component.

The banking and payments business has undergone a sea change due to digitization and the increasing use of mobile technology. Digital payments were revolutionized by the so-called “neo-bank,” which operates solely online and does not have any physical branch networks.

Neo-Banks or so-called challenger banks are digital-only banks that offer a complete banking experience to customers through a mobile or web-based application. Neo-banks add a digital layer to traditional core banking products which minimizes the cost of operations and provides a customized experience to the customers. While the Indian banking industry has been dominated by traditional brick & mortar banks & NBFCs, scalability becomes a challenge as the cost of operations increases with the number of branches. However, the case is not the same for Neo-Banks as the cost of infrastructure is the same irrespective of the number of customers as it eliminates the need for physical presence.

Payment & Lending Fintechs have dominated the Indian Fintech sector for a long time, so why are Neo-Banks still needed? The answer is a resounding YES. While Payments and Lending Fintechs have a restricted product offering for retail consumers, Neo-Banks, especially for SMEs and MSMEs, provide an immersive banking experience tailored to their needs at an affordable price. Prepaid digital cards, cross-border cards, credit cards, and flexible payment cards are among the products offered by Neo-Banks to SMEs and MSMEs. Because they do not rely on traditional documentation procedures, Neo-Banks can simply onboard and provide entire banking services to millennials, unbanked clients, gig economy employees, and immigrants.

Customers love Neo-Banks because of their customer-centric approach and low-cost strategy, which includes no fees for fundamental banking services including withdrawals, deposits, and minimum balance maintenance. While banks often rely on fees to fund operations, client orientation receives far less attention. Neo-banks frequently fill this need by focusing intensely on narrow target client categories and product offerings. Neo-Banks' expansion has been fueled by scalable cloud infrastructure, open-source technologies, smartphones with low-cost 4G connectivity, and a friendly user interface. Is this, however, to say that existing banks will be unable to recreate the same concept in their environment? NO is the answer. New-age Indian banks like RBL, YES, and ICICI have overcome legacy issues by opening up their APIs. technological stack for developers to collaborate on new digital products for clients. Through tailored services, banks can use their existing infrastructure to develop new channels for customer acquisition or increase the retention of existing customers.

NEO BANKS

A neobank is a financial institution that is solely accessible online. Compared to typical banks, neobanks tend to have limited functions. With neobanks' simple design and lower costs, clients can get the essentials like checking and saving their money without extraneous stuff. Additionally, neobanks can provide better interest rates than traditional banks because of this strategy.

One hundred and twenty-five neobanks are currently operational around the world. Rather than taking a more confrontational strategy, the Indian neobanks portray themselves as equivalent to traditional banks. It's because the RBI hasn't yet approved digital-only banks. Because of this, most of them now collaborate with financial institutions like banks. It is expected that in India, Neobanks will fall into two categories: Working directly as service providers is one option. An example is RazorpayX, Instant Play, and Open. There are online branches of well-known banks, such as SBI YONO & KOTAK's 811.

THE NEO BANKING INDUSTRY

Neobanks and other alternative banks had a market worth of \$35 billion in 2020 and are expected to increase at a CAGR of 47.7 percent to a market value of roughly \$722.6 billion in 2028, according to estimates.

Although India's early neo-banks were designed to serve corporate clients and users, numerous fintech firms have now brought them to the retail market to suit everyday consumers' needs better. These are India's top 12 neobanks such as Jupiter, Fi Money, Niyo,

OcareNeo, ZikZuk, Open, Finin, Kotak 811, InstantPay, RazorpayX, North Loop, and Digibank.

IMPORTANCE OF NEOBANKS

Unlike the traditional banking system, these banks have a wholly distinct and unique business strategy in which they make money by lending and receiving money. Neobank's services are centered around the customer's needs and are supported by cutting-edge technology.

For those who want digital banking services that can be accessed from the palm of their hands, the term "neobank" has emerged. Artificial Intelligence (AI), facial recognition, and biometrics keep the system secure. Furthermore, all financial services may be accessed in one place thanks to a single platform.

Literature Review

1. In their study, Agarwal, and Nagar, 2020, mention the banking industry's ever-changing environment. They discussed the fundamental differences between Neo Banks and Digital Banks. They've also underlined the importance of Neo Banks by pointing up their advantages and disadvantages. The process by which these Neo Banks function and operate has also been revealed by the research.
2. Al-Somali, Clegg, and Gholami (2009) investigated the acceptability of internet banking by Saudi Arabian customers. The goal of the study was to encourage people to use internet banking and to develop and enhance it. Establishing customer relationships According to the findings, societal influences awareness of internet banking, computer skills, and self-efficacy. The quality of an internet connection has a considerable impact on the use of online banking.
3. Amutha (2016) examines the consumer perception of online banking. It also states the type of risks involved in the online banking systems and the awareness about online banking among the users. The gap in the implementation of online banking smoothly is the lack of adequate knowledge. The customer's main concern is about the security and latest technology. Bashir and Madhavaiah (2015) presented Consumer attitude toward Internet banking adoption in India and also discussed behavioral intention toward online banking. It suggested a new direction for technology to maximize the acceptance of online banking by enhancing the trust of the customers

with updated security measures. It laid significant importance on developing a more user-friendly system.

4. In his paper, Bhasin, 2020, discussed the role of Neo Banks in India. The study stressed the importance of integrating technology and artificial intelligence to deliver a seamless consumer experience. The survey also looked at companies that are considering entering the Indian market.
5. In his article "Does Internet Banking Substitute Traditional Banking?," Corrocher, N. (2002) The empirical evidence from Italy looked into the complete determinants of the adopted internet works technology for the provision of banking services in the Italian context, with a clear investigation made by the internet banking and traditional banking to bring about the two systems of financial services that were delivered by the compliments by the two banks. The results suggest that internet banking is one of the alternatives to traditional banking. The complete proof that banks provide innovative financial services tends to lean toward traditional banking methods.
6. Hopkinson, Turcam Klarova, et al., (2019) The study focused on the substance of the Neo Banks' transformation. It emphasized the significance of the Neo Banks' emergence as well as the reasons for their formation. Customers can only invest in mutual funds because of Neo Banks, according to the report. The ability to invest and use banking services with a wide range of options
7. Kothari, 2017- The report does not include anything along the lines of FinTech or Neo Banks, but it does describe how a commercial bank operates. The research aids in the comparison of Neo Banks and Traditional Banks.
8. In their study "Internet Banking in Sri Lanka," Pratheesh. N and Pretheeba P (2019) "Customer concern" looked into the factors that influenced customer acceptance of Internet banking at a Sri Lankan savings bank. The study was carried out with the use of a questionnaire that was designed and delivered to 300 online banking users. Customers believe that using important e-banking services such as bill payments, loan applications, account information, check book requests, and cheque cancellations, as well as funds transfer, benefits them. Because technology has made life and activities easier, the study found that the relative advantage of internet banking is a significant factor in customers adopting internet banking in savings bank

infrastructure layer. They use a payment gateway that is linked to standard bank accounts. As described above, the neo bank's front-end service is provided through B2B/B2C modules. Neo banks' customer service offerings are included here. As a result of the B2B module, Neo banks have a broader customer base providing IT Outsourcing Companies, Travel Agencies, E-Commerce Sellers, NGOs, and Education.

NEOBANKING'S MAIN THEMES

There are four major points to consider. The first is its fundamental value proposition and market-leading message, which revolves around relieving traditional financial institutions (FIs) of their pain issues and assisting consumers with their financial well-being. The second is about disruption. Neobanks are promoting cutting-edge technology such as machine learning, AI, blockchain, and complex APIs. Their business ideas are the third feature, which has been more significant in the last year. Will they be profitable ventures or are they aiming for growth?

Finally, it's intriguing that they're tapping into both underbanked and younger demographics in terms of growth. Simultaneously, even the elderly are turning to mobile platforms and neobanks. We'll see an emergent pattern of neobanks bringing net new sectors into the banking industry as time goes on.

PRODUCT OFFERINGS OF NEOBANKS

With neobanks' help, consumers and businesses can open digital savings or current accounts. Neo-banks will benefit from the latest changes to the RBI's KYC requirement, encouraging them to establish virtual customer onboarding processes. Neo-banks also make it easier to send money worldwide by utilizing the current payment infrastructure. Automated bookkeeping and payment reconciliation are also available through business neo-banking platforms.

Co-branded credit, debit, and prepaid cards are a standard offering from neo-banks. Neo-banks can only sell or distribute these cards because banks must follow outsourcing criteria when entering into co-branding agreements. Small and medium-sized businesses rely on credit cards to get the working capital they need rather than going through a lengthy process of getting a loan from a traditional bank.

THE USP

Neobanks cater to a younger, more tech-savvy demographic familiar with making electronic payments. The hectic schedules of many of these consumers make it difficult to visit a branch and execute routine banking chores. With neobanks, customers access their money through an app or website.

Neobanks have slashed operational expenses and increased access to banking services by eliminating the need for physical bank branches and relying instead on the cloud. There are numerous ways in which they differ from other types of financial institutions., such as:

- A neobank is a digital-only bank that offers an alternative to traditional banking products like checking and savings accounts, credit cards, and trade financing.
- In addition, their customer base and business practices differ from those of credit unions.
- No state or federal regulatory authority has chartered these companies as banks. Thus they were created from scratch to give a better mobile and internet experience.
- Customers' deposits are insured through joint ventures with traditional financial institutions in several areas.

Younger people choose neobanks because of their additional characteristics. Specific features make tax management, invoicing, and bookkeeping a breeze. With Coconut, independent contractors may create invoices and request payment directly from the app.

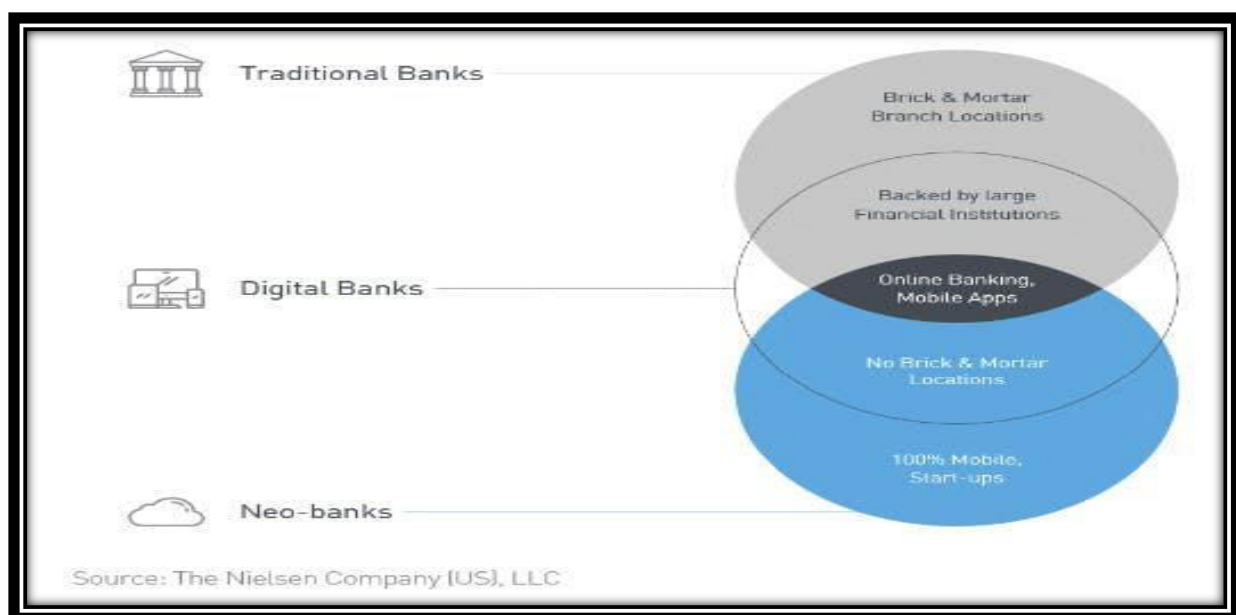
Because of this narrow focus,neobanks differ from more traditional financial institutions. 31% of small and medium-sized businesses (SMEs) desire their banking partners to provide value-added services like these, presenting the new business potential for neobanks.

NEOBANK VS. TRADITIONAL BANK

The financial sector has seen an enormous transformation in the last few years. Digital payments are becoming more popular than ever before among consumers. For example, over two thousand fintech companies are operating in India alone. Traditional banking and cash payments are being phased out. Thanks to India's burgeoning financial industry, platforms like Google Pay, PhonePe, Paytm, Samsung Pay, and WhatsApp Pay. It is clear from this development that neobanks have a large and growing user base to compete with. These new-age digital banks do not provide the same level of flexibility as traditional financial

institutions. Using Neat's digital onboarding, for example, customers may complete their KYC in a wholly digital manner, all powered by artificial intelligence (AI).

- A neobank is distinct from a traditional bank in the following ways:
- Traditional banks have a brick-and-mortar location, whereas neobanks operate solely online.
- Traditional banks have long-term relationships with their customers, frequently in person and seldom changing over time. Client relationships in neobanks are short, virtual, and dynamic.
- In comparison to neobanks, the costs charged by traditional banks are far more significant. Due to the lack of physical branches and a restricted selection of services, neobanks' fees are cheaper than conventional banks.
- Traditional banks are required to obtain full banking licenses to operate. Neobanks may have such permits, but the newest banks lack or have just partial permits to operate. As a result, they conduct business in conjunction with conventional banks.
- Due to the complete digitization of their procedures, neobanks provide a more rapid onboarding experience. As a result of their reliance on paperwork, traditional banks tend to be slower. A neobank can be accessed from any internet-enabled device. Customers of a bank may be required to visit a branch office to complete KYC and other transactional requirements.



WHY DO NEOBANKS EXIST?

In the “Banking as a Service” paradigm, neobanks provide banking services to their customers. The neobank landscape now consists of three organizations:

A fintech wrapper encapsulates the partner bank’s products and services. The fintech’s logo and other services are incorporated into the wrapper.

Neobanks are traditional banks that have developed a digital-only business model. It can be done only in countries where such digital entities exist.

Most neobanks do not have a license, even though few have. That’s why they’ve partnered with a bank. The bank’s platform supports its essential banking services. In many cases, these institutions rely on obsolete digital infrastructures and services because of their dependence on legacy technologies. Neobanks provides new digital goods and services, building on top of the existing systems. Banking services can be more easily accessible, scalable, and flexible. The Neobank app gives customers access to this layer.

IS NEOBANK A WINNER OR LOSER IN THIS SITUATION, AND HOW?

Neobanks is a relatively new concept. We do not know how the scenery will shift at this time. Much of this is predicated on the outcome of pending legislation. Based on what we’ve seen so far, the future of digital banking will also be determined by how customers perceive and experience the service.

Convenience

The ease with which a neobank can be set up is one of the most significant advantages. It’s as simple as downloading and signing up for the app. Online verification can be done using AI-aided technologies by the bank. For confirmation, they frequently rely on information from a partner bank. These new-age digital banks have dramatically simplified the customer orientation process.

Since neobanks are app-based, they’ve used smartwatches and wearables to make payments. Several devices are already compatible with mobile payment systems such as Google Pay, Samsung Pay, Garmin Pay, and Apple Pay.

Loans are processed quickly

Setting up a neobank account is like creating an account on any other website. Neobanks give out loans without the need for extensive paperwork. There is no fixed structure in neobanks

like there is in traditional banks. They can use various data sources to verify your credit rating and determine if you are eligible for a loan. Within minutes, you'll be able to see how much you owe and how much interest you'll be paying.

Low costs

Debit card services, ATM services, text message notifications, and others are frequently subject to fees levied by financial institutions to customers. neobank products are generally affordable, and there may be no monthly fees for account creation.

Excellent user experience

Neobanks are replacing old-fashioned online banking services with newer, more user-friendly apps. Apps like this one are smooth, clean, and fast. When it comes to banking with these FinTech apps, customers can expect familiar internet user experiences.

Using a neobank, you can transfer money instantly. In addition, your app gives you access to a wealth of information about your account and your transactions. It's not uncommon for banks to go a step further and provide you with a breakdown of your spending habits. If you manage your finances better, you can set savings goals. On the other hand, traditional banking apps don't allow for personalization like this.

Requires technical skills

One of the drawbacks of Neobanks is the app-only service. They must have a smartphone and a reliable internet connection to use their services. Even those who aren't technologically savvy can be put off. Even in internet deserts, it becomes a problem to use

Less regulated than traditional banks

There is currently no legal or well-defined process for dealing with issues with neobanks because they aren't considered banks. Problems can arise due to technical errors, in which case your funds are deducted from your account, but the other side is not compensated. There may also be scams, and the settlement of these may not be straightforward.

No physical branches

Most customers think it's best to go to a bank branch for complex transactions. People still prefer to get their financial questions answered in person, but this has proven difficult with neobanks thus far.

THE PATH TO GROWTH AND PROFITABILITY

Neobanks are developing strategies for profitability alongside their rapid customer acquisition. Larger neobanks, on the other hand, are now concentrating on improving unit the economy. It may even necessitate changing their pricing structure. Profitability can be accomplished with the help of the following key factors.

Revising unit economics:

Customer acquisition costs and customer lifetime value (CLV) are two components of unit economics (customer lifetime value, i.e., revenues over the customer's lifetime).

Customer acquisition has not been an issue for them in the past, as dissatisfied bank customers were willing to try neobanks. Neobanks need to improve their customer acquisition and retention strategies now that banks can also digitize their operations. Investing in technology, such as a CRM for opportunity management, is a straightforward solution.

Promoting the use of neobanks is a primary banking option for customers:

Most customers don't have their direct bank accounts with neobanks, which is sad. High payment volumes and more significant transactions make these accounts desirable for banks. Deposits in primary bank accounts have increased as well. As a result, neobanks must work hard to earn their customers' trust and persuade them to use their services more frequently.

It's possible to do this by extending the scope of their apps and features so that their offerings are sufficiently attractive to replace banking apps. After that, a well-executed fintech marketing plan showcasing those products can significantly impact.

Redefining fee structure:

Neobanks must be operationally efficient at their core to provide a better service to customers at lower prices. As a result, a need to develop long-term business models linked to customer acquisition and retention.

Leading neobanks worldwide use premium pricing strategies, multi-tiered subscriptions, and niche demographics to drive profits.

CHALLENGES FOR NEO-BANKS

Inconsistencies in regulations. The Reserve Bank of India doesn't recognize or regulate neobanks. Few neo-banks choose to act as Business Correspondents (BCs) of conventional

banks, typically viewed as entities that promote financial inclusion in the country's remote areas. Companies are expected to have numerous retail locations to fulfill their role as BCs.

Security and technology. Conventional banks to work with neo-banks require that their infrastructure and security practices meet international standards. When it comes to offering more products and services, neobanks would have to upgrade and modernize their systems and procedures.

Data privacy. Data privacy is essential to the success of any digital product or service. Neo-banks' survival would be dependent on customer data and cross-selling products because of low charges for conventional product offerings. Opening the Personal Data Protection Bill, India's GDPR equivalent may impact this ability.

Factors that can contribute a Neo-Bank to Fail

- Neo banks' failure to succeed in the financial space may be due to regulatory and compliance issues. In India, for example, the banking regulator RBI has yet to award any independent entity a banking license to work exclusively as a bank without a branch.
- Neo-banks typically have fewer items to offer. Neo banks are often unable to offer mortgages and other lending services due to administrative issues.
- Neo banks do not provide basic banking services, so HNI consumers who want to conduct business in person are not drawn to them.
- Even though that neo-bank has become a buzzword and a source of fascination among millennials, it is still not widely used due to safety and security concerns.

Customers loyal to online pursuits

- Online fashion stores have been around for quite some time. They've gotten a lot of attention from all kinds of people, but they haven't been able to get rid of their actual storefronts yet. When purchasing pricey items, Indians prefer to rely on the physical presence of establishments rather than 'adding them to basket' online.
- "Gaining user trust in a digital-only banking product might be difficult at first, and there are high expectations in the long run. For consumers, this is a whole new experience "FamPay's founder, Kush Taneja, stated.

- Neo-banks are designed for the digital age, offering convenience in banking as well as the joy of experiencing innovation from the comfort of one's sofa. Xinja, an Australian neo bank that shut down operations in 2020 due to unsolvable financial problems, and Yelo, an Indian neo bank that laid off all of its employees and shut down operations last month due to a mismatch in product-market fit, both demonstrate how difficult it is for neo-banks to maintain a profitable business model.

Prominent Neo-Banks:

Name of the Neo-Bank	Services Rendered
PayZello	Uni Cards, Forex Cards, Loans, and Money Transfer, Account Opening, Virtual Debit Card, Expense Management
InstaDApp	Smart Contracts, Crypto Currencies, and Other Blockchain Assets Deposit Account, Decentralised Asset Lending and Borrowing
0.5Bn FinHealth	Credit Payment, Banking, Payment Solutions, and Remittance, Goal-Based Savings, Consumer Durables, Gold, Health Care, and Government Benefits
Niyo Solutions	Foreign Exchange Card with Savings Account, Employee Benefits System, Travel loans, and Early Salary Advance
Open	Automated Account, Current Account, Payment Gateway, Cash-Flow Management, Tax, and Compliance Management Solutions
Razorpay X	Payments, Current Accounts, Cheque Book, Cheque Book, Credit Card, Payroll Management, Customer Relationship Management
Walrus	Payments, Savings, and Debit Cards
Forex-Kart	Forex Services, Multi-Currency Foreign Exchange Card, Traveller Cheques

Neo-Bank Credit, Savings, and Investment Products

Source: Company Data, BloombergQuint, Tavaga Research

Institutional Investors Funding India’s Neo-Banks:

• Name of the Neo-Bank	• Institutional Investors
• Niyo Solutions	• Horizons Ventures, Tencent, JS Capital, Social Capital, and others
• Open	• Tiger Global Management, Tanglin Venture Partners, ICICI Bank, and Others
• PayZello	• Axilor Accelerator and Iii Consulting
• InstaDApp	• Pantera Capital, IDEO CoLab, Robot Ventures, and Coinbase Ventures
• 0.5Bn Fin Health	• Matrix Partners India, Omidyar Network, Fair Finance Fund, and AngelList

- In India and around the world, the Future of Neo-Banking:Neo-banks are at the forefront of the global financial services transformation.The neo-banking market grew at a 50.6 percent CAGR from 2016 to 2020.
- The neo-banking sector is expected to grow to \$2.05 trillion by 2030. With a 53.4 percent compound annual growth rate, central bankers grant regulatory relief, and the Indo-Pacific and European regions are primed to create excellent business possibilities for neo-banks.

- By 2025, China is expected to be the best place for the neo-banking industry to develop.
- In the three years between FY19 and FY21, digital transactions increased by 90%, from 232,000 to nearly 430,000.
- source:Razorpay

FUTURE OF NEO-BANKS

The RBI introduced a “secure, technology-driven environment” in 2014 to provide small savings accounts and payment or remittance services to the underbanked population. According to the RBI, banks that accept payments will not be virtual or branchless.

The RBI should fully adopt a virtual or branch-banking service and be subject to appropriate checks and balances with the RBI’s oversight considering the pandemic on the horizon.

This slow adoption of new technologies in India is due to its financial landscape being vastly different from developed economies. In addition to the sheer size and scope of the market and its associated risks and regulations. There were also specific characteristics of consumer behavior to contend with. The pandemic disruptions had a silver lining - they accelerated the adoption of new technologies and the development of digital banking. As a result of Covid-19, both customers and banks began to embrace digitization rapidly. The result was a 30 percent increase in digital transactions in India in 2017.

As of 2020, 54% of Indian mobile subscribers were using smartphones, which is expected to rise to 96% by 2040. That’s more than double the 22% of Indian mobile subscribers who used smartphones in 2016. In India, there will be 149.7 million smartphones shipped in 2020.

People want to save time by not going to the bank or waiting in line in this fast-paced digital-first era. Fintech, insurance, and regtech are examples of paradigm-shifting solutions created by technological disruptions. Neobanks, which operate entirely online and have no physical offices, is the most recent technology upheaval in the banking industry. Neobanks is currently being hailed as the bank of the future.

According to statistics, the worldwide neo banking market was valued at \$47.39 billion in 2021 and is expected to increase at an explosive rate of 53.4 percent between 2022 and 2030. The global pandemic’s emergence has expedited the implementation of neo banking. Neobanks, also known as challenger banks, are upending the way traditional banks function and service their customers.

Neo banks in India have room to grow significantly as the number of Indians using smartphones increases exponentially over the next few years. Three broad customer segments are the focus of neobanking:

— Even if it's Apple, Amazon, or Facebook, high-end consumers are always looking for a better seamless experience that works across all their digital touchpoints.

— A digital financial platform can help the underbanked customers who lack access to quality banking and have fluctuating incomes.

— Customers may need short-term loans with special needs, such as freelancers, independent contractors, and Uber drivers.

More than 95 percent of India's industrial units are owned by small and medium-sized enterprises (SMEs) that conventional banks do not cover. To help these small businesses, neo-banks provide access to a formal banking and credit system.

To some extent, this is because traditional banks in India have yet to develop the digital capabilities needed to supply the full range of services they currently offer. As technology advances, neo-banks will only grow and quality. Neo-banks already have real-time data and a lego-blocks-like architecture, making it simple to roll out new features and products.

CONCLUSION

The banking industry's future lies with Neobank. Customers and traditional banks can now seamlessly conduct their business thanks to a variety of services provided by the platform. Since everyone now expects their work to be completed in minutes rather than days, converting traditional banks into neo banks is necessary. It also reduces corruption because of the openness of the working process. Additional transaction costs, such as processing fees and other fees, will be reduced as a result. To carry out operations as simple as possible, Neobank is introducing a wide range of new user data and a user-friendly interface to its customers.

Additionally, the government will keep a close eye on the funds created and allocated by the Neo bank. To help the country grow at the lowest possible cost, Neo bank focuses on small and medium-sized businesses. Because of this, neobank is a good option for fast payment and collection and tax compliance, as most neo bank customers can file their GST returns and other indirect taxes.

BIBLIOGRAPHY

- AbhinavRanjan (2021). What is Neobank? All you need to know. India TV. <https://www.indiatvnews.com/business/personal-finance-what-is-neobank-all-you-need-to-know-720622>
- AnuTiwari, AninditaBhowmik (2021).Challenges and future for India’s neo-banksBusiness Law Journal.
- Basha, S. M., &Ramaratnam, M. S. (2017). Construction of an Optimal Portfolio Using Sharpe's Single Index Model: A Study on Nifty Midcap 150 Scrips. Indian Journal of Research in Capital Markets, 4(4), 25-41.
- Basha, M., Singh, A. P., Rafi, M., Rani, M. I., & Sharma, N. M. (2020).Cointegration and Causal relationship between Pharmaceutical sector and Nifty–An empirical Study. PalArch's Journal of Archaeology of Egypt/Egyptology, 17(6), 8835-8842.
- Krishnamoorthy, D. N., &MahabubBasha, S. (2022). An empirical study on construction portfolio with reference to BSE. Int J Finance Manage Econ, 5(1), 110-114.
- JagadeeshBabu, M. K., SaurabhSrivastava, S. M., &AditiPriya Singh, M. B. S. (2020). INFLUENCE OF SOCIAL MEDIA MARKETING ON BUYING BEHAVIOR OF MILLENNIAL TOWARDS SMART PHONES IN BANGALORE CITY. PalArch's Journal of Archaeology of Egypt/Egyptology, 17(9), 4474-4485.
- Shaik, M. B., Kethan, M., Rani, I., Mahesh, U., Harsha, C. S., Navya, M. K., &Sravani, D. (2022). WHICH DETERMINANTS MATTER FOR CAPITAL STRUCTURE? AN EMPIRICAL STUDY ON NBFC'S IN INDIA. International Journal of Entrepreneurship, 26, 1-9.
- Agrawal, D. K. (2022). An Empirical Study On Socioeconomic Factors Affecting Producer’s Participation In Commodity Markets In India. Journal of Positive School Psychology, 2896-2906.
- DrSanthosh Kumar, V., &Basha, S. M. (2022).A study of Emotional Intelligence and Quality of Life among Doctors in PandemicCovid 19. International Journal of Early Childhood, 14(02), 2080-2090.
- Prakash, M., &Manyam, K. (2018).Effectiveness and Efficiency of E-Governance in Andhra Pradesh. International Journal of Advanced Scientific Research & Development, 5(01).
- Ashish C Pius, Velmurugan.R (2021). A Study on The Growth and Operational Mechanism of Neo Banks in India. Journal of Fundamental & Comparative Research. 7(2), 23-25.
- Banking Exchange Staff.Neobanks offer challenges and opportunities for the traditional banking sector. Banking Exchange, October 20, 2021. <https://m.bankingexchange.com/news-feed/item/8958-neobanks-offer-challenges-and-opportunities-for-traditional-banking-sector>
- NidhiAgarwal. Neobanks of the Future.LeadSquared, November 15, 2021. <https://www.leadquared.com/neobanks/>
- Murthy, B. S. R., Manyam, K., Sravanth, K., &Ravikumar, M. (2018).Predicting Bankruptcy of Heritage Foods Company by Applying Altman’s Z-Score Model. INTERNATIONAL JOURNAL OF INNOVATIVE RESEARCH IN TECHNOLOGY (IJIRT), 4(12).
- Murthy, B. S. R., Manyam, K., &Manjunatha, M. (2018). A Study on Comparative Financial Statement of Hatsun Agro Product Ltd (With Reference Last Five Financial Year 2013 To 2017). International Journal for Science and Advance Research In Technology JSART, 4, 2395-1052.

Tarika Sethia-2022 BFSI .com

<https://bfsi.economictimes.indiatimes.com/news/fintech/rising-challenges-for-indian-neo-banks/85028088>

The Future of Neobanks in India, The Economic Times, April 10, 2021.

<https://bfsi.economictimes.indiatimes.com/news/banking/view-the-future-of-neobanks-in-india/81999786>

Top 12 Neobanks in India - 2021 List. Startup Talky, December 15,

2021. <https://startuptalky.com/top-neobanks-india/>

Understanding neo banks: Growth and scope in India. CNBCTV18.COM, October 11, 2021.

<https://www.cnbctv18.com/views/understanding-neo-banks-growth-and-scope-in-india-11066522.html>.

YashrajDokania (2020). NEO Bank- Revolution in Indian Banking Sector- A Critical Analysis. International Journal of Law Management & Humanities. 3(6), 361-374.
