



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Neo Banking: The Future of Banking in India

Mr. Ganeshkumar
Lecturer in Commerce,
Bhandarkars' Arts and Science College,
Kundapura-576201, Karnataka State, India.

ABSTRACT

There are many banks that exist in the world if we take the example of neo banks and traditional banks is that neobanks operate completely online, offer no-fee accounts and bundle financial software with financial services; whereas traditional banks require you to visit a physical branch, have high account fees and focus mostly on offering as many financial services. Traditionally, banks have provided all of our financial needs, including loans, deposit accounts, debit and credit cards, and insurance. The banks have met the needs of the majority of their customers with the help of their branches all over the world. However, by introducing new banks, start-ups and fintechs have now created a convenient and hassle-free new era banking experience. Robotics, machine learning and artificial intelligence technologies are used by fintech companies to provide a variety of solutions to problems faced by customers of traditional banks. This article will give a brief glance over the overview of neo banking in India. Neo bank means the bank which operates only on the digital platform. This present study focus on the growth of the Neo Banks and its operations in India. The Bengaluru-based start-up Finin is the first full-fledged consumer Neo-bank in India. Finin in partnership with State Bank of Mauritius (SBM) issuing instant personalized savings account with Visa Debit Card. The main feature of Neo Bank is they don't have any physical presence in their operations. Neo Banking having a bigger opportunity in the current scenario as the customer are averting banking activities in branches.

Key words: NEOBANKS, FINANCE, DEBIT AND CREDIT CARDS, INSURANCE, FINTECH

INTRODUCTION:

As e-commerce grows, more and more people are starting to adopt digital solutions in various industries, including payments, insurance and investment. It is inevitable that the banking sector will also experience this change. Younger consumers unfamiliar with traditional services will be more receptive to digital banks where there is less need for branches. India has the second highest number of Internet subscribers, smart phone users and social media users in the world. India provides a huge market for online banking services with 600 million digital users. India's public digital infrastructure, along with other rules and regulations, has made this expansion possible.

The COVID-19 outbreak has also spurred a restructuring of the financial industry. Most conventional banks have added sophisticated digital versions of their services to complement their physical branches because of the innovation opportunity it presents. Banks' digital footprints have grown and they are now leveraging their digital platforms to offer a wide range of services. We now have new banks, all-digital, all-digital institutions with modern functionality, one step further. Anchor banks have emerged in recent years thanks to cutting-edge technology, with companies like Jupiter, Fi and Finin offering their services in 2019-2020. revolt, at one point valued at \$33 billion, revealed plans to offer Neo banking services in India.

BANKING IN INDIA

Cash and credit are managed by a country's banking sector. Banks are institutional institutions that accept deposits, grant credit to individuals and businesses, and are essential to a country's ability to maintain economic well-being. Most countries maintain close supervision of banks due to their importance to the economy. The Reserve Bank of India (RBI) is the primary financial institution in India and controls the country's monetary policy.

NEOBANKING

Neobanks are fintech companies that provide apps, software, and other technology to simplify mobile and internet banking. They are also often referred to as "challenger banks". These fintech companies often focus on certain financial products, such as checking and savings accounts. While many of them partner with these institutions to secure their financial products, they often exhibit greater agility and transparency than their competing megabanks.

PRODUCTS OFFERED BY NEO BANKS

Consumers and businesses can open digital savings or checking accounts with the help of anchor banking. The most recent RBI revisions to the KYC requirement will help new banks by incentivising them to set up virtual customer entry procedures. Anchor banks also facilitate international money transfers by exploiting existing payment systems. Thanks to the new corporate banking system, automatic accounting and payment adjustments are more accessible. New banks often offer co-branded credit, debit and prepaid cards. New banks are limited in their ability to sell or distribute these cards because co-branding agreements with banks must meet outsourcing standards. Instead of going through the lengthy process of getting a loan from a typical bank, SMEs rely on credit cards to provide the working capital they need.

WHAT DISTINGUISHES NEO BANKS FROM TRADITIONAL BANKS?

Traditional banks with physical ATMs and bank branches include HDFC, ICICI, Kotak and Axis. These traditional banks also offer online banking and digital banking services. This gives it a slight advantage over Neobanks, which exist only online, which have a smaller customer base than regular banks. Neobanks still have a long way to go before they can compete on scale with traditional banks. Traditional banks have more financial resources and deeper pockets than Neobanks. This justifies Neobanks as most of them are still in the early stages of development in India. Thanks to innovative app features, Neo Bank has an advantage over regular banks. Neobanks still have state-of-the-art technology unmatched by regular banks. There have been reports of various banking apps being buggy and not user-friendly. Millennials, Gen Z, and young professionals make up the bulk of the customers served by Neobanks, as they seek cutting-edge fintech services that traditional banks do not yet offer. However, with certain banks, relationship managers, and other services, older generations, large pots, and established businesses may continue to use traditional banks.

ADVANTAGES OF BANKING SYSTEM

Opening an account is easy: Even in today's dynamic financial environment, traditional banking systems slow the account opening process. Without the lengthy account opening process, neobanks are a great alternative to the traditional banking system. Customers can open an account in no time and take advantage of the superior features of the Neobanking system.

Low Costs: Due to the absence of physical branches and associated infrastructure, operating a new bank entails significantly lower operating costs than traditional banks. Additionally, this is reflected in the end-customer banking fees in the form of lower bank fees. Lower bank fees sometimes mean higher interest rates for customers, which is a plus.

Easy-to-Use interface: Simple banking services and improved customer experience are the USPs of neobanks. App-based neo-banking eliminates all the errors customers often encounter, especially in public bank digital banking. Ease of use ensures greater user adoption and a better banking experience.

Quicker loan processing: Loan acceptance and disbursement is one of the distinguishing features of modern banks. Customers are subject to KYC fundamentals, and some may also qualify for pre-approved loans. New banks often have a set-up process for online verification and KYC filing which reduces the time it takes for a loan to be completed and approved. Therefore, customers can benefit from the availability of fast loans.

Improved security and technology: Technology and security are key advantages of fintech platforms. As a result, the level of security offered by new banking platforms provides a safe and secure banking environment as well as some level of protection needed in today's digital banking, such as like password, biometric verification, encryption, 2 factor authentication, etc. The USP of new banks in the context of technology innovation is to use artificial intelligence (AI), cloud analytics and robotic process automation (RPA), to create an exceptional banking experience for customers. Common products and reduce potential malware risks and data breaches.

OBSTACLES FOR NEO-BANKS

Inconsistency in Regulation: The new bank is neither accredited nor regulated by the Reserve Bank of India. Very few new banks choose to act as commercial agents (CBs) of traditional banks, which are often seen as institutions that facilitate financial inclusion in remote areas of the country. To carry out its ML functions, companies are expected to have a large number of retail stores.

Technology and security: The security infrastructure and processes used by new banks must meet international standards in order for conventional banks to do business with them. Anchor banks will need to update and modernise their systems and processes to deliver new goods and services.

Data protection: Any digital product or service must protect user data to be successful. Due to minimal service fees, the survival of new banks will depend on customer data and cross-selling items. This functionality may be affected by the Personal Data Protection Bill.

FACTORS THAT CAN CAUSE AN NEO BANK TO FAIL

Regulatory and compliance difficulties can be the cause of the failure of Neobanks in the banking sector. For example, India's banking regulator, RBI, has not yet granted any independent institution a banking license to operate solely as a branchless bank. Neobanks typically have fewer products. Neo banks often have regulatory difficulties that prevent them from providing mortgages and other lending services. Neobanks does not provide basic banking services, so HNI customers who prefer face-to-face transactions will not be attracted to them. Neobanking has gained popularity among millennial and captured their attention, but it is still not widely used due to security concerns.

CONCLUSION:

Neobanks may eventually become the new craze of the financial world. Regulatory barriers have prevented anchor banks from fully exercising their power. Neobanks could enter the banking industry in the coming years, forever changing the banking industry as we know it. Neobanks can improve customer experience and simplify complex banking procedures because they have no legacy baggage and unlimited technological capabilities. Anchor banks may one day replace conventional banks and become the dominant type of banking as technological advances continue to disrupt the global economy.

REFERENCES:

- UMME ASMA, JOHNSY MARY JOHNSON, GISA GEORGE (2022)“ A STUDY ON CHALLENGES AND FUTURE OF NEOBANKS IN INDIA”, Journal of Contemporary Issues in Business and Government Vol. 28, No. 04, 2022 , P-ISSN: 2204-1990; E-ISSN: 1323-6903 DOI: 10.47750/cibg.2022.28.04.0013.
- 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.
- 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>.
- The evolution of neobanks in India Impact on the financial ecosystem September 2021.
- <https://groww.in/blog/neo-banking-in-india>
- <https://www.fisdom.com/https://www.outlookindia.com/business/>
- <https://bfsi.economictimes.indiatimes.com/news/>
- <https://tavaga.com/blog/>