

## “A perception study of Neo banking as a Fintech Revolution”

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### ABSTRACT:

The current paper aims to study the concept of Neo banking as a Fintech Disruption. The paper presents the concept of Neo Banking, and describes the array of services offered by Neo bankers in India by the major players. The paper also throws light upon the huge growth potential for Neo banks in India apart from traditional banking services. Further the researcher makes an attempt to compare and contrast the concept of neo banking with mobile wallets and net banking in order to identify the novelty of the neo banking concept. The later part of the paper covers the perception study of general public towards Neo banking. The Methodology used is exploratory research design and convenience sampling method is used to select the respondents. The primary data is sourced by circulating online questionnaire through goggle forms. The findings of the study revealed that Neo banking is revolution of future banking.

### Objectives of the study: -

1. To understand the Concept of Neo Banking as a part of Fin Tech Disruption
2. To compare and contrast the services of Mobile Wallets, Net Banking and Neo Banking
3. To study the perception and awareness of people towards Neo Banking

**Keywords:** Fintech, Neo banking, Mobile Wallets, Fintech Disruption

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### I. INTRODUCTION

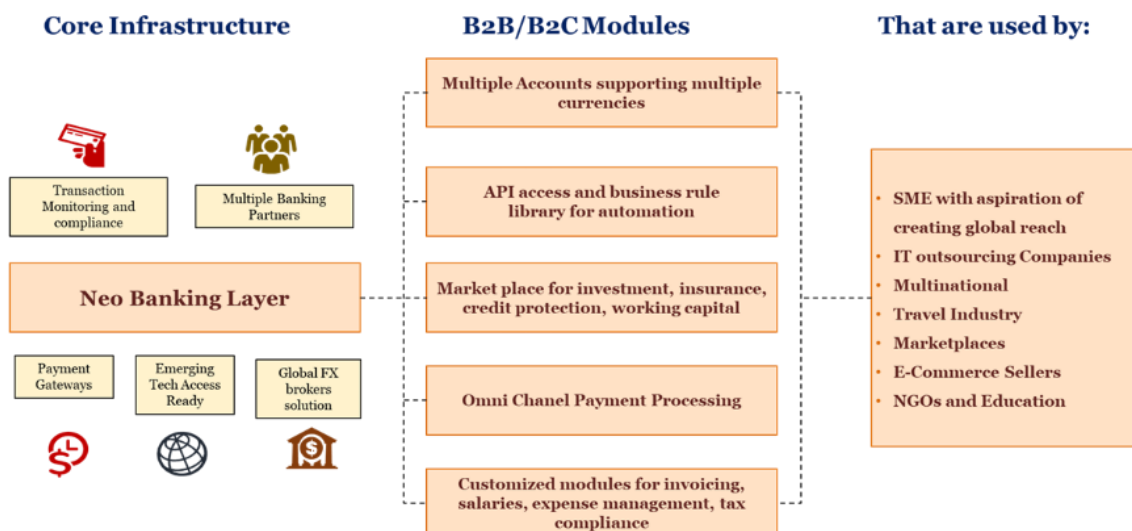
FinTech is amongst the most thriving sectors at present in terms of both business growth and employment generation. India is emerging as home to the third-largest set of Unicorns globally, commanding valuations of US\$90 bn, behind the US and China. In KPMG report titled ‘Fintech in India: a Global Growth Story’, Indian Fintech software market could be worth USD 2.4 billion by 2021. With rise of fintech banking sector is surely not to be left behind. With the evolution of open banking, pioneered by BFSI players like Yes Bank, RBL, Kotak etc., the ecosystem has now grown to include NBFC and other tech players who have created partnership within the system. Open banking/neo banking has now become a part of their organizational culture.

Open banking means bringing whole banking experience virtual, using Application Programming Interface (APIs) extending banking services from Bank’s platform and delivering it through third party platform. Neo banking is a form of open banking that are 100% digital in nature. They operate entirely online without any physical branch. Neo Banks offer multiple financial services

from money transfer to opening a bank account, digital account opening, integration with billing and expense management software, payroll and CRM management, and automated analytics for SME customers. Neo Banks partner with the traditional banks and help them acquire the customers in the most seamless manner. This paper throws light upon how Neo banking is gaining its ground in India in terms of awareness, usage and readiness of population to accept it. The paper also helps to distinguish between Mobile wallets, net banking and Neo Banking.

### Mechanism of Neo-banks

In India neo banks partner with traditional banks to deliver services on third party platform. For e.g., Open has partnered with SBI and on platform YONO it is delivering neo banking services. Neo banks work for both B2C and B2B modules, consumer can avail services like account opening, accounting, buying securities, bill payments etc. SMEs and other businesses can get easy access to loans maintenance of their accounts, AI based consultation etc.



Major Neo banking Players in India Include: -

Neo banks	Product and services	Partner bank	Target Customers
<b>Niyo</b>	Account openings, forex cards, employee benefits system, travel loans, early salary advances, MF investments	IDFC First, DCB, yes	Millennials, SMEs, Corporates, and workers
<b>RazorpayX</b>	Payments, CA, cheque books, CC, payroll, IT and compliance management, CRM	RBL Bank	SMEs
<b>Open</b>	CA, payment gateway, CC, automated book-keeping, cash flow management, compliance management	ICICI, Yes, SBI, Axis, HDFC, Kotak, IndusInd, Union, IDFC, PNB	SMEs
<b>InstantPay</b>	CASA, prepaid cards, bill payments and collections, travel insurance, loans and investments, expense and cash management solutions	Federal, ICICI, HDFC	Millennials, corporates and SMEs

Mobile Wallets, Net Banking and Neo Banking are often misunderstood as a same thing although all of them operate online but there is a fine line of distinction between them.

Basis	Mobile Wallets	Net Banking	Neo Banking
<b>Usage</b>	Online account transfer, bills payment, recharges.	NEFT&RTGS fund transfer, maintenance of deposits, merchant payments etc.	Includes all the services provided by mobile wallets and net banking as well as online AI based consulting, account maintenance, online book keeping, budgeting etc.
<b>Business model</b>	Online and offline	Online	Online
<b>Withdrawal limit</b>	Varies from bank to bank largest withdrawal limit for a transaction.	Not as such, account balance.	Varies with bank but greater than mobile wallets.
<b>Annual usage charges</b>	None	Some services are charged.	Some services are charged.
<b>Protection from fraud</b>	Low to medium	Highly Secure	Highly secure, as per RBI rules its secure underlying payment.

## II. LITERATURE REVIEW: -

Anna Eugenia Omarini(2018) in his paper titled, "Banks and Fintechs: How to Develop a Digital Open Banking Approach for the Bank's Future" has talked about the evolution of Fintech and Techfin in the market and the emergence of platform models in banking. It has investigated the evolution of that concept, also introducing an interesting banking case (BBVA), which gives several insights on the choices made toward a Banking-as-a-Platform model within the context of Fintech and Open Banking.

Raghavendra Nayak (2018) in his paper titled, "A Conceptual Study on Digitalization of Banking - Issues and Challenges in Rural India" focuses on the issues and challenges in the area of Digitalization of Rural Banking and how to gain a new perspective in that area.

RBI (2014) in its report titled "Digital India: Emerging Challenges & Opportunities for the Banking Sector" has put light on how Indian Banking system is also moving from cash to electronic payments, new thrust areas like Bharat Bill Payment System (BBPS), Trade Receivables Discounting System (TReDS) and how digital banking can seize the opportunities lying ahead.

Mckinsey&Company (2015) in its report titled, "Digital Banking in Asia: What do consumers really want?" surveyed about 16,000 financial consumers across 13 markets in Asia on their banking habits shows drastic shifts in behavior compared with a similar survey in 2011. In developed Asian markets, Internet banking is now near universal and smartphone banking has grown more than threefold since 2011. In emerging Asian markets, the trend is similarly dynamic, with about a quarter of consumers using computers and smartphones for their banking.

Credit Suisse in its report titled, "India Fintech sector a guide to galaxy" has discussed current and upcoming trends in digital banking space and how different banking domains are using artificial Intelligence to revolutionize the banking experience. From rising importance and involvement of technology in premier finance vertical like wealthtech, Insurtech, payment and

lending options to neo banking how India is set up for a new wholesome virtual banking experience.

### **Inferences from the Literature review:**

It has been observed that, out of the available literature, hardly any literature covers the comparison or distinction of the services provided by Mobile Wallets, Net Banking and Neo Banking. Therefore this research paper aims to address this gap by presenting the concept of neo banking, its perception by general public as well as the comparison of the services provided by Mobile Wallets, Net Banking and Neo Banking

### **Research Methodology:**

Exploratory Research design has been used. The paper is based on Secondary and Primary Data sources. Secondary data is sourced from research papers, news articles, and various reports. the primary data is sourced from public in general through survey.

### **Sampling:**

Convenience sampling method is used to select the respondents for the study. A sample size of 55 respondents is considered for the study. The respondents are inclusive of Businessman, Businesswoman, Salaried people, Pensioners, youngsters (millennial), entrepreneurs, free lancers, Professionals like Chartered Accountants, Lawyers, Doctors, Beauticians etc. The respondents across all segments of the society were selected deliberately in order to seek the awareness towards neo banking concept.

### **Methodology:**

A formal questionnaire is circulated to the respondents through google forms for seeking their awareness and perception level. The first part of the questionnaire covers the personal details like age and profession and the later part covers the questions towards the enquiry under study. The data collected so classified and presented in tabular format, further it has been analyzed by using percentile method in order to arrive at specific conclusions.

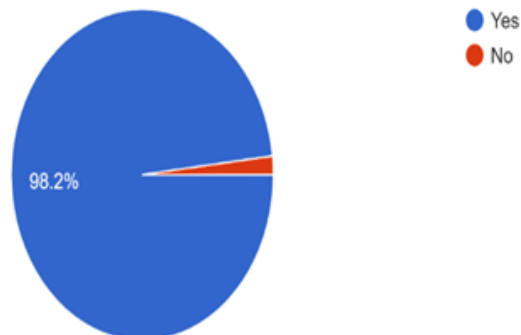
**Data Analysis**

**1.1 Table showing usage of mobile wallets by the Respondents.**

Use of mobile wallets	Yes	No
No. of responses	54	1

1. Do you use Mobile Wallets?

55 responses



**Interpretation: -**

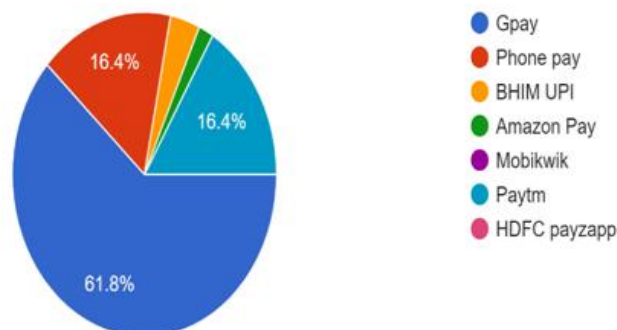
The above graph shows awareness among people regarding e-payments, and their familiarity with online payments. In sample size of 55, 98.2% of people use mobile wallets.

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

Name of wallet	G pay	Phone pay	BHIM UPI	Amazon Pay	Mobi Kwik	Paytm	HDFC payzapp
No. of people	34	9	2	1	-	9	-

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

55 responses



**Interpretation: -**

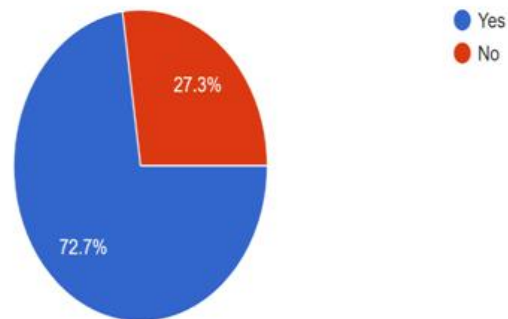
This Graph shows different mobile wallets people use, Gpay being the most popular have highest preference of 34 followed by Phonepay and others.

1.3 Table Shows use of net banking among respondents.

Use of net banking	Yes	No
Number of people	40	15

3. Do you use Net banking Services?

55 responses



Interpretation: -

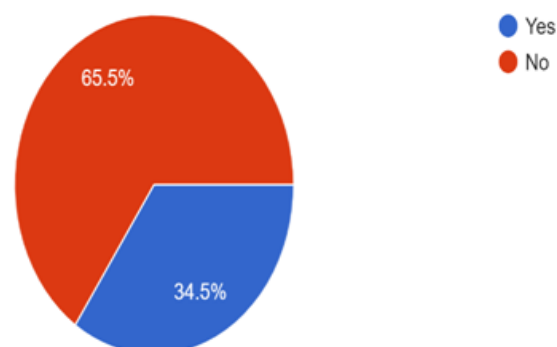
Graph shows that most of the people are aware of net banking services and uses them.

1.4 shows respondents awareness regarding neo banking.

People awareness towards neo banking	Yes	No
Number of people	19	36

4. Are you aware of Neo Banking Concept?

55 responses



Interpretation: -

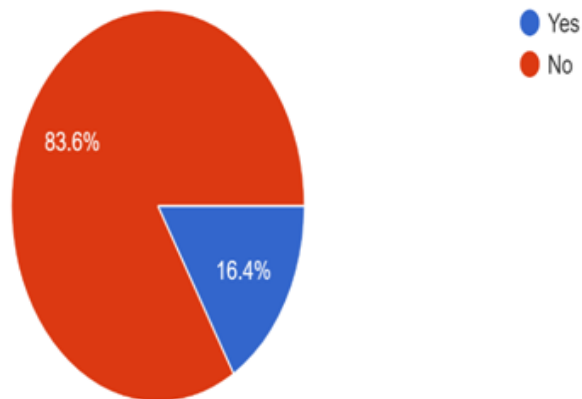
The above graph shows Neo banking is relatively new concept so majority of them was not aware regarding the concept.

1.5 Table shows respondents use of neo banking services

Use of Neo Banking Services	Yes	No
Number of people	9	46

5. IF yes, Do you use Neo Banking services ?

55 responses



Interpretation: -

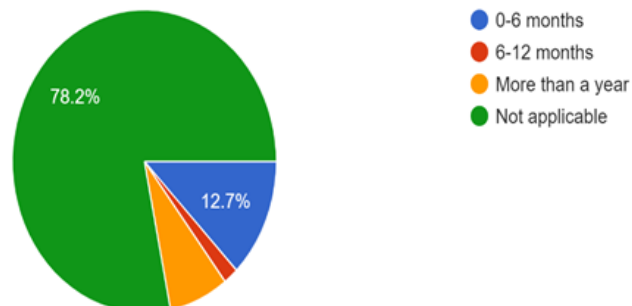
Since neo banking is relatively new concept so most people were not using these services.

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	1	4	43

6. Since How long are you using Neo bank services?

55 responses



Interpretation: -

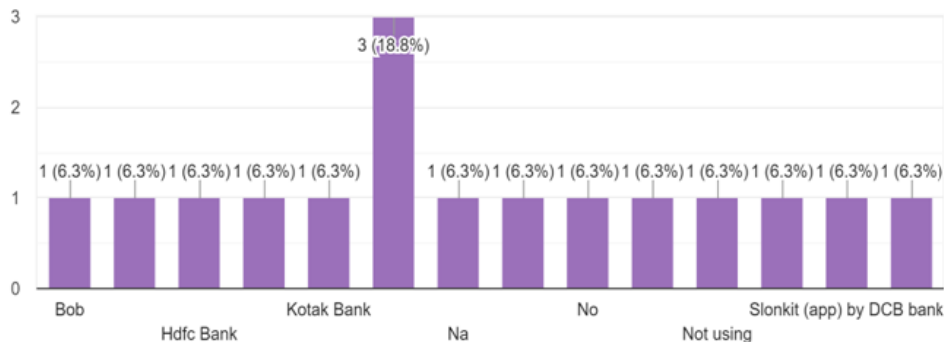
The above graph shows 22.8% respondents use neo banking services, though majority of the respondents were not aware of the services since it's a new concept.

1.7 Table shows name of neo bank they are using.

Name of bank	Bank of Baroda	Kotak	HDFC	DCB bank	Not applicable
No. of people	1	1	1	1	12

7. Which Bank's Neo bank services you are using ? Specify Bank Name and the app name.

16 responses

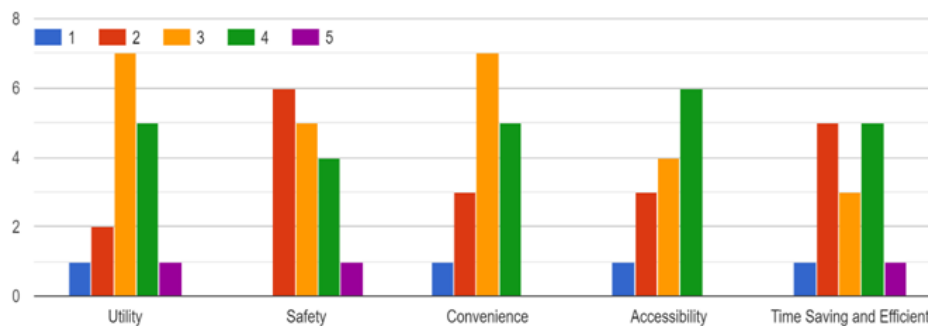


Interpretation: -

The graph shows Most people don't use neo banking services while some of them uses BOB, Hdfc, Kotak, DCB bank.

1.8 Graph shows parameters on which respondents will rate neo banking services.

8. If you are using Neo banking services then, please rate the Neo Banking services on following scale : ( 1 to 5 i.e. Lowest to Highest)



Interpretation: -

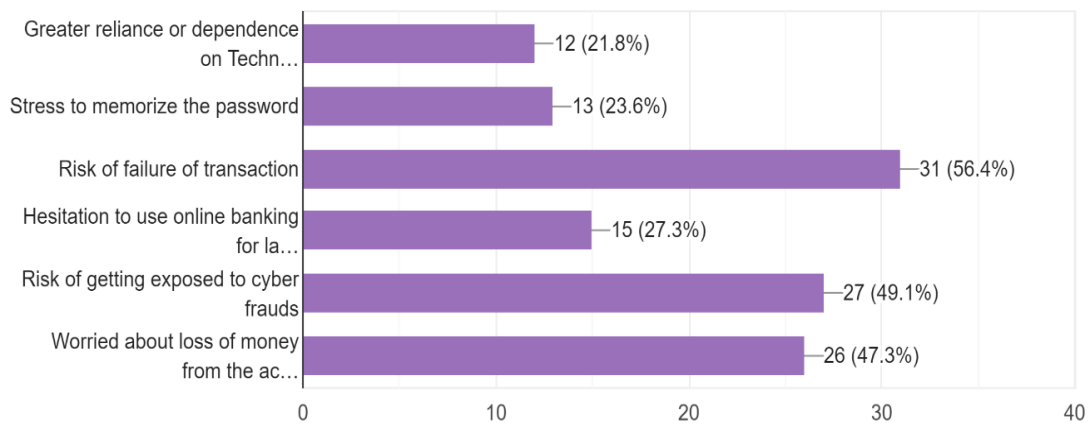
The above graph shows Most of the people feel it is very convenient to use and have higher utility.

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

Reasons	Reliance on tech	Memorize password	Failure of transaction	Hesitation to use	Risk of cyber frauds	Worry of loss of money
Number of people	12	13	31	15	27	26

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

55 responses

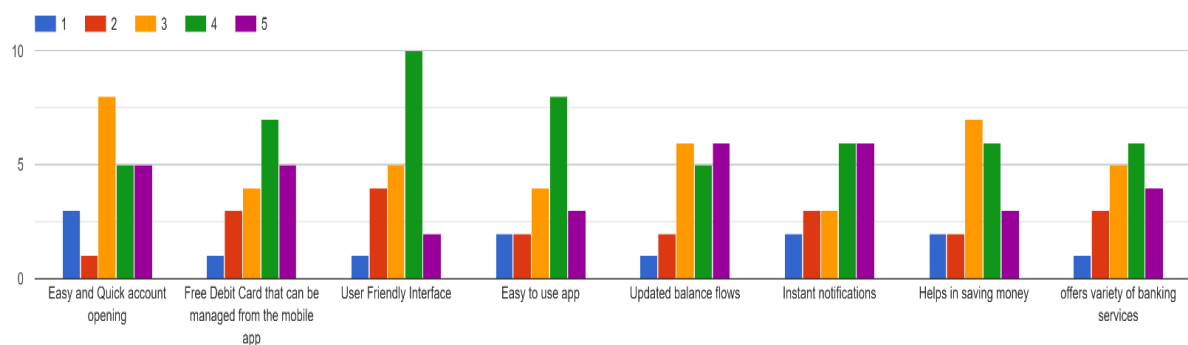


Interpretation: -

The above Graph shows different challenges faced while using online banking, Cyber frauds being the most common followed by others.

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

10. Rate the benefits of Neo Banking Services on the scale (1 to 5: i.e. highest to lowest)



Interpretation: -

The graph showed that most important benefit of neo banking is user friendly interface, followed by accessibility and others.

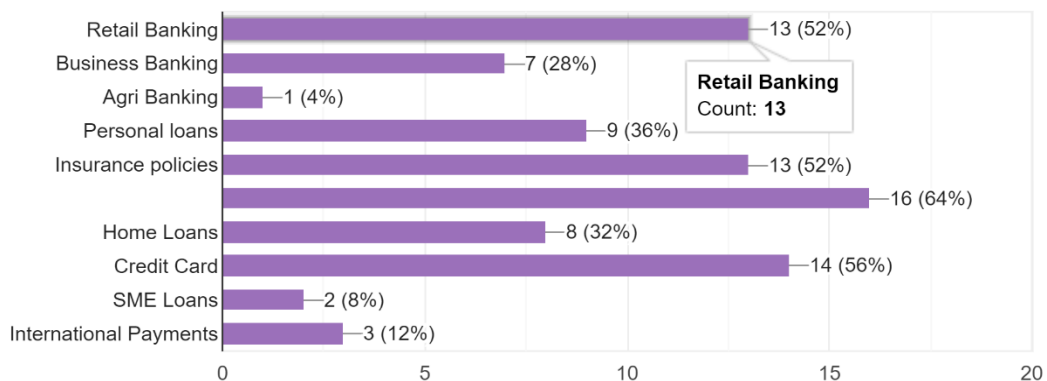
1.11 Table shows Neo Banking Services people are aware of

Reason	Retail banking	Business banking	Agri banking	Personal loans	Insurance policies	Home loans	Credit cards	sme	IP
Responses	13	7	1	9	13	16	8	14	2



11. Which of the following Neo Banking Services you are aware of: (put a tick mark)

25 responses



Interpretation: -

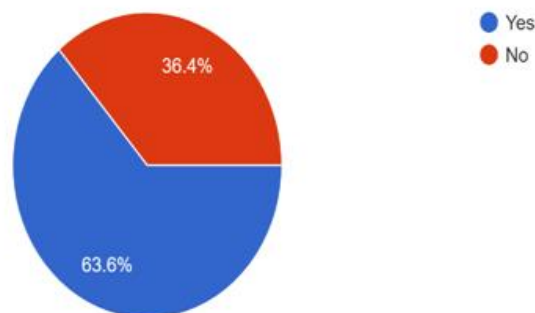
The above graph shows home loans are the most known service offered by Neo bank followed by others

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

YES/NO	Yes	No
Response	35	20

12. Would you recommend the Neo banking services to others ?

55 responses



Interpretation: -

The above graph shows most people will recommend neo banking services to others.

**The findings of the study based on primary data has revealed following points:**

1. The composition of respondents covers 56.36 % of salaried, 10.9% of Business, 32.74% others
2. The composition of age of respondents covers 16.36% of group belongs to middle age, 81.8% to youth, 1.8 % of senior citizens.
3. The respondents cover 38.2% of male and 61.8% of Females

4. Age wise it has been observed that 81.8% of millennials are more inclined towards the use of e-wallets and mobile banking. The 1.8 % percentage of senior citizens are still apprehensive towards the use of net banking out of the fear of loss of money or cyber frauds. The respondents belonging to the age group of 30-50 also has shown upward trend in adopting e wallets and net banking services, due the lockdown conditions.

5. There is no significant difference is observed in usage of e banking services as per the gender. 61.8% of female have respondents reported hat, they are using net banking and e wallets services. (Finding to Q. 1)

6. 98.2% of respondents have reported that they use mobile wallets and mostly used mobile wallet is Google Pay followed by Paytm and others like amazon pay as reported by the respondents (Finding to Q. 1 and 2)

7. 72.7% percentage of respondents have reported that, they use Net banking Services (Finding to Q. 3)

8. 34.5 % of respondents have reported that they are aware of Neo banking Concept remaining 65.5% of respondents are not aware of the Neo Banking Concept.

(Finding to Q. 4)

16.4 % of respondents are using neo banking services (Finding to Q. 5)

9. 21.88% of respondents reported that they are using neo banking services from last 1 years or month (Finding to Q. 6)

10. Kotak bank, HDFC bank, slonkit app, these are the few banks and their apps used by the respondents who have been using Neo Banking Services. (Finding to Q. 7)

11. Neo Banking Services are rated highest on convenience and utility parameters while rated lowest on safety parameters by the respondents.

12. The mostly faced challenges by the respondents are as below risk of failure of transactions followed by risk of getting exposed to cyber frauds.

13. Benefits of neo banking services are rated highest in terms of user-friendly Interface

14. These Neo banking services are well known by 63.6%. of the respondents

15. 63.6% of the respondents said that, they will recommend neo banking services to others.

16. The general experience of the respondents towards the Neo Banking has brought to light following points: Ease in making transactions, time saving and no physical confusion, safe transaction at an odd place were suspect card theft / data theft.

### III. CONCLUSION:

The entire world has witnessed the growth of digital platforms specifically during Pandemic, when visiting the bank branches for frequent transactions was not feasible, due to lockdown kind of situation. Neo banking has come as a blessing in disguise to all those who want to avail banking services remotely. It has been observed that there is more than 40% surge in digital payments which has set the stage for Neo banking. Though Neo Bank has not yet got license from RBI but it can partner with any existing bank which has physical branch. The analysis of primary data revealed that most of the respondents have mobile wallets 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 has revealed that there is lack of awareness about neo banking services. The public in general is afraid of cyber frauds because government regulations are not so strict and therefore visiting bank branches are preferred as compared to digital transactions by many respondents like senior citizens or the vendors hailing from unorganized sectors. Current scenario has given a push to use of digital banking through which Neobanking will also be benefited.

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