



Revolutionizing Finance: The Rise Of Neo Banks In a Globalised Landscape

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Abstract:

Neo banks (also known as digital banks or challenger banks) operate entirely online and do not have physical branches. They use advanced technologies such as artificial intelligence (AI) and blockchain to provide user-friendly, low-cost financial services. The emergence of neo banks marks a paradigm shift in banking that challenges traditional models and improves global financial inclusion.

In this research paper, we explore the evolution, unique characteristics, and potential implications of the emergence of neo banks in a globalised financial ecosystem. The emergence of neo banks has revolutionized the global finance

landscape. As technological innovators, neo banks are redefining traditional banking structures. They are digital-first and operate without branches.

The aim of this research paper is to throw a light on how the Neo Banks function, Emerging trends, their

advantages and opportunities globally and Neo Banks working in India.

Key Words: Neo Banks, Emerging Trends, Global Finance Landscape, Technological Advancements.

Introduction:

Fintech, which stands for financial technology, is a wave of innovation in the financial industry that integrates state-of-the-art technologies to improve and simplify financial services. Fintech innovations include mobile payments, robo-advisers, and blockchain-based solutions that drive efficiency, availability, and security.

Fintech is a dynamic sector that promotes financial inclusion by enabling individuals and businesses by circumventing traditional banking barriers. Fintech innovators challenge traditional models by promoting a digital-first mindset in areas such as lending, wealth management and insurance. As technology advances, fintech's influence continues to grow, transforming the financial landscape and creating a more interconnected, more efficient, and more user-centric ecosystem.

Neo banks are digitally-only financial institutions that challenge traditional banking norms. They operate without physical branches and use cutting-edge technologies such as AI and blockchain to provide user-centric, low-cost financial services.

Neo banks cater to a technology-savvy customer base. Their emergence marks a shift towards an agile, customer-centric



banking model that challenges established players. Often agile and innovative, neo banks redefine banking convenience by emphasizing accessibility through mobile applications and online platforms. As neo banks gain traction around the world, they represent a major transformation in the financial services industry.

Objective of the Study:

The aim of this research paper is to throw a light on how the Neo Banks function, Emerging trends, their advantages and opportunities globally and Neo Banks working in India.

Neo Banks: Neo banks are part of the Fintech ecosystem and are at the forefront of the digital revolution in the banking sector. They operate without physical branches and rely on innovative technology to provide streamlined, easy-to-use financial services through digital platforms and mobile applications. This innovative mindset is in line with the wider fintech industry's mission to transform and optimise traditional financial processes through cutting-edge technological solutions. Neo banks are a perfect marriage between finance and technology. They demonstrate the transformative potential of digitalization within the banking sector.

Characteristics of Neo Banks:

Digital-First Approach: Digital first means focusing on online channels and technologies to provide services. In the banking industry, digital first means branchless, with a focus on mobile apps and online channels. This approach improves accessibility, convenience and efficiency, and reflects a shift towards a technologically driven and customer-focused experience.

Technology-Driven: Neo banks use cutting-edge technologies such as AI, blockchain, data analytics, etc. to streamline operations, personalize services, and provide cost effective solutions. With their focus on innovation, neo banks are redefining banking by taking advantage of digital innovations in the financial industry.

Cost-Effective Operations: Neo banks are known for their cost-effective operations because they operate without physical branches, reducing overhead costs. This lean infrastructure enables neo banks to provide competitive fees, competitive interest rates, and cutting-edge financial services. The lack of physical branches allows neo banks to pass cost savings to their customers, resulting in a more cost-effective banking experience.

Customer-Centric Focus: Neo banks are at the forefront of revolutionizing the financial industry by providing a customer-centric experience by tailoring financial services to each individual. With a focus on intuitive interfaces and personalised services, neo banks leverage customer data for smooth, intuitive interactions. This dedication to improving user experience places neo banks at the heart of the customer-centric revolution.

Agile and Nimble: Neo banks are characterized by their agility and speed. They adapt quickly to changing market conditions and customer needs. Their streamlined operations and technology-driven approach allow them to innovate quickly, introducing new features and services as the financial landscape changes. This flexibility enables neo banks to remain at the cutting edge of the ever-changing fintech landscape.



Global Accessibility: Neo banks go beyond borders, providing global access. Powered by digital channels and often backed by cross-border partnerships, these global financial disruptors serve a diverse, cross-border customer base. Their borderless model enhances financial inclusion, serving customers wherever they are in the world.

Partnerships and Ecosystem Integration: Neo banks work best when they have strong partnerships and ecosystem integrations. Fintech companies collaborate with neo banks to broaden their services. These collaborations build a wider financial ecosystem, enabling neo banks to offer a variety of solutions outside of traditional banking. Fintech and neo banks work together to drive innovation and enrich the customer experience.

Focus on Financial Inclusion: Neo banks are committed to financial inclusion and reach out to unbanked and underbanked people. Through their digital platforms, neo banks offer inclusive and accessible financial services to people who may not be able to access traditional banking services. This is an important part of the neo banking philosophy.

Transparent and Low-Fee Structures: Neo banks focus on transparency and low-cost structures, minimising hidden fees and providing clear financial solutions. They offer fee-free operations, lower foreign exchange rates, and clear account maintenance fees. This customer-focused approach builds trust and sets neo banks apart from other financial institutions.

Regulatory Compliance: Neo banks comply with strict regulatory requirements while operating in a digital

environment. They work in partnership with regulatory authorities to ensure safety and good governance. Compliance not only builds trust with clients but also establishes neo banks as accountable and trustworthy players in the rapidly changing financial landscape.

Current state of Neo Banking Market size:

According to Global Market Insights, Neo Banking Market size exceeded USD 45 billion in 2021 and it estimated to increase the CAGR of 45% which is around USD 600 billion from 2022 to 2028. By 2023 around 49% of millennials and 53% of Gen Z customers are using Neo Banking services for their Banking needs.

Neo banking transactions are expected to reach USD 6.37 trillion in 2024. The transaction value is projected to grow at a CAGR of +14.73% between 2024 and 2027. The total value of Neo banking transactions is expected to reach USD 9.62 trillion by 2027.

The average Neo banking transaction value per individual user is expected to be USD 21.11K in 2024. The highest transaction value in the global comparison is expected to be reached in the US (US\$ 1.785.00 billion in 2024). The number of users in the market is expected to reach 376.90 million by 2027. User penetration is expected to be at 3.9 % in 2024 and at 4.7 % by 2027

Source: Data was retrieved from Global Market Insights & Statista.

Emerging Trends of Neo Banks World-wide:

Artificial intelligence (AI) and machine learning (ML) are widely used in financial services to analyse customer



information and deliver personalized financial advice, reduce costs, and even anticipate fraudulent activity. For example, N26 a German Neo Bank provides the information about analysis of transaction data to its customers.

Neo banks diversify their product offerings to meet the needs of a wider customer base. From budgeting and investment tools to insurance and loans, Neo Banks have diversified their digital banking offerings. Revolut is a UK-based Neo Bank, has introduced a Commission-free stock trading feature that allows you to trade shares directly from your account.

Some Neo Banks have already integrated crypto into their systems, allowing clients to trade, buy, and sell crypto. For example, the Swiss Neo Bank – SEBA allows its customers to buy, sell and store cryptocurrencies through their app.

Neo Banks aim to offer a more personal and convenient digital banking experience by using customer data to make personalized product recommendations and provide personalized financial advice. UK – based Neo Bank, Monzo, allows its customers to set targets and track their progress regarding budgeting and savings.

A digital wallet is a digital payment solution that stores your payment information and allows you to make payments without entering your details multiple times. US – based Neo Bank, Chime, helps customers to make contactless payments.

Open Banks and APIs allow Neo Banks to link up with other financial platforms, enabling customers to keep all their accounts under one roof. UK – based Neo Bank, Starling Bank offers its customers to manage their investments through an

integrated API (Application Programming Interface).

Neo Banks are connecting with e-commerce platforms, ride-hailing companies, etc. to provide a more integrated banking experience for their customers. Uber Money has partnered with a number of Neo Banks to provide financial products and services for its drivers and passengers.

Neo Banks are providing instant credit and loans to their clients, using technology to provide quicker and easier lending processes. US – based Neo Bank, Kabbage provides an instant business loan to their eligible customers.

Emerging Trends of Neo Banks in India:

Niyo has grown from a salary account and expense management bank to a wealth management bank. RazorpayX by Razor pay focuses on business banking for small and medium enterprises (SMEs).

Yelo focuses on financial services for the unbanked people of rural India, such as digital payments and saving accounts. Jupiter uses artificial intelligence (AI) to give personalised financial advice and insight to its users.

Unicas by Cashaa is a joint venture with United multistate credit co-operative society. It offers cryptocurrency services in addition to traditional banking services.

One of the Neo Banks, Vivify, offers a “Green Card” which allows you to track and reduce your carbon footprint through eco-friendly activities.

NBFC license for Niyo to offer a wider range of Financial Services.

Advantages & Opportunities of Neo Banks:



Neo banks use technology to make financial services accessible to everyone through easy-to-use mobile apps. This means you can bank anytime, anywhere without having to go to a physical branch. This is especially useful for people living in remote areas or who don't have access to traditional banking services.

Neo banks operate without the overhead costs of a physical branch, which allows them to offer low-cost or no-fee services. This makes them attractive to a wide range of people who are looking for affordable financial solutions.

Neo banks are flexible and can quickly roll out new financial products and services. They offer budgeting tools, real time spending insights, and personalized financial advice to meet the changing needs of technology-savvy customers.

Neo banks put the customer first. Their user-friendly interfaces are optimized for ease of use, and they frequently provide customer support via digital channels, improving overall customer experience.

Neo banks are committed to financial inclusion. They provide services to unbanked and underserved people, and their digital nature makes it easy to onboard them.

Some neo banks operate on a global scale, so users can easily manage their finances across borders. Multi-currencies and competitive exchange rates are beneficial for users involved in cross-border transactions.

Neo banks often partner with financial technology companies to broaden their services offerings. This helps users access a wide range of financial products and services, including

investments, insurance, and more, all in one platform.

Neo banks use data analytics and AI to provide personalized financial information and solutions. Data-driven personalization improves the customer experience, as it allows customers to tailor services to their preferences and financial objectives.

Neo banks are agile, which means they are able to quickly adapt to new trends and technological advances. This allows them to be at the cutting edge of innovation and to be responsive to market changes.

For individuals and companies involved in cross-border transactions, neo banks provide easy and affordable solutions that eliminate many of the challenges that come with traditional banking.

Conclusion:

To sum up, neo banks are revolutionizing the financial industry by combining cutting-edge technology and a customer-centric mindset. Operating without physical branches, these digital-only institutions provide greater accessibility, affordable solutions, and innovative financial services.

Neo banks are challenging traditional banking norms and promoting financial inclusion. The neo banking market is expected to grow at a CAGR of 20% and is expected to reach USD 600bn by 2028. Trends like AI integration, product diversification, crypto adoption, and e-commerce partnerships are just a few examples of how neo banks are evolving.

In India, the neo banking sector is changing the landscape by addressing specific needs like wealth management,



small and medium enterprises (SMEs) banking, and unbanked banking. As neo banking continues to grow, it highlights the industry's dedication to innovation, productivity, and customer satisfaction.

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