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Neo Banking - A New Era of Financial Services

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ABSTRACT:

India is moving towards the Era of digital transactions. Neo Banks have become popular players in the industry which deliver financial products by operating only in digital ecosystem. Like traditional banks Neo banks provides the same services to customers but use technology based platforms like mobile apps. Neo Banks are virtual banks which does not consist of physical presence and does not maintain any physical branches it provides services through online mobile applications, the main objective of Neo Banks are to provide best customer services like cheaper, quicker, transparent and secure financial services through single mobile application at low cost of service and fast payment processing, mainly it focused on retail and SMEs. Most of the Neo banks are not licensed by Reserve Bank of India due to inexistence of physical in nature and complete online transactions, Neo banks are offering services in connection with traditional bank partners. Neo banks provide 100% transparency transactions in connection with the traditional banks which are under strict banking regulations of Reserve bank of India.

Keywords: Neo Banks, Financial Services, Online transactions, Security, Operating costs.

Introduction:

Now-a-days Neo Banks are popularising by providing next level of smooth financial services to their customers. Neo means New, reason behind named it as Neo banking is, it is using new technology which is completely digital in nature to provide smooth financial services at least operating costs. As it does not maintain a physical office the operating costs of Neo banks are low. As these banks are technology based 24/7 presence is available to do digital transactions. Neo banks are customer friendly banks these banks provide basic banking services like deposits and card services with value added and innovative features. Neo banks also provide the smart reports which consist of all transactions done by the customers with the graphs and charts which help them to

analyse their financial activities. Neo banks are completely based on “Artificial Intelligence” and “Information Technology” hence it offers all financial products in digital based online transactions, due to inexistence of physical location of bank, these banks are not regulated by Reserve bank of India.

Growth of Neo Banks Worldwide:

The young generation of truly digital natives who rarely visit the banks for financial transactions and who are not relate to the timing of online banking are the boost for the fastest growth of Neo banks. These banks are attracting many customers annually at a growing rate by offering the fastest and transparent services. According to *Global Industry Insights Inc's forecast*, the Neo banks market will be worth more than 600 billion dollars by 2028. Due to Covid – 19 pandemic mostly people prefer to go for digital transactions rather than physical mode of transactions, this makes a big boost for the growth of Neo banks. Usage of Smart phones making them easier to do online transactions.

Functions of Neo Banks:

- Fast and simple steps to open a new Account
- Cloud Storage of Data
- Cash deposits
- Money lending
- Online payments
- Money transfers

Traditional Banks V/s Neo Banks:

Neo banks operations are totally different from traditional banks, Neo banks are completely technology based online transactions and access requires little to no stress. It is very simple to open a new account at Neo bank the complete processing will be done within twenty fours. At Neo banks transactions and payments can be done at International level, Cards provided by Neo banks can be accessed around the world. As the Neo banks are operated without any physical branches the operating costs are very low comparing to traditional banks. Neo Banks offer lower fees than traditional banks and offer higher interest rates to the customer's deposits. Neo banks are attracting younger generation by providing the next level online financial transactions in very simple steps. Traditional banks are regulated by Reverse bank of India whereas Neo banks are not licensed by Reserve Bank of India hence these banks are operating in connection with licensed partners.

Neo Banks – Opportunities:

- International payments made easy
- Transfer and holding multiple currencies
- Instant transactions

Higher rate of Interest

Round the clock services 24/7

Transparency of transactions

Neo Banks – Challenges:

Restricted regulatory instructions

Lack of personal interaction with customers

Limited financial products and revenue streams

Difficult to become primary bank

Cost of Acquisition is high

Providing Customers awareness towards new technology

Conclusion:

As the world is focusing on more technology based innovations the concept of banks without physical branches is interesting. Neo banks are gaining popularity by providing transparent services in connection with regulated banks at lower costs. Though these banks are not fully licensed it provides security to the customer's transactions, day by day its gaining public interest. Now a day's the people are more educated and can easily access banking services from their comfort location and free time. As technological transformations continue, the Neo banks will gain more popularity and become future of banking.

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