

Chapter 4

Banking of the Upcoming Age: Neo Banks

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ABSTRACT

Talking about a “neo bank,” refers to a financial institution that exists only in the digital realm. The development and functioning of neo banks in India are the primary topic of this analysis. The absence of a physical location is the defining characteristic of Neo Bank. As customers increasingly avoid visiting physical bank locations, neo-banking now presents a significant business potential. With its introduction to the financial technology industry, the phrase “neo bank” has been more popular in recent years. The term “bank” is often used to refer to any establishment where monetary transactions, such as the depositing and withdrawing of funds, are conducted. New financial institutions (neo banks) are introducing novel approaches to banking that increase client happiness, ease of use, responsiveness, and transparency. Because of its recent introduction to the financial technology industry, the phrase “neo bank” has become more popular.

INTRODUCTION

Because of its recent introduction to the Financial Technology industry, the phrase “Neo Bank” has become more popular. The term “Neo Bank” refers to financial institutions that don’t have physical locations but instead conduct all of their business and communicate with their customers through the internet. It combines the concepts of IT and AI under a single umbrella word. If a bank is to be considered a Neo Bank, then its primary objective must be to offer its clients with a convenient and

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trouble-free online banking service. To set themselves apart from traditional banks' Grievance redressal services, Neo Banks have increasingly prioritized streamlining their clients' banking experiences. Since discussions about technology in the realm of finance have traditionally been limited to only two camps (Process Centric and Consumer Centric), it's clear that we need to break with convention. However, as the need for a flawless system grows, Neo Banks have been compelled to adapt their strategies to meet consumer expectations. The development of the Fintech Sector and the widespread use of digital banking have helped to provide banking services to a wider audience and create a more unified and accessible financial system for consumers. In particular, the idea of Neo Banks is primarily focused on providing solutions. Customer service, management, convenience, and honesty have all received rave reviews from these guys. Because the Reserve Bank of India (RBI) has not given its approval for them to offer 100% banking services, these companies can only operate in India by partnering with other banks. Quick account establishment, payment initiation, allocation, and settlement services are just a few ways in which these banks aid small and medium-sized enterprises (MSME) in strengthening their financial footing.

Certainly, technological progress has made way for brand-new industries and is radically reshaping more established ones. Innovations in technology have had an effect on many industries, including financial services. FinTech refers to the technology that are revolutionizing the financial services industry. Financial technology, or FinTech, is the provision of financial services via the use of cutting-edge technological method. Neo banks (also known as digital, online, or online-only banks) have been common parlance since 2017. The term "neo bank" refers to a type of financial institution that provides a range of traditional banking services, such as account opening (typically savings accounts), payment processing, account balance and statement viewing, and debit card use, exclusively online or via mobile devices but without the presence of physical branch locations. They make it possible to access one's bank accounts from anywhere at any time through mobile apps and make banking operations very convenient by making everything one needs readily accessible at the touch of a button. Apps offered by neo banks tend to be minimalist and uncomplicated, making it simpler to learn and use the app for saving and spending control. according to. By the end of December 2020, there were 256 Neo banks operating worldwide, and others were in the process of being started. In 2020, around 250 Neo banks will have serviced about 350 million customers. Competition in the banking industry for new customers and existing ones is heating up as a result of the proliferation of Neo banks. Therefore, conventional banks, digital banks, and Neo banks all depend on customer acceptance of Neo banks.

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