

A Study on Neo Banks

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Abstract

Neo banks means the bank which operates only on the digital platform. This present study focuses on the growth of the neo banks and its operations in India. The main feature of neo banks is that they don't have any physical presence in their operations. Neo banks have a great opportunity in the current scenario as the customer are advverting banking activities in branches. This paper also explains the concept of neo banking, working aspects of the neo banks, services they provide to their customers. It also has a comparative study of working neo banks in India and other countries. Neo banking is an entirely different concept where customer can avail all the service of physical banks even without having any physical bank-like money transfer, money lending, investments and many more. These neo banking are completely based on the "Information Technology" and "Artificial Intelligence" but still they do not have bank license as Reserve Bank of India keep a strict check on banking services. Thus, these neo banks depend on the bank partners to provide them with banking service license. Today it has become very important for every business to meet the requirement of the customers and their level of satisfaction if they want to survive in the market, but somehow traditional banking approach are unable to fulfil that which neo banking is trying to fill that gap between the customer and traditional bank.

Keywords: Neo banking, online transaction, customer satisfaction, Reserve Bank of India,

1. INTRODUCTION

A neo bank is a digital bank without any branches. Rather than being physically present at a specific location, neo banks are entirely online. Neo banks can be called as fintech firms that provide digital and financial solutions for payments, money, money transfer, money lending and many more.

Neo banks do not have a bank licence of their own but count on bank partners to provide bank licencing services. Indian consumers are comfortable making payments through google pay, Paytm, phone pe, and many more. If we think about the number of users using online transactions, neo banks have a potential to shine in India. They can easily sustain and turn out to be profitable.

They will be operated completely using "artificial Intelligence" and "information technology: Neo banks are coming up with customer satisfaction, customer convenience, speedy customer service and transparency. Neo banks are considered as non-banking service providers because Reserve Bank of India has not allowed 100% of their online banking services and they have to provide services through traditional bank partners only.

Anish Achuthan has said that "for traditional banks it would be difficult for them to change their legacy technology for which they have already spent a lot. Neo- banks on the other hand, are small and nimble. They can use the latest technology and offer solutions to customers' banking problems. He further stated an example that all traditional banks offer transactions through UPI (Unified Payment Interface). Customers prefer to use non-banking apps such as Google Pay or PhonePe, which offer the service in partnership with traditional banks. The term Neo Bank has gained momentum recently considering its entry in the Financial Technology segment. If one wants to define Neo Banks they can be defined as Banks

which do not have any corporeal presence and they interact with their customer base through online modality only. The term is a conglomeration of the two terms Information Technology and Artificial Intelligence. The ultimate aim of a Neo Bank is to provide for a seamless online banking experience to the customers. With time, the Neo Banks have tried to distinguish themselves between the Grievance redressal services provided by the employees of the banks and being focused only on providing seamless banking experience to the customers. The need to jump out of the traditional thought process is obvious because when technology is considered in the field of finance, they have been only restricted to two categories-Process Centric & Consumer Centric. But with the increase in demand for a bugless system Neo Banks have been forced to transform their focal areas and imbibe the current market requirement. The way the Fintech Segment has evolved, and the way banking system has digitalized itself ensuring maximum reachability and integrated financial system for its customers. The concept of Neo Banks are specifically more solution oriented. Their feedback on customer handling, management, convenience and transparency is commendable. They are usually Non- Banking service providers of banking services as the Reserve Bank of India (RBI) has not approved for their 100% banking services, they can only function through their respective bank partners only. These Banks provide speedy services to the customers in respect of account opening, initiating and receiving payments, allocation and settlement solutions, It helps the MSME's to improve their creditworthiness. In this era of modernization in banking sector through digital means these Neo Banks serve as the most sought after alternative due to their Cost Effective Model. Establishment of Neo Banks in India is a arduous process, due to strict RBI guidelines. It was only in 2019 that RBI allowed these Neo Banks to operate in the Indian Banking environment with a circumscribed ecology.

The modernization of banking has introduced a wide spectrum of products and features making things simplified and preferable according to the convenience of customers. The traditional banking system has evolved itself to digitalization and core banking over the past two decades. Banks are now known not merely for its basic feature of accepting deposits and lending of money but for many other utility services. It is these utility services and introducing innovative financial products that help the banking units in creating a market share. Banking transactions and settlements are now at a faster pace there exists a mode of settlements made within one day and those within 3-4 working days. NEFT and RTGS are the ones mainly dependant on. In every business be it small, medium or large-scale business hefty transactions are involved and these are settled on the basis of electronic clearance. Neo banking is a concept where there is no existence of a physical bank as such. It is a complete digitalized platform which deals with banking transaction at the high-security level. The history of neo bank had started in Europe. It is the UK, US, and European nations that now have an established base of neo banking across the world and now there are about 100 neo banks (Setter and Samiti's). As adaptation is the key to development in any nation, digitalization and modern banking techniques should always be adopted at a faster pace for economic growth and tapping of market opportunity. Furthermore, studying any upcoming or high potential concept would always aid in growing a market perspective and opening up for the new transitions required (Rup et al., 2018). It is in this background that the present study has been made. This paper covers the concept of neo banking, its opportunities, and challenges (Rup et al., 2018, 2021). The assessment has been made based on the perspectives of customers of Indian origin. The world is living in the digital age, the financial industry is widely using digital services in its all area. In financial institutions and banks their customers are depending on digital services to a great extent. While employing digital services, profitability and easy operations are the main advantages for banks while convenience, low fees, and anywhere transactions are

the benefits for customers. Generally, these digital services are called E-banking in the banking industry. Now in e-banking, there is a radical shift called Neo Banks. Neo bank means a bank that has no physical existence and operating completely in digital form. Neo banks generally function through a mobile application.

Neo bank is a new concept emerging in Indian Banking Sector, which will be operated completely through online mode using “Information technology” and “Artificial Intelligence” and there will be no specific location for such neo banks. Neo banks can be called as fin-tech firm. Neo banks are coming up with more customer satisfaction, customer convenience, speedy customer service and transparency. Neo banks are mainly non-banking service provider providing banking services with an ultimate safeguard to their customers. Neo banks are considered as non-banking service provider because Reserve Bank of India has not allowed 100% of their online banking services and they have to provide services through traditional bank partners only. Neo banks provides with fast opening of accounts, cloud storage, ease of making and receiving payments, transfers and remittance solutions and many more, it also provides for creditworthiness to attract MSMEs. In the time of digitalization, the concept of neo banks by fin-tech firm can prove as a great opportunity for the growth in an Indian market because of their “low-cost business model”. An establishment of neo banks in India is not so easy because in back 2018, A Reserve bank of India had restricted the trade in crypto currency in all form stating the reason that it is a “threat to security” which result in a temporary halt in coming of neo banking in India. Later, in 2019 Reserve Bank of India has passed circular allowing fin-tech firms to enter in an Indian banking market in a restricted ecosystem with the concept of neo banks.² Anish Achuthan³ has said that “for traditional banks it would be difficult for them to change their legacy technology for which they have already spend a lot. Neo- banks on the other hand, are small and nimble. They can use latest technology and offer solution to customers banking problems. He further stated an example that all traditional banks offer transaction through UPI (Unified Payment Interface). Customer prefers to use non-banking app such as Google Pay or PhonePe, which offer the service in partnership with traditional banks.

OBJECTIVE Of THE STUDY

1. To study the working of neo banks.
2. To study the difference between neo banks and traditional banks.
3. To study the SWOT analysis of neo banks.

NEED FOR THE STUDY

We need to study neo banks to know the seamless customer experience that no traditional bank can offer. Neo banks are also known as the faster and cheaper banks. Neo banks also save on banking costs thus allowing them to reduce fees and avail their services to the underbanked.

REVIEW OF LITERATURE

1. **Amy Dobson** (2018) has studied “**what are Neo-Banks and how are they changing financial services**” has stated that neo banks are hundred percent digital and uses online platforms to support their customers. While neo banks don’t have the money or customer-base to overthrow traditional banking overnight, they can launch by creating partnerships. Neo banks focus on providing customers with one product or services. The author has also given examples of starling and Manzo. Thus, the author says it’s the beginning of neo banks. She is also expecting more changes when PSD2 is

introduced.

2. **Shubham Agarwal** (2021) has studied “**Neo Banks in India- The way forward**” has stated that neo-banks are a partnership between a fintech company or a neo bank. Through this partnership, neo banks seek to provide a host of financial and value-added services. The author has stated about the current regulatory regime in India. The author says that RBI has a mandatory requirement for having a physical presence. The author says that neo banks are obligated to comply with data protection laws. The author also states the SPDI rules, the new legislation passed in the year 2021. Thus, the author has taken references from RBI of India, guidelines, expert committee on micro, small enterprises and The banking regulation act 1949.
3. **Vanitha Souza** (2019) has studied “**#5 Neo banks that are changing the way India does banking**” the author stated according to the “allied market research”. The neo bank growing rate during 2017-2020. The author has also stated five neo banks in India which are having great opportunities in the Indian market. The five neo banks are NIYO,811 BY KOTAK, OPEN, YONO BY SBI, INSTANT PAY. Thus, the author has the purpose of analyzing the market condition and in what ways SMEs can be benefited from neo banks.
4. **Kapil Rana** (2020) has studied “**The rise of neo banking in India**’. The article states that in India too many banks are streamlining their branches and are partnering with the new-gen neo banks. The author stated according to the Zion market research” and predicted the raise till the year 2026. He also stated the segments of neo banks and also the advantages of neo banks over conventional SMEs banks. Thus, the article states that its high time for banks and banks and financial institutions to use technological expansion and transform the old-fashioned operating structure with new-gen neo banks.
5. **Neha Sahay** (2020), the author states that neo banks has become a buzzword in fintech and consumer banking worlds and also referred to as “challenger banking” or “open banking”. It is also a craze in developed and emerging markets. This article states the meaning, types, pros and cons of neo banks and some challenges faced by neo banks. It also states the difference between traditional and neo banks. Thus, this article states that neo banks are better than traditional banks.
6. **Advait Rao Palepu** in his article “**India’s neo banks: what’s so neo about them?**”. Has mentioned the global approach of the neo bank in capital investment and global research terms. Also has been mentioned that there are many opportunities for neo banks in India as they target customer segments through digital services than traditional banking. This paper is based on a quantitative research method and it contains statistical data of the companies that have shown interest in doing business in India and their market analysis details are presented. This paper also throws light on the regulatory framework of neo banks in India. Thus, it gives reasons for the restrictions imposed on neo banks in certain areas that they cannot deal with.
7. **Amol Dethé** (2020) is an article on “**NEO Banks in India is rising but will take some time to disrupt**” contains the list of top ten neo banks operating in India as RBI has not permitted a 100% digital bank model. This paper also tells that neo banks will have no other alternatives but to continue partnering with the traditional banks. With many more branches in the pipeline in two segments, regulators initiative in this space may change the picture over 2-13 years. They offer wider products as globally neo banks are allowed to take deposits and lend on their own books.
8. **Tinesh Bhasin** in his article “What do neo banks offer and should you try them?”⁵ has stated that neo bank is coming up with a new concept to ease the banking services with the help of information technology and artificial intelligence. He has also included in his article about the companies taking

initiative to come in India. He further mentioned the services they offer, mode of offering services. Thus, the author finds this paper as a useful material for conducting research on the given topic.

9. **Advait Rao Palepu** in his article “India’s Neo-Banks: What’s So ‘Neo’ About Them?” 6 has done quantitative research where he has mentioned about the global approach of the neo banks in terms of capital investment and global reach. This paper also takes about regulatory framework for neo banks in India and also stated reasons for the restrictions imposed by RBI on certain aspects where neo banks cannot deal in. He also mentioned in his paper that neo banks have great opportunity in India because they have targeted customer segment with digital services which they are providing is much more than what traditional banks are providing. This paper has also mention in his paper about such companies showing interest in doing business in India and their market analysis.
10. **Raghav Agarwal and Avneesh Singh Nagar** in their article “Neo Banks and the next banking revolution” 7 they have mentioned about how the business of banking is changing rapidly. They have further differentiated between digital bank and neo bank with a case study of e-KYC and UIDIA. They have pointed out certain advantages of neo bank and the challenges and shortfalls of neo bank. Later they have discussed about the structure of neo banks like their core infrastructure, B2C/B2B Modules. Thus, from this article the author has taken reference of structure of neo banks that how they channelize end to end service, then author has also referred the advantage and shortfalls of neo bank from this article.
11. **Gabriel Hopkinson, Romeo V. Turcam, Diana Klarova and Valeria Gulieva** in their article “How neo banks business models challenge traditional banks” 8 . They have mentioned about the revolution that has been brought by the neo banks in the banking sector and have also stated the reason for such a great revolution i.e. transparency, Low-cost structure, end to end customer services, 24*7 customer support, money management tools etc. They have also mentioned about how neo banks have made investment easy for everyone. Now everyone can invest into mutual funds without any difficulty. Neo bank also provide them with the flexibility of anytime switch in or switch out which is widely attracting customer for investments through neo banks, not only this but customer also get higher rate of interest than what they get through traditional banks. They have also focused in this article about the future of banking sector. However, the author has only taken the reference of future of banking sector as a relevant part for the purpose of research.
12. **Vinod Kothari** is his book “Banking Law and Practice in India” 9 has talked about various functions performed by commercial bank in order to provide services to its customer. Though this book does not talk about the function of a neo bank or a fin-tech firm but it will help the author to compare the functions of a commercial bank with that of a neo bank is providing to its customers and what other functions does a neo bank can provide in future.
13. **Michael Magrath** is his article “Top Regulatory Consideration for Neo Bank”10 has mentioned about the various challenges face by the neo banks in providing services to its customers mainly in respect with privacy of data. He said that most of the customers are having same concern that whether their data and money will be safe in neo bank.” So he has given certain way to overcome these challenges. He said in his article that the layering of security is very important in order to protect customer’s privacy. The author has used this article as reference for the purpose of writing challenges faced by neo banks.

RESEAECH METHODOGLY

Secondary Data: Secondary data is collected from journals, books and magazines to develop the theory.

DIFFERENCE BETWEEN TRADITIONAL BANK AND NEO BANKS

TYPE	TRADITIONAL	NEO. BANKS
Service Platform	Physical Banking	Web and Mobile Services
Market Entry	Upton 100 years ago	Upton 10 Years ago
Client Relations	Long term, In person, with minor changes	Flexible, Virtual, Easy to modify
Customer Support	In person, Phone, online	Phone and online.
Fees	High and Complex	Low and transparent
Banking License	Entire	None, Partial or Entire
Bank offices	Yes	No
Confirmation process	Long	Instant

NEO BANKS AND TRADITIONAL BANKS OR DIGITAL BANK.

1. Neo bank is completely an online process where all the transaction takes place through online mode via mobile application or through web service; they do not any physical setup for the purpose of providing any services. Whereas traditional have physical setup for providing services.
2. Neo bank is a virtual bank were customer and the banker does not deal face to face but through a medium mainly through application where as in traditional bank the deal take place through physical meeting.
3. Neo banks is a cheaper way to make transaction as compared to traditional bank like there is no monthly charge levied by the neo bank unlike traditional bank. For instance, if a customer asks his bank to issue a cheque book or debit card then he has to pay certain amount for the particular services. But it is not in the case of neo bank as they do not charge any amount from the customers for keeping money in e-wallet
4. The major difference between neo bank and traditional bank is that traditional banks have their own license where as neo banks do not have their own license as of now. They have to rely on some licensed partner for providing their services.
5. An approval process like loan sanction or any service request in traditional bank usually takes longer time than a neo bank.
6. Neo bank is completely based on Information Technology and Artificial Intelligence which make the transaction seamless and also keep a watch on customer activity over application like the kind of services he is availing or has been frequently checking those services, it help the customer by providing information related to those services via different mode of communication which cannot be seen in the case of traditional banks.
7. Neo bank’s services can be availed at any time of the day without any interruption but it is not same with traditional banks because they have time duration even if using their digital portal. For example: if a person want to transfer certain amount of money using digital bank or through bank branch then he can do so between 10am to 4pm but in neo bank he can transfer money at any point of time even if its midnight.
8. If we analysis these two terms that is neo bank and digital bank they both look very similar to each other in their activities, in such a way as they both are giving online services to their customer. But

there is a slight difference between neo bank and digital bank that is digital bank is an online medium of the traditional bank for providing services whereas neo bank is completely different and entirely based on IT and Artificial Intelligence.

NEO BANKS IN INDIA

1. RAZORPAY

PARTNER – RBL BANK

SERVICES – current Payment, gateway, Cash advance working capital, loan and pay out.

2. NIYO

PARTNER – IDBI, YES BANK

SERVICES- Savings Account, Foreign Exchange, Wealth Management.

3. OPEN

PARTNER – ICICI, SBI, AXIS

SERVICES – Current Account, Business Loan, Payment Gateway, Cash Advance, Pay out etc

4. INSTANT PAY

Partner – ICICI, Hate

Services- Savings Account, Foreign Exchange, Wealth management.

5. PAYZELLO

Partner = Yes Bank

Services – Virtual Debit card, Money Transfer.

6. YEL0

Partner -ICICI

Services- credit Payment, Banking

7. WALRUS

Partner – National Association (NA)

Services -Savings Account, credit and Investment

8. FININ

Partner. State Bank of Mauritius (SBM)

Services -.Savings Account Payment Gateway, Investment.

9. ACEWARE

Partner – ICICI

Services -Micro ATM, money Transfer, Fast tag.

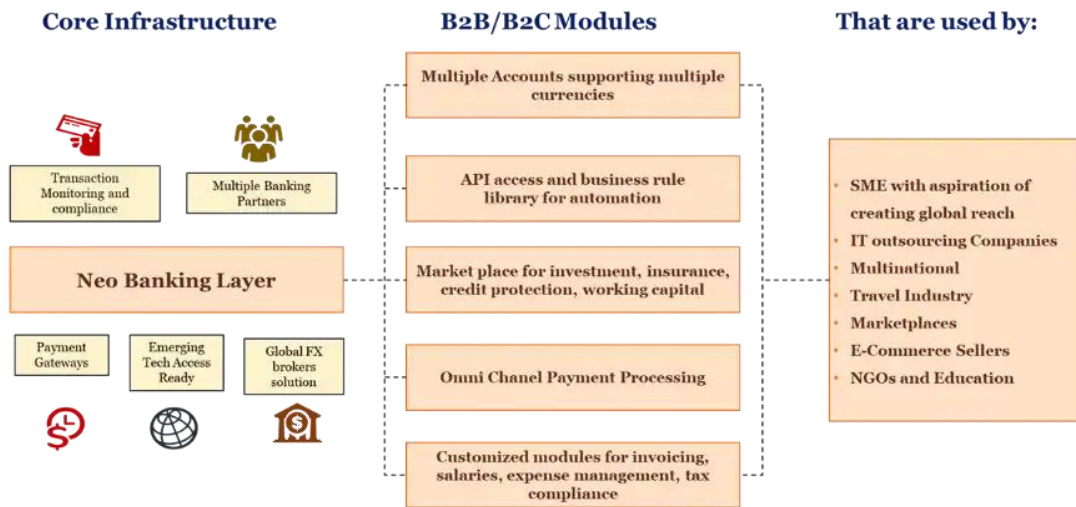
HOW DOES NEO BANK WORK

The Reserve Bank of India has not permitted 100% digital bank in India. Neo Banks in India have no license of their own. They partner with bank and non-Banking financial Institution. They are operated through Application programming Interface (API)Neo Bank structure is divided into three major parts: They are

Core Infrastructure: Payment gateway is connected with partner banks.

B2B/ B2C Module: customers using this model for their transaction services to customers using this model for their transaction. Services to customers are provided by neo banks in this model.

Customers: B2B customers using Neo banking. Example: Travel Industry, NGOs etc.



Source: PWC India

SERVICE TO CUSTOMER BY NEO BANKS

Neo banks are known as open bank using Artificial Intelligence and API which allow customers to avail number of banking activity. These neo banks allow customer to open an account at no cost and the benefit of having neo bank account is that it can be accessible from anywhere with its login credentials. They allow customer to manage their money in a systematic way and provide them with various investment option. These banks have wallet facility which also helps in keeping the customers money safe as it is in a digital form that cannot be stolen by anyone. As it is very well known that neo bank completely work on AI and API which also allow these banks to keep a track record of the transaction pattern, credibility and other financial data and accordingly recommend related services to their customers. These neo banks have loan facility at a very minimum rate of interest. For example: Paytm Payment Bank provides loan up to ₹2 L to small or medium entity for a limited time period at low interest rate. Paytm Payment Bank is a neo bank which makes the loan process easy as the customer need not visit branch of its respective bank with lots of documents.¹³ Neo bank also allows their customers to check their statement and manage their money. They have the option to put limit on their expenditure. These banks also have their blogs which make the customer aware of their services, financial education and different investment policy.

REGULATORY FRAMEWORK FOR NEO BANK

In India, majority of banks are having physical workplace with e-banking services that is digital banks. As we have already discussed the difference between neo banks and traditional banks or digital bank, there is a different regulation for neo-bank as they are not licensed bank. They can render there services only through some licensed partner bank. In 2014, the RBI in its annual report said that its RBI does not recognize payment banks under the term ‘banking¹⁴’ in virtual and branchless banks¹⁵. Thus, RBI is not issuing a separate virtual banking license to these neo banks. A report was submitted to RBI for licensing the virtual banks because they are not just payment banks but much more than that.¹⁶ Again in 2018, RBI has imposed complete restriction on trading in crypto currency stating that it may be threat to national security. This move by RBI has also restricted the entering of neo bank in India. Later in 2019, RBI has somehow allowed the neo banks in India in a very restrictive ecosystem for marketing.

ADVANTAGES OF NEO BANKS

1. A Neo bank provides services at a very low cost as it do not ask from the customer to maintain minimum balance and there is no extra hidden.
2. Neo bank pays higher rate of return on saving account and interest on fixed deposit than the traditional bank.
3. Neo banks do not have any physical branch, it is completely technological driven and give greater banking experience to its customer.
4. It ti me efficient as it provide almost real time services without much documentation.
5. It also encourages investment facility and also provides investment education.
6. It provides round the clock services i.e. 24*7 and in case of any dispute or issue it can be resolved seamless through automated messaging system or Artificial Intelligence.
7. The primary business of neo bank is to provide banking services and apart for this they also provide near real time accounting and reconciliation services for bookkeeping, balance sheets, profit and loss statement and certain taxation services like invoicing, GST compliance, payment of tax etc.
8. Neo bank ensures complete transparency of services, charges, and complete details of every transaction and notifications.
9. Neo bank ensures high security feature for account and debit card with blocking feature within application or over call.
10. Neo bank allows customer to manage their other accounts which are either partner or associated banks with them.

CHALLENGES FOR NEO BANKS

1. Neo bank is in banking service tough not completely as they are not providing all the services that a traditional bank is providing.
2. The biggest challenge in front of neo bank is there separate licensing. We have seen in regulation of neo bank that neo bank is not recognized as virtual bank in India as of now which stands as a hurdle in their development because they have to depend on other partner bank for licensing. Thus, it results in lack of satisfaction among the promoter of neo bank because they have to agree on all the terms and condition of the partner bank for the sake licensing.
3. Another challenge for neo bank is lack of technological knowledge among the customers. Thus, they are unable to make best use of it.
4. Due to branchless concept of neo bank, it creates a trust issue among people as they think their money is not safe. For Example: Recently Google has removed Paytm from the Play Store because of violation of gambling policy, thus the Paytm customers are in a great dilemma that Whether their money in Paytm wallet is safe? After that Paytm replied that the customer money in wallet is completely safe. Though in such cases customer lose their trust in neo banks.
5. Another major challenge for neo bank is no regulatory framework which et rules and regulations for the neo banks in order completely authorized them for providing services.
6. The neo bank offers considerable services to the customer though they don't fully satisfy all the needs.

FUTURE OF NEO BANK IN INDIA

Neo bank provides ease of doing banking activities with the help of API, it also ensures fast payment and collection method, financial assistance, investment schemes, cashless environment etc. and it mainly focus

on SMEs as they are proving themselves as a business of new era by using technology for doing their business. Neo bank overcomes the challenges faced by the individual in transacting with traditional banks such as clearance of cheque, money deposit, other services like bank statement for current account, lengthy documentation for loan processing. Neo bank eliminates all these difficulty by providing near real time services to its customer. Neo banks not only helping the businessmen but also to customers in different way. Neo bank also provides more interest rate on saving account or in investment fund than that of traditional banks. Neo bank also ensure fast opening of account in neo bank though are certain areas in which neo bank does not deal in which traditional banks do. If we analysis the current we can say that neo banks are having a great future in India. Today, they don't have their own separate banking license but RBI is considering to recognize neo banks as 'bank. Neo bank has great potential in building a new age of banking services in order to provide seamless and swift customer experiences.

SWOT ANALYSIS

STRENGTH:

It is a low-cost structure where there won't be any monthly fees and no withdrawal costs. It has higher rates on saving and fixed deposits than traditional banks. It is simple and engaging mobile experience. Near real time services for account opening, payments, balance checking, opening, payments, balance checking, opening and redeeming time deposits etc. Intuitive budgeting, investing and money tracking tools. Free debit cards with large ATM networks of partners and associated banks with no fees 24/7 support with high security features such as locking and freezing anytime to app. Personalized offers and discounts depending your income, expense and spending habits. Most near banks provide international payments at interbank rates through various banking and payments partner one platform for linking multiple accounts, apps, services on neo banks.

Weakness: Narrow range of products offering, so don't expect car loans, home mortgages or business services. The main set back of neo banks is that they can't offer in branch service, which some people prefer when dealing with large loans, such as a mortgage. Operational inexperience vis-a-vis traditional banks. Regulatory and compliance subject to the same set of supervisory requirements applicable to conventional banks.

Opportunities:

Neo bank's like N26 can always explore into trading and other banking services online. N26 expansion to new markets to increase customer base and market share. Neo bank is in banking service tough not completely as they are not providing all the services that a traditional bank is providing. The biggest challenge in front of neo bank is there separate licensing. We have seen in regulation of neo bank that neo bank is not recognized as virtual bank in India as of now which stands as a hurdle in their development because they have to depend on other partner bank for licensing. Thus, it results in lack of satisfaction among the promoter of neo bank because they have to agree on all the terms and condition of the partner bank for the sake licensing.

Threats:

Highly competitive market with more neo banks coming into existence with wide range of product offering.

FINDINGS

The daily functions of online banks are available in a flash. Transfers, deposits and withdrawals are

synced with real-time, so you always have a daily overview of your finances. With Neo banks the process of opening a bank account is hassle-free. The account can be opened using a mobile phone in just two or three steps. The question of visiting any branch physically to open accounts is not arising. As there are no physical branches to take care of, they save many resources. And hence there is no fee for any withdrawals or annual maintenance. The applications and websites of neo banks are responsive, unlike traditional banks where net banking websites are crammed with glitches and lag repeatedly. Neo-banks bring in simplicity. It demystifies the whole process by reducing the manual efforts required, and by providing unified platforms to watch the cash movement.

SUGGESTIONS

The RBI should provide the license to Neo Bank for their operations. It will attract more customers to Neo Bank as it's a cost-effective and convenient platform for all categories of customers. Licensed Neo bank can compete with traditional banks and it will compel the traditional banks to reduce their fees and they will try to provide more service to their customers. Currently, Neo Bank's business concentration is on corporate customers. They should reach their services to retail customers also. Still, a major portion of customers is not aware of the various services of Neo banks. The lack of awareness level among the customers about the Neo Bank should reduce by aggressive promotional strategies.

CONCLUSION

Neo bank is the future of banking sector. It enables the seamless banking with various services that eliminate the gap between traditional banks and customers. It is very much essential to convert traditional banks into neo bank in the age of digitalization because now everyone wants that their work should be done at just one click without being waiting for long day. It also helps in reducing the corruption because of transparency in working process. It will also help in cutting the additional transaction cost such as processing charge and other charges. Neo bank is introduction lots of new user data with user friendly interface in order to provide hassle free transaction. Neo bank will also help in creating funds and allocating the funds in proper account and government can have proper check on it. Neo bank targets SMEs because they are focusing on development of the country at minimum cost. Therefore, neo bank can be suitable banking option for fast payment and collection process and for tax compliances as most of the neo bank also allow customers to file their GST return and other indirect taxes. According to Digital Evolution Index, "India is among the top nation that has huge potential for digital payment. Cashless society is required and we will be able to achieve it. The aim must go from a cash economy to a less cash economy".

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