

# Neo Banks: A Paradigm Shift in Banking

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**Abstract** - Major changes have occurred in the competitiveness and market structure of Indian banking. Technological and digital innovations are transforming the banking services of the future. In the near future, it is expected that technological improvements will have a major impact on the global financial sector. Financial institutions' business models and strategies are challenged by innovations in payments, lending, asset management, and insurance, but these innovations also present opportunity for new entrants and established market players. Due to a greater reliance on information technology, the financial services industry is characterized by developing technical developments known as fintech. The growing adoption of technology by traditional banks, whether through internal improvements or joint ventures with fintech, is in line with the idea of new-generation banking. Consequently, this is fueling the banks.

**Index Terms** - Innovation, Technology, Fintech, Neo Banking, SWOC analysis, ABCD Framework analysis.

## I. INTRODUCTION

II. In the Indian banking sector Mergers and acquisitions have become admired trend throughout the country. A large number of public sector banks, private sector banks, and other banks are engaged in mergers and acquisitions activities in India. The Main motive behind mergers and acquisitions in the banking sector is to harvest the benefit of economic scale all Mergers and acquisitions have played an important role in the transformation the of industrial sector of India since the Second World War period. During the Second World War period, Economic and political conditions give rise to effective Mergers and acquisitions (M&A). Mergers can be a large source of growth in any economy but particularly in one that's comparatively stagnant and mired in deep uncertainty.

## III.

### IV. Industry scenario of the Indian Banking Industry

V. The growth within the Indian Banking Sector has been additional qualitative than quantitative and it's calculable to stay identical within the returning years. And the sector supported by the projections created within the "India Vision 2020" ready by the look Commission and the Draft tenth arrange, the report forecasts the speed of growth within the balance sheets of banks is probably going to decelerate. the full assets of all regular business banks by the end of March 2010 square measure expected at Rs forty, 90,000 crores. Which will comprise 65 percent value at current market costs as compared to sixty-seven cent in 2002-03? Bank assets square measure expected to lift at AN annual composite rate of thirteen.4percentt throughout the remainder of the last decade as against the expansion rate of 67 percent that existed between 1994-95 and 2002-03 in India. It is anticipated that there'll be massive additions to the capital base and reserves on the liability aspect in the banking sector.

VI. The Indian industry that is ruled by the Banking Regulation Act of India, 1949 may be broadly speaking classified into 2 major classes, non-scheduled banks, and regular banks. Regular banks comprise business banks and also cooperative banks. In terms of possession, business banks may be additionally classified into nationalized banks, the banking company of India and its cluster banks, regional rural banks, and private sector banks (the old/ new domestic and foreign). These banks have over 67,000 branches unfold across the country.

VII. In India the Public Sector Banks (PSBs), which square measure the bottom of the Banking sector in India account for quite 78 percent of the full industry assets. Sadly they are burdened with excessive Non-performing assets (NPAs), huge hands, and a lack of contemporary technology. On the opposite hand, the private Sector Banks square measure creating tremendous progress. They are leaders in net banking, mobile banking, phone banking, and ATMs. As so much as foreign banks square measure involved, they're probably to reach the Indian industry.

VIII. In the Indian industry, a number of the private Sector Banks operative square measure IDBI Bank, ING Vyasa Bank, SBI business and International Bank Ltd, and Bank of Rajasthan Ltd. and banks from the general public Sector embrace geographic area full-service bank, Vijaya Bank, UCO Bank, Oriental Bank, Allahabad Bank among others. Some other ANZ And Grind lay Bank, ABN-AMRO Bank, Yankee Category Bank Ltd, and Citibank square measure a number of foreign banks operative within the Indian industry. As so much because the gift situation worries the industry in India going through a transformation part. The most important part of monetary reforms resulted in the nationalization of fourteen major banks in 1969 and resulted in a very shift from category banking to Mass banking. This successively resulted in very important growth within the geographical coverage of banks. Each bank had to allocate a minimum proportion of its loan portfolio to sectors known as “priority sectors”.

## IX. LITERATURE SURVEY

### X. REVIEW OF LITERATURE

#### YASHRAJ DOKANIA, 2020.

The study will also focus on the operational aspects of the neo banking services that they give to their consumers. Following that, the author will discuss the extent of neo banking in India, and the paper will conclude with a comparison of working neo banking in India and other nations. The author conducted descriptive research utilising qualitative and quantitative methods, relying on a variety of secondary data sources published in various publications, on which the author conducted content analysis to reach a conclusion. The author has also analysed the position of neo banks in India and other countries using a comparative method. The objective of the papers was to know the Banks and customer relationship. And also, to know why Customers prefer to use the Neo Banks payment interface over UPI because it is more convenient. Traditional banks also offer E-Banking and M-Banking, although only to a limited extent, as NEFT/RTGS can be used finally he concludes that, facilitate hassle-free transactions, Neo Bank is introducing a slew of new user data and a user-friendly interface. Neo bank will also assist in the creation of funds and the allocation of cash to correct accounts, allowing the government to keep a close eye on the situation. Neo Bank focuses on SMEs since they are concerned with the country's development at a low cost. As a result, neo bank might be a good banking alternative for quick payment and collection, as well as tax compliance, as most neo banks allow users to file GST returns and other indirect taxes.

#### 2.Tinesh Bhasin, June 01, 2020.

##### What do neo banks offer and should you try them, newspaper article

Author expresses his view in his post "What do neo banks offer and should you try them?" Tinesh Bhasin asks, "What do neo banks provide and should you try them?" Neo bank, according to them it is developing a new concept to simplify financial services via the use of information technology and artificial intelligence. In his post, he also mentions the corporations that are taking the initiative to come to India. He went on to say more about the services they provide and how they provide them. As a result, the author considers this work to be a good resource for undertaking study on the subject.

#### 3. Advait rao Palepu, December 04, 2019.

##### “India’s Neo Bank: What’s So Neo About Them?”

Author conducted the survey and asks, "What's So 'Neo' About Them?"<sup>6</sup> has conducted quantitative study in which he mentions the global approach. In terms of capital investment and global reach, the neo banks are the most powerful. In India, there is a regulatory framework for neo banks, as well as explanations behind the restrictions. set by the RBI on certain elements that neo banks are prohibited from dealing with. He also noted in his speech that Neo banks have a big possibility in India, according to the article, because they have focused customers. They are delivering much more than traditional services with their digital services. Banks are willing to help.

#### 4.Vanita D’souza, 16th April 2019.

##### “Neo Banks that are changing the way India does banking newspaper article”

Vanita D'souza includes a report produced by 'Allied Market Research' in her article "5 Neo Banks that are Changing the Way India Does Banking," which shows the growth rate of neo banks from 2017 to 2020. The research also mentions the view of neo banks. has a lot of potential in the Indian market and can be advantageous to MSMEs in terms of growth? Advancement of the loan, simplicity of payment, and creditworthiness. As a result, the author has taken use of this article as a reference for understanding the market situation and how it affects you and Neo banks can be beneficial to SMEs.

#### 5. Ragav Agarwal and Avneesh Singh Nagar 2020,

**“Neo Bank and the next banking revolution”, newspaper article**

"Authors discuss "Neo Banks and the Next Banking Revolution. They've talked about how the banking industry works. The situation is fast shifting. They've also added a distinction between digital bank and neo bank. e-KYC and UIDIA case study They have highlighted some of the benefits of neo bank. The bank's issues and inadequacies They then talked about the structure of neoliberalism. B2C/B2B Modules are popular among banks' core infrastructure. As a result of this article, the author has Considering the structure of neo banks and how they channel end-to-end service, from this essay, the author has also mentioned the advantages and disadvantages of Neo Bank.

**6. Gabriel Hopkinson, Romeo V. Turcam, Diana Klarova and Valeria Gulieva.**

**“How Neo banks business models challenge traditional banks”**

Author explains "How neo banks business models attack traditional banks," Gabriel Hopkinson, Romeo V. Turcam, Diana Klarova, and Valeria Gulieva discuss how neo banks business models challenge traditional banks. They've got referred to the change that neo banks have brought to the banking industry and have also identified the reasons for such a massive transformation, namely transparency and low-cost framework, end-to-end customer service and financial management tools etc. They also emphasised how neo banks have made it easier for people to invest. Everyone now has the ability to invest in mutual funds without difficulties. In addition, the Neo bank provide them with the convenience of being able to switch in and out at any time, which is really appealing. Customers that invest through neo banks not only get a better rate, but they also get a better deal.

**7. Vinod Kothari, 2017.**

**“Banking Law and Practice in India” 26th Edition,**

According to the author he has discussed banking law and practise in India in his book "Banking Law and Practice in India." Commercial banks conduct a variety of duties in order to provide services to its customers. Though the purpose of a neo bank or a fin-tech corporation is not discussed in this book, it will be discussed late. assist the author in comparing the functions of a commercial bank and a neo bank offering to its customers, and what other services a neo bank might be able to offer in the future.

**8. Michael Magrath, 28th Aug, 2020.**

**“Top Regulatory Consideration for Neo Bank”.**

According to the author in his paper "Top Regulatory Consideration for Neo Bank"<sup>10</sup>, Michael Magrath discusses the different issues that neo banks have in providing services to their consumers, particularly in terms of data protection. He claims that the majority of his clients are women. and they have a fear about the safety of their data and money at neo bank." As a result, he offered a specific method for overcoming these obstacles In his article. In order to preserve the privacy of customers, security is critical. This has been utilised by the author. Use this article as a starting point for writing on the issues that neo banks face.

**9. Smt. K. S. Jigalur Arts and Dr. (Smt.) S. M. Sheshgiri, 2020.**

**NEO BANK: A NEW LANDSCAPE.**

There appears to be no shortage of new happenings in the banking business these days, thanks to novel concepts and new participants. Neo banks are similar to competitor models in other industries, such as Airbnb and Oyo for lodging and Ola and Uber for transportation. They offer similar goods and services via their websites. Various models exist, with the majority of them emphasising a more customer-centric approach. Neo banks are gaining popularity in the media, and they have the potential to revolutionise banking. It can be described in a variety of ways. Neo banks are a type of start-up collection that manages the money of customers digitally. The research Neo banks, with their lower costs and superior technology, are discovered to be legitimate competitors to traditional banks in the market. User-friendly interfaces, user customisation, and new technology are among the highlights. To investigate the novel features of Neo banks. To investigate the advantages and disadvantages of Neo banks.

To investigate the customer figures of the major European Neo banks.

The research carried over in this article descriptive and is based on secondary data. The information was gathered from a variety of sources, including research papers, government publications, RBI bulletins, and verified websites.

10. K. R. Srivats July 2019.

“The Bank in your Pocket is shaking up the Industry”, *Journal of money and banking*,

According to the author in this article "The Bank in Your Pocket is Shaking Up the Industry" by K. R. Srivats was published in 2019. The NITI Aayog, digital payments, and India's digital journey have all been studied in this article. The age of money orders is also covered in the essay; the introduction of computers in the financial sector caused a tectonic upheaval in the banking system. mid-to-late 1980s According to the survey, with digital payments expected to reach \$1 trillion by 2025, banks will be forced to adapt. If they do not adapt, they will face an existential crisis. The survey also discovered that after 2012, digital payments saw a significant increase. When the Department of Financial Services made the historic decision to make NEFT/RTGS free for clients, it was a watershed moment.

11. Varda Sardana and Shubham Singhania ,2018

“Digital technology in the realm of banking

Varda Sardana and Shubham Singhania's article "Digital Technology in the Realm of Banking: A Review of Literature" was published in 2018. Theoretical literature on the evolution of digital and information technology in the Indian banking industry is reviewed in this research. This research also investigates the magnitude and direction of the impact of in the field of Indian banking, digital technology is being used. The start of the digital age, according to the study, Business has been disrupting the business environment and introducing new and unique methods of doing things.

12. Monika Gudova

“Digital Banking and Neo Banks”, *Fintech News*, September 2018.

Author in his article “Neo - Banks Are Changing the Face of Banking” *IOSR Journal of Economics and Finance (IOSR-JEF)*. A neo bank is a digital bank that operates solely through a mobile app and does not have any physical locations. Neo banks offer a broader range of services than traditional banks. Neo banks are comparable to challenger banks in other industries in that they offer identical products and services through new business models, often with a more customer-centric approach. Neo banks are a type of start-up collection that allows customers to manage their money digitally. From the account opening process to the customer care experience, everything is different from traditional banking. With their lower pricing, advanced features, user-friendly interfaces, user customisation, and new technology, neo banks are legitimate challengers to traditional banks in the market, according to the report. To research the unique features of neo banks as well as well-established neo banks in India.

### 2.1 Research Gap:

Neo banks have been the subject of extensive discussion worldwide. Numerous investigations have been carried out in this field in various nations. On the other hand, relatively little research has been done on Neo banks in India. The Covid-19 pandemic has woken us all up, and increased use of technology in many areas has led to a paradigm shift. Neo banks are the way to go when artificial intelligence practically completely replaces the conventional banking system, as a sizable section of our population has historically relied on it. Since everyone is now familiar with digitization, this new development in the financial system has the potential to drastically alter people's attitudes towards banking and attract the excluded into the industry.

### A. PRESENT AND FUTURE OF NEO BANKS:

The banking system has expanded significantly over the years, and policymakers and other economic stakeholders have worked hard to ensure that all societal segments have access to affordable financial services at their doorsteps, while also ensuring that these services are convenient, accessible, and of high quality. A survey by Blinc Insights projected the size of the Indian financial services market overall to reach \$500 billion in 2021, with \$31 billion going towards the fintech industry. The study also claimed that India's tremendous growth can be attributed to its quick digitalization. Over the next five years, the fintech industry is expected to develop at a rate of 22%.

### 3. SWOT ANALYSIS ON NEO BANKS:

Albert Humphrey created SWOT analysis in the 1960s, and it is still useful today [39]. It is among the most well-known instruments for analysing a corporate environment's overall strategic stance. Opportunities and threats are viewed as external elements that the firm cannot control, while strengths and weaknesses are viewed as internal factors that are under its control. The development and selection of strategies benefit greatly from SWOC analysis. It's a powerful instrument, but there's a lot of subjectivity involved. When utilised as a guidance rather than a prescription, it works best. Businesses strengthen their areas of strength, address their shortcomings, and fortify

themselves against both external and internal threats. Additionally, they monitor the business environment as a whole and spot and seize fresh chances.

#### 4.FINDINGS AND SUGGESTIONS:

Neo banks may soon overtake regular banks as the primary point of contact for customers and a vital source for everyday transactions. Instapay and Razorpayx, the first neo banks, debuted in 2013, but India didn't fully embrace digital banking until 2018. In 2018, 7.7 million Indians preferred neo banking; by 2020, that number will have trebled. In India, eight of the twenty-seven Neobanks provide their clients with special payment methods such as split cards, credit cards, and virtual debit cards. Social media offers an alternative means of connecting with millions of customers. Every day, the average Indian uses social media for 2.4 hours. In addition, the use of social media has been steadily rising. Banks could find it advantageous to review their Neo banks may soon overtake regular banks as the primary point of contact for customers and a vital source for everyday transactions. Instapay and Razorpayx, the first neo banks, debuted in 2013, but India didn't fully embrace digital banking until 2018. In 2018, 7.7 million Indians preferred neo banking; by 2020, that number will have trebled. In India, eight of the twenty-seven Neobanks provide their clients with special payment methods such as split cards, credit cards, and virtual debit cards. Social media offers an alternative means of connecting with millions of customers. Every day, the average Indian uses social media for 2.4 hours. In addition, the use of social media has been steadily rising. Banks could find it advantageous to review their banks.

#### 3.CONCLUSION:

India's FinTech sector is growing rapidly because to a sizeable market, an innovative startup ecosystem, and supportive government laws and regulations. The FinTech sector in India holds promise in offering practical solutions to issues faced by traditional financial institutions, such as low penetration, limited credit history, and a cash-based transaction economy. Significant transformation in India's banking and financial services industry could occur if investors, market players, and regulators work together. FinTech service providers are currently altering the normal ways in which consumers and corporations transact [41]. The financial services industry is about to undergo a radical transformation because to neo banks. Neo banking can help enhance attempts to address the difficulties associated with bundling and financial inclusion. is expanding quickly because to a sizable market, a startup ecosystem that values innovation, and benevolent government policies and regulations. India's FinTech industry has the potential to Provide workable answers to problems that traditional financial institutions confront, including low penetration, a lack of credit history, and a cash-based transaction economy. If regulators, market participants, and investors can cooperate, the banking and financial services sector in India may experience major change. Currently, FinTech service providers are changing how businesses and consumers transact on a regular basis [41]. Neo banks are paving the way to completely transform the world of financial services. Neo banking can be used to advance the efforts made to address the issues with financial inclusion and the challenges of bundling banking services with other financial services. It is seen that between 2016 and 2020, the Neo banking market experienced a CAGR of 50.6%. The Neo banking industry is anticipated to grow at a CAGR of 53.4% to 2.05 trillion dollars by the end of 2030. If the central banks apply the regulatory framework and regulatory relaxations, Neo banks are expected to offer excellent commercial prospects. Digital transactions increased by 90% between 2019 and 2021, or from 2,32,000 to over 4,30,000. These figures show that Neo banks in India have a tremendous deal of room to expand. But it's also critical to comprehend how Neo banks are handling challenges with data security, regulatory function.

#### XI. CONCLUSIONS

Wormhole attack in wireless sensor network can disturb the routing process and ultimately degrade network performance. In this paper, we have presented existing wormhole attack types and their detection mechanism. Wormhole detection in a dynamic WSN setting is an open research area. A good research direction for wormhole detection is integration of trust based systems and time or distance bounding wormhole detection techniques.

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