

“BANKING OPERATIONS BEYOND THE PHYSICAL WALL: NEO BANKING IN INDIA”

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Abstract

COVID-19 has undoubtedly had a negative impact on the global economy, but it has accelerated the digital revolution of different businesses. Numerous business paradigms flourished during Covid-19, including neobanks. Neobanks are mostly called as niche segment, however their popularity has grown to match that of regular banks as a result of the Covid-19 pandemic. The quick proliferation of Neo banks in India indicates that the country's netizens are embracing the coronavirus's new normal. Neo banks have revolutionized the period of physical banking by

bringing the unbanked into the mainstream, and their popularity and usage are only expected to continue to grow. This primary objective of the paper is to determine the consumer awareness of Neo Banking and also to investigate the influence of a person's demographic profile on their frequency usage of Neo-Banking. And further it focus to find the degree of relationship between covid-19 pandemic and raise in Neo banking services. The study is based on primary data acquired through a questionnaire from 149 respondents. In order to reveal the study's results, the Random Sampling Technique was used, as well as statistical techniques such as Chi-square test, ANOVA, Independent T-test, and Pearson Correlation.

Key words: Covid-19 pandemic, digital revolution, Traditional banking, Neo banking.

Introduction

COVID-19 has undoubtedly had a negative impact on the global economy, but it has accelerated the digital revolution of different businesses. Although the pandemic has caused a myriad of challenges, it has also created several long-term opportunities as a result of customer behavior shifts. In order to cope up with changing environment and new normal norms, digital banking is the only solution that has kept the economy going while also preventing from the spread of viruses. In India, it has also driven a new trend known as neo banks, which are virtual branchless bank. The pandemic has a significant impact on firms day-to-day financial operations. Previously, every banking procedure, from a change in the payment approval process to opening a current account, needed businesses to complete time consuming paperwork and visit a physical bank office. Neo banks and digital bank are similar in nature but slightly different in their utility. Neo-banks and digital banks are terms that are frequently interchanged. Although both types of banks provide purely digital services, the digital bank is usually an online-only partner or a subsidiary of a traditional bank. Neo-bank, on the other hand, is a self-contained financial technology firm that operates without the use of a physical location. After the financial crisis ended, the concept of Neo bank was first used in the United Kingdom. It is currently being used all around the world. Some of popular Neo bank in India are Razorpay, Instapay, Kotak811, FI Money, ZikZuk etc.

Product and Services offered by Neo-Bank in India

Neo-Bank	Product/Services offered	Partner bank
Razorpay X	Payments, current account, cheque book, credit card, payroll management, IT and compliance management, Customer Relationship Management.	RBI
NIYO	Salary Account Saving Account, Foreign Exchange card, Employee Benefits system, Travel loans and Early salary Advance, Mutual Fund Investments.	IDFC first OCB, Yes

Open	Automated Account, Current Account, Payment Gateway, Credit cards, Automated Book-keeping, Cash Flow Management, Tax and Compliance Management Solution.	ICICI, Yes, SBI, Axis, HDFC, Kotak, Indusind, Union, IDFC, PNB, Citibank, Standard Chartered
InstantPay	Savings or Current Account, Prepaid Cards, Bill Payments and Collections, Travel, Insurance, Loans and Investments, Expense and Cash Management Solution	Federal, ICICI, HDFC
InstsD App	Smart Contracts, Crypto Currencies and other Block chain Assets Deposit Account, Decentralized Assets lending and borrowing	-
Forex Kart	Foreign Exchange services, Multi-Currency Foreign Exchange Card, Traveller Cheques	Laxmi vilas, Yes
Payzello	Virtual debit card, Forex card, Expenses Management Loans, Money Transfer	Federal, ICICI
Yolo	Banking, Credit, Payment solutions and remittance, goal-based saving, consumer durable, gold, health care and Government Benefits	-
Walrus	Payments, Savings and Debit Cards	-
Neo-Bank	Credit, Saving and Investment Products	-

Review of Literature

Yashraj Dokania

She made a study on the topic *“Neo Bank – Revolution in Indian Banking sector – A Critical Analysis”*. The aim of the paper is to explain the functions, scope, regulation of neo banking and how reorganizing the Indian banking sectors and also made a comparative study of working of neo banking India and in other countries neo banking.

Advait Rao Palepu

He made a study on the topic *“India’s Neo-Banks: What’s so ‘Neo’ about them?”*. He stated that Neo bank is developing a new idea to simplify banking services via the use of information technology and artificial intelligence, according to the company. In his paper, he also mentions the

firms that are taking the effort to come to India. He further said more about the services they provide and how they provide them.

Vanita D'souza

He made study on topic ***"Neo Banks that are changing the way India Does banking"*** he included Allied Market Research survey, the growth rate of neo banks is expected to increase from 2017 to 2020. The research also discusses client perceptions and preferences about neo banks. This article also claims that Neo Bank has a significant market opportunity in India and can be advantageous to MSMEs in terms of loan advancement, payment convenience, and creditworthiness. As a result, the author has used this post to analyse the market situation and how neo banks might assist MSMEs.

Raghav Agarwal and Avneesh Singh Nagar

They made study on topic ***"Neo Bank and the next banking revolution"***. They discussed about how the banking industry is fast evolving. With a case study of e-KYC and UIDIA, they have further distinguished between digital bank and neo bank. They have highlighted some of neo bank's benefits as well as its issues and flaws. They then talked about the structure of neo banks, including their basic infrastructure and B2C/B2B modules. Thus, the author has drawn reference from this article to the structure of neo banks in terms of how they channel end-to-end service, as well as the advantages and disadvantages of neo banks.

Vinod Kothari

In his book title ***"Banking Law and Practice in India"*** has discussed the various functions that a commercial bank performs in order to provide services to its clients. Though this book does not discuss the functions of a neo bank or a fin-tech corporation, it will assist the author in comparing the functions of a commercial bank with those of a neo bank and what further functions a neo bank can supply in the future.

Michael Margrath

He made a study on the title ***"Top Regulatory Consideration for Neo Bank"***. He has discussed the different issues that neo banks confront in delivering services to their consumers, particularly in terms of data protection. He stated that "the majority of clients are concerned about the safety of their data and money at neo bank." As a result, he has suggested a method for overcoming these difficulties. In his post, he emphasizes the importance of stacking security to safeguard customers' privacy. The author utilized this article as a resource while writing on the issues that neo banks face.

Statement of Problem

Majority of previous studies are conducted are explanatory study which explains about the functions, advantages, disadvantages, opportunities and challenges of neo banking service. The present study discuss the demographic variable impact on neo banking services and find the relationship between Covid-19 pandemic and raise in Neo banking service

Scope and Limitation of study

- The study is limited to Bangalore north only
- Due to time constraint, the survey was restricted to a sample size of 63 customers.
- The responses from the public were not certain and their opinion are possible from changes in other occasions.

Objective of the study

- To examine awareness level of Neo-banking and how frequently they use it.
- To investigate the influence of a person's demographic profile on their frequency usage of Neo-Banking services
- To find the degree of relationship between the COVID-19 pandemic and raise in Neo Banking services.

Methodology

- ✓ Literature survey was conducted using primary data and secondary data obtained from high- impact academic publication, magazines, websites etc.
- ✓ Primary data are acquired through a questionnaire
- ✓ The SPSS tools Chi-square test, ANOVA and Independent T-test, and Pearson Correlation are used to prove the hypothesis

Research Design

Sl.No	Description	Methodology
1	Study	Empirical Study
2	Target Area	Neo banking user
3	Population	1,00,000 numbers
4	Sample Size	149 numbers
5	Sampling	Simple Random Sampling
6	Tools used	SPSS

7	Analysis carried out	Chi-Square test, ANOVA, Independent T-Test, Pearson Correlation
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Hypothesis

H0₁: There is no significant difference between Awareness level and Usage neo-banking service

H0₂: There is no significant difference among usage of Neo-banking and Age group.

H0₃: There is no significant difference between usage of Neo-banking and Gender

H0₄: There is no significant difference among usage of Neo banking and Education Qualification

H0₅: There is no significant difference among usage of Neo banking and Occupation

H0₆: There is no significant relationship between the COVID-19 pandemic and raise in Neo Banking service

Data analysis and interpretation

H0₁: There is no significant difference between Awareness level and Usage neo-banking service.

Table:1 Chi-Square Tests: Awareness level and Usage of Neo banking Service

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	106.538 ^a	4	.000
Likelihood Ratio	131.878	4	.000
Linear-by-Linear Association	94.785	1	.000
N of Valid Cases	149		

Source: Primary data

Using Chi square test, it was found that p-value is found less than 0.05, so null hypothesis is rejected and alternative hypothesis is accepted i.e., there is a significant relationship between the Awareness level and Usage of Neo-banking services.

H0₂: There is no significant difference between usage of Neo-banking and Age group.

Table:2 Chi-Square Tests: Usage of Neo banking and Age group

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	210.725 ^a	20	.000
Likelihood Ratio	207.883	20	.000
Linear-by-Linear Association	104.203	1	.000
N of Valid Cases	149		

Source: Primary Data

Using Chi square test, it was found that p-value is found more than 0.05, so null hypothesis is accepted i.e., there is a no significant relationship between the Usage of Neo banking service and Age group.

H0₃: There is no significant difference between usage of Neo-banking and the Gender

Table:3 Independent Samples Test: Usage of Neo banking and the gender

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2- tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Usage Equal variances assumed	291.218	.000	-13.700	147	.000	-2.13970	.15618	-2.44835	-1.83105
Usage Equal variances not assumed			-11.791	69.984	.000	-2.13970	.18147	-2.50163	-1.77777

Source: Primary data

Independent sample t test was used find whether the usage of Neo banking depends on the gender, it was found that p value is less than 0.05, which shows that null hypothesis is rejected and alternative hypothesis i.e., there is a significant difference between usage of neo-banking and the gender.

H0₄: There is no significant difference among usage of Neo-banking and Education Qualification

Source: Primary data

Using ANOVA it was analyzed that whether the usage of neo banking depends on educational

Table: 4 ANOVA for Usage of Neo banking and education qualification

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	269.900	4	67.475	428.219	.000
Within Groups	22.690	144	.158		
Total	292.591	148			

qualification. Since p value is less than 0.05, it was found that null hypothesis is rejected. Therefore, there is significant difference between neo banking and education qualification.

H0₅: There is no significant difference between usage of Neo-banking and Occupation

Table: 5 ANOVA for Usage of Neo banking and Occupation

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	251.267	4	62.817	218.895	.000
Within Groups	41.324	144	.287		
Total	292.591	148			

Source: Primary data

Using ANOVA it was analyzed that whether the usage of neo banking depends on occupation. Since p value is less than 0.05, it was found that null hypothesis is rejected. Therefore, there is significant difference between neo banking and occupation.

H0₆: There is no significant relationship between the COVID-19 pandemic and raise in Neo-Banking

Table: 6 Correlations between Covid-19 pandemic and Neo banking services

	Preferred mode of banking during covid-19 pandemic	COVID-19 pandemic has raised the establishment of Neo-banking in India
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Preferred mode of banking during covid-19 pandemic	Pearson Correlation	1	.744**
	Sig. (2-tailed)		.000
	N	149	149
COVID-19 pandemic has raised the establishment of Neo-banking in India	Pearson Correlation	.744**	1
	Sig. (2-tailed)	.000	
	N	149	149

** . Correlation is significant at the 0.01 level (2-tailed).

Using Pearson Correlation it was analyzed, whether COVID-19 pandemic leads to raise in Neo-Banking. Since P value is less than 0.05, so null hypothesis is rejected and r value is 1 which says that it is positively correlated. Therefore it can be concluded that there is a positive relationship between Covid-19 pandemic and raise in Neo banking service.

Way ahead

The present study focused only on the awareness level, usage and finding the degree of relationship between Covid-19 pandemic and Neo banking service. In future, the study can be focused to capture the wide angle of neo banking services in India.

Conclusion

Neo banks are mostly called as niche segment, however their popularity has grown to match that of regular banks as a result of the Covid-19 pandemic. The study conclude that awareness level of neo banking service and usage of neo banking service has the positive relationship and both moves in same direction. And demographic factor like gender, education qualification, occupation have a positive impact of usage of neo banking service but age group factor does not have any impact of usage of neo banking service. Further the study analysis the relationship between covid-19 and raise in neo banking service because during covid-19 pandemic social distancing has become the new norms of our daily lives, this had made shift in the financial behavior of companies of all size. Neo banks proved to be the ideal answer for such a transformation. Therefore, there is positive relationship between Covid-19 pandemic and raise in neo banking service in India.

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