

# A Study on the Perception of Commerce Graduates on Neobanks in India

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**Abstract:** *This paper mainly focuses on the perception of commerce graduates on Neo Banks in India. The data of this research is based on primary sources. For the collection of data, a survey has been conducted with the help of a questionnaire through Google form. 80 responses have been recorded and analysed with the help of charts to examine the perception of commerce graduates regarding the neo banks in India. It was found that the majority (85%) of the respondents want to use the neo-banking services if they are given proper knowledge and information.*

**Keywords:** Neo banking, Fintech, Banking system.

## I. INTRODUCTION

Financial Sector is the lifeline for any economy around the world. According to IMF, India is now the 5<sup>th</sup> largest economy (as on January 2023) in the world surpassing the United Kingdom. The banking sector is the key pillar that plays a crucial role in the functioning, growth, and development of the Indian economy. It is very important that the financing requirements are fulfilled with a greater degree of commitment & responsibility. The development of the nation is directly linked with the development of the banking sector. In today's world, banks are to be considered not only just dealers in money but as key leaders of development. They play a major role in the mobilization of deposits from the public and also in the disbursement of credit to different sectors of the economy. The banking system is the key indicator of the economy's health.

One of the major revolutions coming in the Indian banking sector is the rapid growth of the Neo Banks. A digital bank without any physical branch offices is termed a neo bank. These banks provide a cheaper alternative as compared to traditional banking businesses. With the help of technology and Artificial Intelligence (AI), these banks provide seamless customized services to their users.

Neo banks joined the financial system as "challenger banks" because they challenged conventional banks' sophisticated infrastructure and customer onboarding procedures. Till now, RBI does not allow banks to go online 100%. Therefore presently, the business of neo banks relies on their bank partners in India rather than holding their own bank license in order to provide authorized services. RazorpayX, Jupiter, Niyo, and Open are some of the major Neobanks operating in India. As per the Statista website, In India, the Neo banking market is expected to grow by 21.26% (from 2022 to 2027), resulting in a market volume of US\$122.30 billion in 2027. Neo banking's adoption has been accelerated by the rise of the global pandemic. These banks are commonly referred to as challenger banks, which are now redefining how traditional banks conduct businesses and provide customer service.

## II. LITERATURE REVIEW

(ASMA, JOHNSON, & GEORGE, 2022) analysed the challenges and the future of neo banks in India with the help of a review of various articles and reports. The researchers use descriptive research design in order to differentiate between the traditional banks and the neo banks. As the country's economy is growing, there are many challenges as well as opportunities in the growing market of neo banks.

(TENA, 2020) studied how traditional banks are adapting to the demands of modern technology and how they are losing customers. High operational costs and low earnings are two major factors that contribute to the challenges that banking businesses are facing. The new group of rivals that have evolved due to technological innovation has also been described, including fintech companies and neo banks. Additionally, the author covered their operating procedure and the regulations' requirements.

(D'souza, 2019) examines the consumer perceptions and interests in neo-banks as well as the evolution and growth of neo-banks from 2017 to 2020. The researcher highlighted that Neo Banks will have a strong market in India and also will be greatly beneficial for MSMEs in terms of loan advancement, payment method convenience, and creditworthiness.

### III. OBJECTIVE OF THE STUDY

To examine the perception of commerce graduates on Neo-Banks in India.

### IV. RESEARCH METHODOLOGY

The data of this research is mainly from primary sources.

- **Target Population:** Commerce graduates (20-30 years).
- **Sample Size:** The survey was sent to 120 people with the help of a questionnaire through Google form. Out of the total population of 120 people, 40 people did not respond properly. The questionnaire was filled out by 80 persons. The response rate is 66.67% which is considered good for the research.
- **Sampling technique:** Convenience method of sampling has been used for the study.

### V. DATA ANALYSIS AND INTERPRETATION

The survey was performed to examine the perception of commerce graduates on Neo-Banks in India. A survey of young individuals (20- 30 years) was conducted using google form in order to examine their perception of Neo-Banks in India.

Q1. How frequently do you physically visit the Bank Branch?

| Options                 | Response | Percentage (%) |
|-------------------------|----------|----------------|
| At least once in a week | 6        | 7.5            |
| Once or twice a month   | 21       | 26.25          |
| Quarterly               | 20       | 25             |
| Few times a year        | 24       | 30             |
| Once a year             | 9        | 11.25          |

Table 1.0

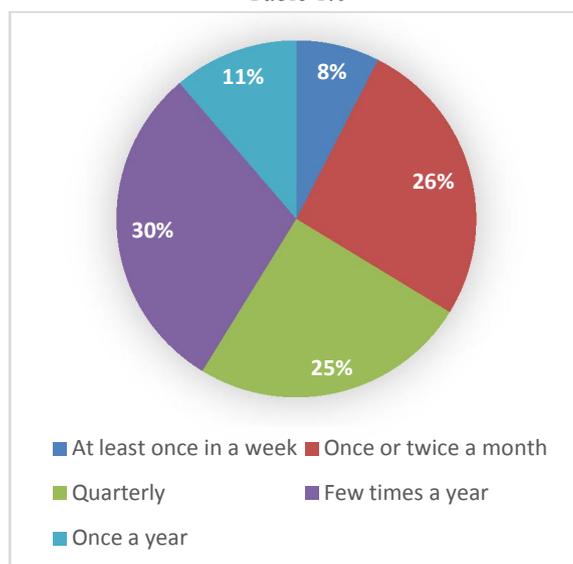


Figure 1.0

From the above Figure 1.0, it is clearly visible that 30% of the respondents visit the bank branch a few times a year. Also, it is seen that 26% of the respondents visit the bank branch once or twice a month. It seems that people do not like to visit the physical bank branches as only 7.5% of the respondents visit the bank branch once a week and only 21% of the respondent visit once or twice a month.

Q2. Will you feel secure using banking services that operate entirely through 100% online bank and doesn't have any physical branches?

| Options | Response | Percentage (%) |
|---------|----------|----------------|
| Yes     | 39       | 48.75          |
| No      | 25       | 31.25          |
| May be  | 16       | 20             |

Table 1.1

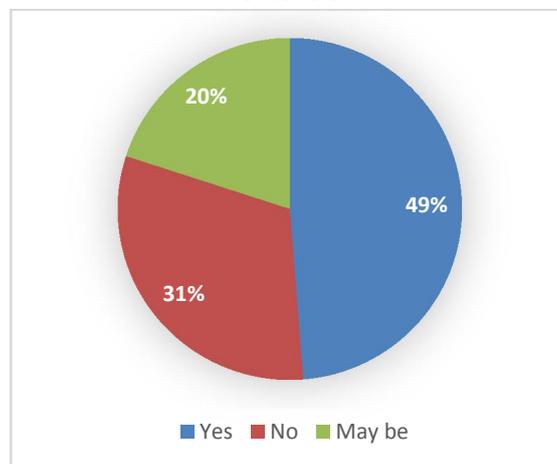


Figure 1.1

It is apparent from the above figure 1.1, that mixed response is given by the respondents nearly half (49%) of the respondents feel safe while using the banking service entirely online. On the other hand, 51% of the respondents either does not feel secure or maybe feel secure while using banking services that are entirely online.

Q3. To what extent do you agree that neo banks will replace traditional banks?

| Option            | Response | Percentage (%) |
|-------------------|----------|----------------|
| Strongly disagree | 21       | 26.25          |
| Disagree          | 8        | 10             |
| Neutral           | 36       | 45             |
| Agree             | 10       | 12.5           |
| Strongly agree    | 5        | 6.25           |

Table 1.3

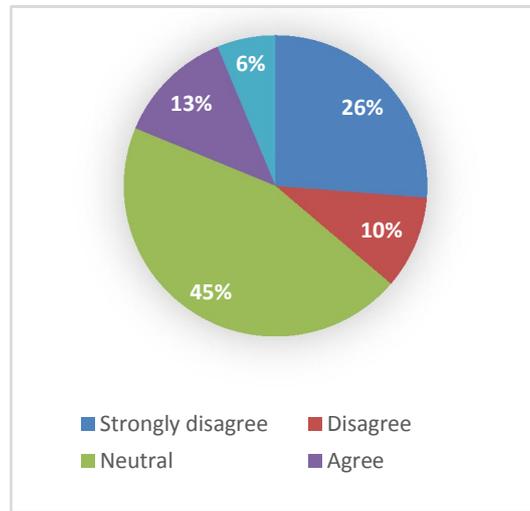


Figure 1.3

From the above figure 1.3, it is seen that 45% of the respondents are neutral and 26% of the respondents strongly disagree on whether neobanks will replace conventional or traditional banking. It is clear that very few (6%) respondents strongly agree on this statement.

Q4. Have you heard about any of the following neo banking companies? If yes, then are you also an account holder with any of the following?

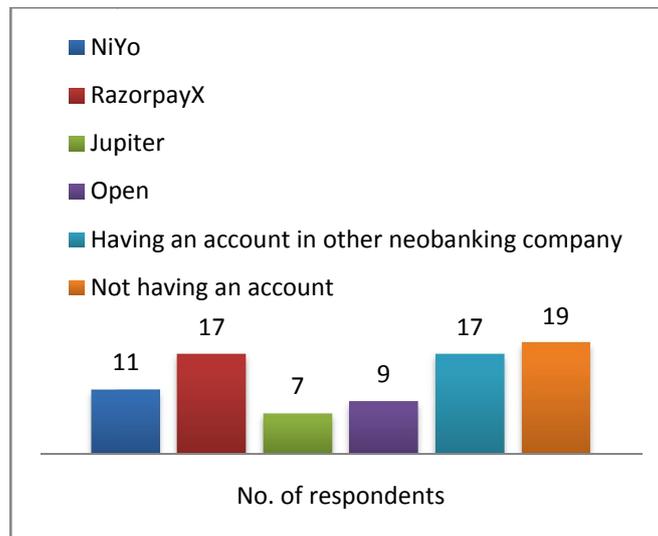


Figure 1.4

From the above figure 1.4, it is quite interesting to see that only 19 respondents are not having any account in any of the neo banking companies currently operating in India. Otherwise, the majority of the respondents are already using the neobanking services of different companies.



Q5. If given a chance and proper information and knowledge, will you prefer Neo banking over conventional banking?

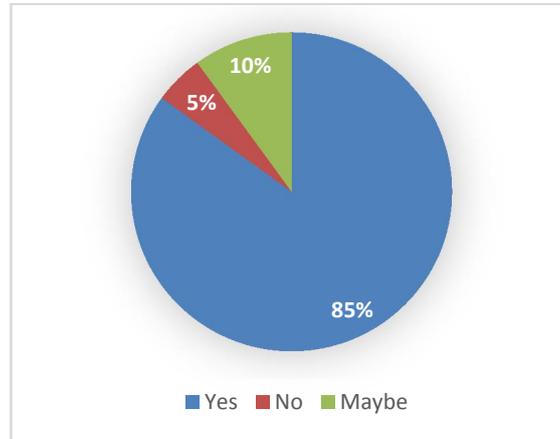


Figure 1.5

From the above figure 1.5, it is evident that the majority (85%) of respondents will prefer neo banking if they are given proper information and knowledge about its use. The regulatory body and the neo banking companies should start an awareness campaign so that proper knowledge and information regarding the neo banking services should reach the masses.

### VI. CONCLUSION

It is quite interesting to see that the majority of the young individuals are tech-savvy and also using the services of various Neo banks operating in India. But, till now all such neo banking companies tied up with their business partners which operate physically or offline. As this market is still emerging, there is a huge potential for new neo banks in the future. In order to develop this emerging market, It was suggested that the Government and the regulatory body i.e., RBI have to make proper guidelines and regulations for providing licenses to a 100% entirely operating online bank i.e., NEOBANK

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