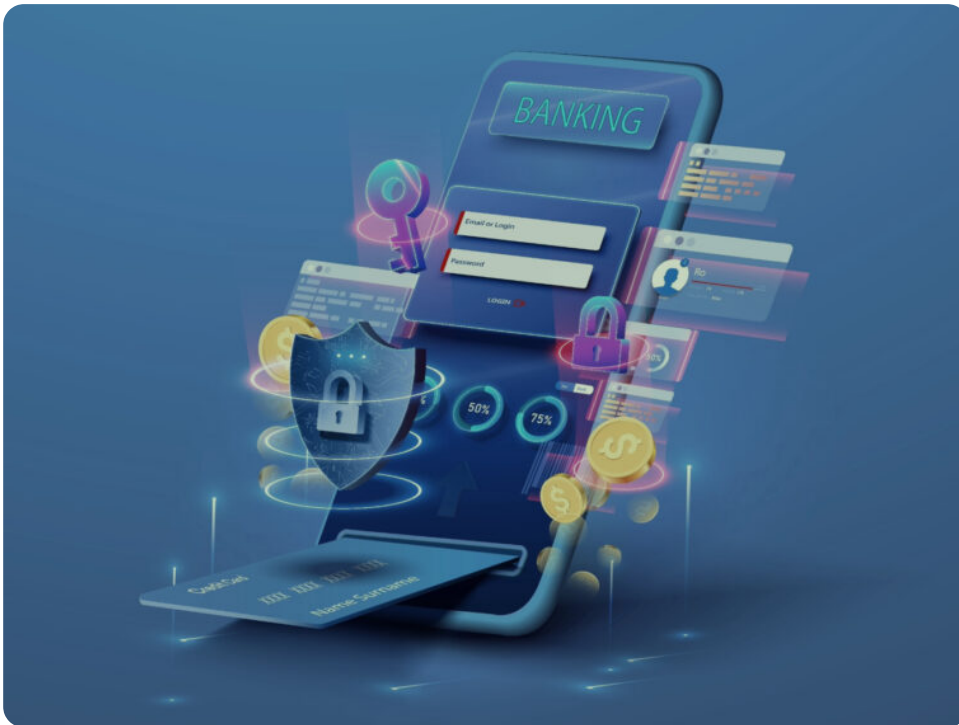


RESOURCES

Neobanks: Driving India's Fintech Revolution In the Age Of Innovation

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The digitisation and technological progress that India achieved over the past decade, especially since the onset of Covid 19, has sparked several transformations across sectors. Neobanks,

which exclusively operate in digital mode, are **emerging as the next biggest innovation** in the banking sector.

In India, neobanks are leading the fintech revolution by catering to the evolving needs of customers in a more effective and affordable manner. With the government's emphasis on digital payments, the future of neobanking in India looks promising.

How Neobanks Are Shaping India's Economic Landscape

With a focus on online accessibility, user experience, technology, and **personalized solutions**, neobanks redefine the way we approach banking. The digital-first approach makes banking convenient and accessible for customers who prefer managing their finances through mobile apps and websites.

With their user-friendly interfaces, intuitive design, and responsive customer support, they ensure that banking is a hassle-free and enjoyable experience. This emphasis on customer experience enhances customer loyalty and the propensity to do more of their banking and payment transactions through these channels.

According to a Statista report, the transaction value across neobanks in India is projected to exceed \$155.50 Bn by 2027, growing at a remarkable CAGR of 19.21 percent. The surge in smartphone and internet usage across the country has accelerated this evolution, aligning seamlessly with the government's ambitious Digital India initiative that places a strong emphasis on enhancing financial inclusion.

Both public and private sectors are embracing neobanks to amplify employee engagement, productivity, and overall efficiency. Their partnerships also help extend the reach and availability of banking services, particularly in regions where traditional banking facilities are limited.

Neobanks have also the potential to play a pivotal role in India's thriving Small and Medium-sized Enterprises (SME) sector. While SMEs are touted as the fulcrum for economic growth in India, contributing significantly to employment and GDP, many of them still face challenges related to access to financial services and industry-specific solutions.

Neobanks can bridge this gap and tap into this vast opportunity through services such as supply chain financing and trade finance, tailored to meet the unique demands of various sectors. They can also simplify access to credit and empower SMEs to invest in growth, thereby contributing to the overall economic development of the country.

Further, neobanks are well placed to offer a **broad range of banking** and related financial services to the burgeoning SME sector.

Fintech And Digital India

For over a decade, the Government of India has been actively engaged in transformative initiatives within the banking sector, elevating the country's status as a digital economy.

To enhance security and offer tailor-made customer experiences, banks introduced automated Know Your Customer (KYC) initiatives during 2020-2021, and this led to several milestones in the country's banking sector.

For example, the transactions across India's public digital infrastructure, notably the Unified Payments Interface (UPI), exceeded INR 4 Tn, while Aadhaar authentications crossed 55 trillion. (Source: Niti Ayog report).

In 2022, Prime Minister Modi initiated the establishment of **75 digital banking units** across the country's districts. These banks will serve as the platform for providing a means for customers to be acquainted to self-service and digital channels, strengthening the nation's digital banking infrastructure, and empowering the common citizens.

These achievements validate India's possession of a robust technological foundation to seamlessly support digital banking. Building on these developments, India has also implemented its personalized Open Banking framework.

However, India still needs to design a comprehensive regulatory framework to address the various policy challenges in digital banking and solidify its global leadership in Fintech. Lack of clear protocols and legal framework can impede progress of neobanks. While digital banks are not, yet approved by RBI, Niti Aayog is working on guidelines for their regulation.

However, currently, neobanks are collaborating with existing banks to offer their products. With the thrust from the government and regulators, various digital solutions are being leveraged by neobanks, with a few examples like India stack and Account Aggregator.

To conclude, neobanks are reshaping the Indian banking landscape by placing emphasis on online accessibility, user-centric design, technological innovation, and personalized solutions. By helping customers adapt to digital and self-service modes, neobanks further expand to broader audience.

As they continue to evolve, free from legacy constrains and **armed with advanced technology**, neobanks are likely to play an increasingly significant role in India's banking sector.

FinTech

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