

Customers' Perceptions Towards New Age Banking in India During Amrith Kaal: An Empirical Study

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ABSTRACT

Banking and financial Institutions are ever-evolving as per the needs of the economy and businesses. A bank is a place where Depositors Park their money or make investments through it, and borrowers borrow Depositors Money and other monetary financial transactions take place. In the age of Cybernating Yuga, we are focusing on the digitalization of everything, so why not banking institutions? Digital payment apps, e-wallets, and online shopping are now experiencing a higher growth rate. Neo banking is a concept where we do not have a physical bank. New-age banks provide banking services entirely through digital means. Neo Banking offers several high-quality and low-cost Operational financial services to Customers through online mode. Currently, Neobanks are working as Partner banks with Traditional Banks that have valid banking licences from the RBI. These neobanks are completely based on leveraging Information Technology. The Reserve Bank of India hasn't started the distribution of banking licences to Neo Banks, but these banks are answerable to the apex banks for their Banking operations. However, the RBI has Indirect Control over neobanks. As Technological Transformations Continue to disrupt the world, Neobanks too could one day eclipse traditional banks and become the Future of Banking. In this research paper, the author will first explain the concept of neo banking, its perception and Awareness among the general public, as well as investigate the reaction of users towards neo banking services during Amruth Kaal.

Keywords: Neo banks, Cybernating Yuga, Information Technology, RBI, and Amrith Kaal.

I. INTRODUCTION

The term neo-banking was first coined in 2017 to describe tech-based financial service providers that were challenging traditional banks. The concept of neo-banking itself, however, emerged years ago, between 2013 and 2015. Some of the first players started up in the UK and Germany, including Monzo, Revolut, N26, and Atom Bank. In India, we at Niyo Solutions were the first fintech to pursue neo-banking in 2016. "Neo" means new. These are new-age banks without any physical location, present entirely online. They provide digital, mobile-first financial solutions for payments, money transfers, lending, and other Banking Services. They allow customers to make deposits and withdraw money. They offer debit cards, investment facilities, and more. They even provide credit and lending services. However, most neobanks do not have a banking licence and cannot operate stand-alone; they partner with licenced banks to provide financial services.

II. CONCEPT OF NEOBANKING

Neobanks are new-age banks without any physical location, present entirely online. They provide digital, mobile-first financial solutions for payments, money transfers, lending, and Similar Traditional banking Services. Neobanks are tech-first and offer benefits like a smoother UI, automation, faster response times, and lower costs when compared to traditional banks. However, since most neobanks don't have a banking licence, the range of services they offer is limited. "Neo-Banking" has become a buzzword in the fintech and consumer banking worlds. Also referred to as "Challenger Banking" or "Open Banking", neo-banking is a craze in both

developed markets, such as the US and Europe, and emerging markets, such as China, India, Brazil, and Southeast Asia. In essence, it is a new way of banking beyond the confines of brick-and-mortar establishments, one with a compelling digital presence.

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The digital banks are similar to neo banks in terms of no physical presence. But their overall operating system is closer to traditional banks. You can understand more about the differences between neo banks vs traditional and digital banks through the following table.

Criteria	Neo Banks	Digital Bank	Conventional Bank
Regulated by a Bank?	Not Regulated by a Bank (They follow RBI and Govt. Regulation)	Regulated by a Bank	Regulated
Customer Support	Online	Online	In-Person, online
Banking License	None	Partial	Full
Service Platforms	Web services and Mobile Apps	Web services and Mobile Apps	Physical Establishment
Application Process	Online	Online	In-Person
Approval Process	Quick	Quick	Manual and Time Consuming

III. LITERATURE REVIEW

Prof. Priya Raman and Angad Tiwary (2022), in their study, pointed out that Neo banks are becoming the new face of the Indian banking system and are ready to provide seamless, hassle-free banking services to Customers. *Kavya Shabu and R. Vasanthagopal, University of Kerala, 2021*, in their study, highlighted that Advancement in technology and digitalization Creating better sustainability, convenience, and spontaneity Neo Banking will help India achieve Banking digitalization in the near future, and the authors also mentioned the positive response of customers, debtors, and corporates towards neo banking. All the negative responses were based on the troubles being faced by traditional banks and the uncertainty of the foreseen future of neo banking. *Jaiswal MN (2022)*, in their study, pointed out that as technology grows, the idea of banking without banks and banks without branches is gaining popularity. The authors also emphasised three generations, one on the positive side and the other on the negative side of banking digitalization. Western countries are becoming more interested in neo banking than Asian countries. *Rajashri Deshpande (2022)*, in his study, Technology is the Key to the Future in All Over Different Fields and Areas The banking and financial sectors are disrupted due to technology, but mindful use of it will help. *Dhanraj Jaglan, (2021)* In his study, Neobanks can disrupt the banking Sector through innovation. Consumers are hesitant to trust new banks with their banking operations. Neobanks are facing a challenging environment since they are newcomers to the banking sector and are also facing huge Competition from traditional banks by launching their own greenfield digital banks. Neobanks objective is to make use of new opportunities and successfully challenge established incumbents. *Koibichuk, V et al (2021)* in his study describes the efficiency and potential technological change in the banking sector conducted the study in 90 countries focusing on the level of risk and cyber frauds based on Neo-Banking using the gravitational model. The overall study uses four factors supply conditions, demand conditions, institutional environment and Innovation & change with a total of 13 components subdivided among four factors. The study uses gravitational force to estimate the level of risk in money laundering concerning neo-banking. The study concluded that using Neo-banking as an innovation to the banking system, the risk of fraud reduces. *Dokania (2020)* talks about the reconstruction of traditional banks into neo-banks and their regulations in India along with a performance comparison of neo-banks in India with other countries. The regulation of neo banks was initially restricted by RBI considering a threat to an ecosystem like cryptocurrency, but later in 2019 allowed to feature in India with established banks as its partner. Five neo banks recognized during the study includes NiYO, 811 by Kotak, OPEN, YONO by SBI and Instant Pay providing techno-savvy services to their customers concerning zero ATM fees, higher interest on saving account and no to forex card. Finally, concluded that neo-banks are the new age of the banking sector providing seamless customer services eco-friendly (Srinivasan & Karanam, 2019). *Rajitha, R., & Sivakumar, B. (2019)*, A Study on Neo Banking Trends in India.: The Article studies about challenges faced by banks in India and non-performance asset as well as about the introduction of Neo Banking. The Study aims to have an understanding of the new trend in the banking industry- Neo Banks. *Mariotti et al (2019)*, The impact of neo-banks on the French banking sector: How has the emergence of FinTech changed the banking market in France? The study has taken place in France and focuses on impact of neo bank on the French banking sector and its growth in the competitive field, leaving room for new players with ever easier and cheaper access to banking products for individuals. *Hua, X., Huang, Y., Zheng, Y. (2019)*, Current practices, new insights, and emerging trends of financial technologies - The authors provide an overview of research and some key areas of

FinTech, such as artificial intelligence, block chain, crowd funding, and present key contributions from the research areas.

It has been observed that, out of the available literature, hardly any covers the comparison of digital banks or traditional banks with neobanks and technologies helping neo banks which are comes under one platform known as Fintech. Therefore, this paper aims to address this gap by presenting the concept of neo banking, its perception and awareness by the general public, and investigating the reactions of neo banking service users. And based on the research gap of the study the following hypothesis have been formulated;

- ***H₀: There is no significant difference in the perception level of the general public towards neo banking***

IV. MATERIAL AND METHODOLOGY:

An exploratory research design has been used. The paper is based on Secondary and Primary Data sources. Secondary data is sourced from research papers, news articles, and various reports. The primary data is sourced from the public in general through a survey. The convenience sampling method is used to select the respondents for the study. A sample size of 274 respondents was considered for the study. The respondents are inclusive of government sector employees, private sector employees, entrepreneurs, professionals like Chartered Accountants, Cost and Management Accountants, lawyers, etc., and Students. The respondents across all segments of society were selected deliberately in order to raise awareness about new-age banking. A formal questionnaire is circulated to the respondents through Google Forms to seek their awareness and perception levels. The first part of the questionnaire covers demographic details like age and profession and the later part covers questions related to the inquiry under study. The data collected has been classified and presented in tabular format; further, it has been analysed using the percentile method in order to arrive at specific Conclusions.

V. RESULT AND DISCUSSION:

The analysis of the study consists, demographic profile of the study, awareness of the people towards neo banking, factors influencing for neo banking, the result of the primary data have discussed below.

a. Demographic profile of respondents

Demographic factors like Gender, age, education, employment type and income of individual respondents have been used in order to understand the respondents.

Table-1: Demographic profile of respondents

Demographic Factor	Attribute	f	Per*
Gender	Male	140	51.1
	Female	134	48.9
Age	18-25	184	67.2
	26-30	28	10.2
	31-35	31	11.3
	35-40	15	5.5
	> 40	16	5.8
	PG	185	67.5
Education	UG	80	29.2
	PUC	0	0.0
	SSLC	1	0.4
	Professional Course	8	2.9
	Government	44	16.1
Employment	Private	57	20.8
	Self Employed	3	1.1
	Professional	8	2.9
	Student	159	58.0
	Home Maker	3	1.1
	< 2.5 Lakh	162	59.1
Income	2.5 - 5 Lakh	33	12.0
	5 - 10 Lakh	41	15.0
	> 10 Lakh	38	13.9

Source: Primary data

It is observed from the above table is that, there is almost equal participation from both male and female respondents to the study i.e., 51 percent and 49 percent respectively and majority of the respondents belonging

to 18-25 years age, which indicates new generation people have more participation in this research. As far as education of the respondents is concerned majority of the respondents have post-graduation, which also play very significant role in the study, because higher educated people could understand new age banking system and can give accurate response towards the neo banking systems. Majority of the respondents are students and few are working government and private sectors, due this the income level of the more respondents is less than rupees 2.5 lakhs.

b. Awareness level of consumers towards new age banking;

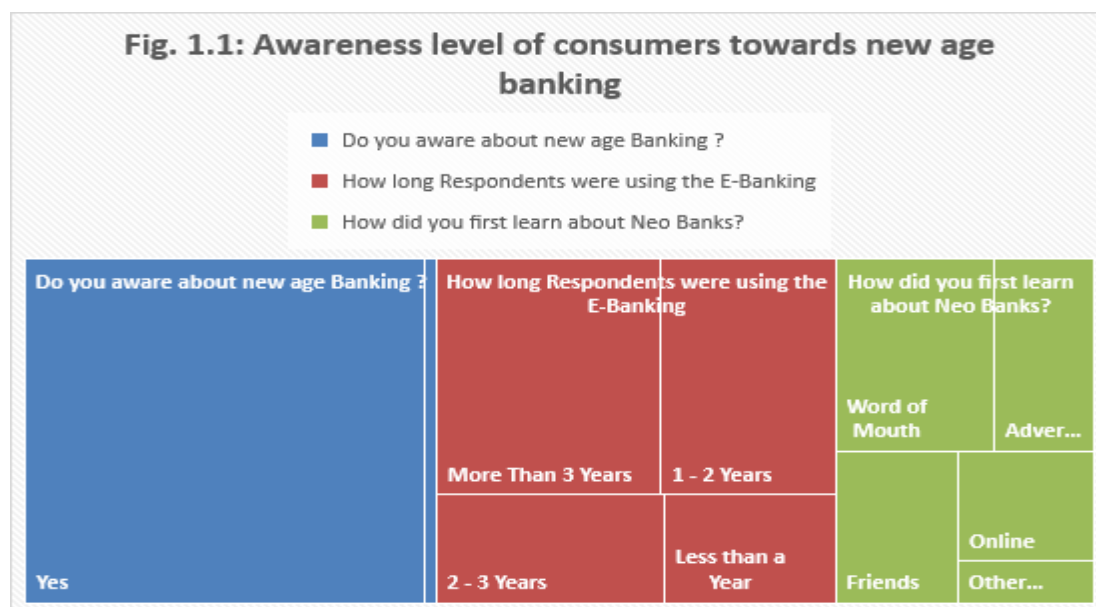
Awareness level of the customers towards new age banking (FinTech) has been examined by considering factors awareness, how long customers using new age banking and where they did learn about new age banking.

Table-2: Awareness level of consumers towards new age banking;

Question Asked	Attributes	f	%
Do you aware about new age Banking?	Yes	267	97.40
	No	7	2.60
How long Respondents were using the E-Banking	Less than a Year	36	13.40
	1 - 2 Years	80	29.90
	2 - 3 Years	48	17.90
	More Than 3 Years	103	38.40
How did you first learn about Neo Banks?	Online	29	16.90
	Word of Mouth	59	34.30
	Friends	36	20.90
	Advertisements	37	21.50
	Other Mode	11	6.40

Source: Primary Data

The above table-2, shows awareness among people regarding E-Banking. In the sample size of 274, 97.4% of respondents were aware of E-Banking. The above graph shows how long Respondents have been using E-Banking. In the sample size of 268, 39% of respondents were using for 3 Years, 30% of respondents were using since between 1-2 Years, 18% of respondents were using since between 2-3 Years and 13% of Respondents were using less than a year. The above graph shows how Respondents first learned about Neobanks. In a sample size of 274 and 172 respondents, 34.3% of respondents Learned through Word of Mouth, 21.5% of respondents Learned from advertisements; 20.5% of respondents Learned from friends; 16.9% of respondents Learned through Online Mode and the rest learned from other modes like books, teachers, etc. The same has been presented in Fig.1.1.



Perception of People towards Neo Banking

Table-3: Why Respondents are not Opened Account Neo Banks?

Particulars	f	%
Security Reasons	115	84.6
No Physical Establishment	87	64.0
No Knowledge on IOT	18	13.2
Due to Lack of Trust	108	79.4
Other Reasons	21	15.4

Source: Primary Data

The above graph shows reasons not to open Bank accounts in Neo Banks, though I am aware of Neo Banks. The majority of the respondents did not open their accounts Due to security, Trust issues, and the lack of a physical establishment of the Bank.

Table-4: Name of Neo Bank they are using?

Name of Bank	Freo	AKUD O	DIGI Bank	Fam Pay	Instant Pay	Kotak 811
No. of People	3	2	2	0	4	10
Percentage	8.3	5.6	5.6	0.0	11.1	27.8
Name of Bank	Niyo X	Jupiter	Piggy neo	FI Money	RazorpayX	SBI Yono
No. of People	1	2	1	3	5	3
Percentage	2.8	5.6	2.8	8.3	13.9	8.3

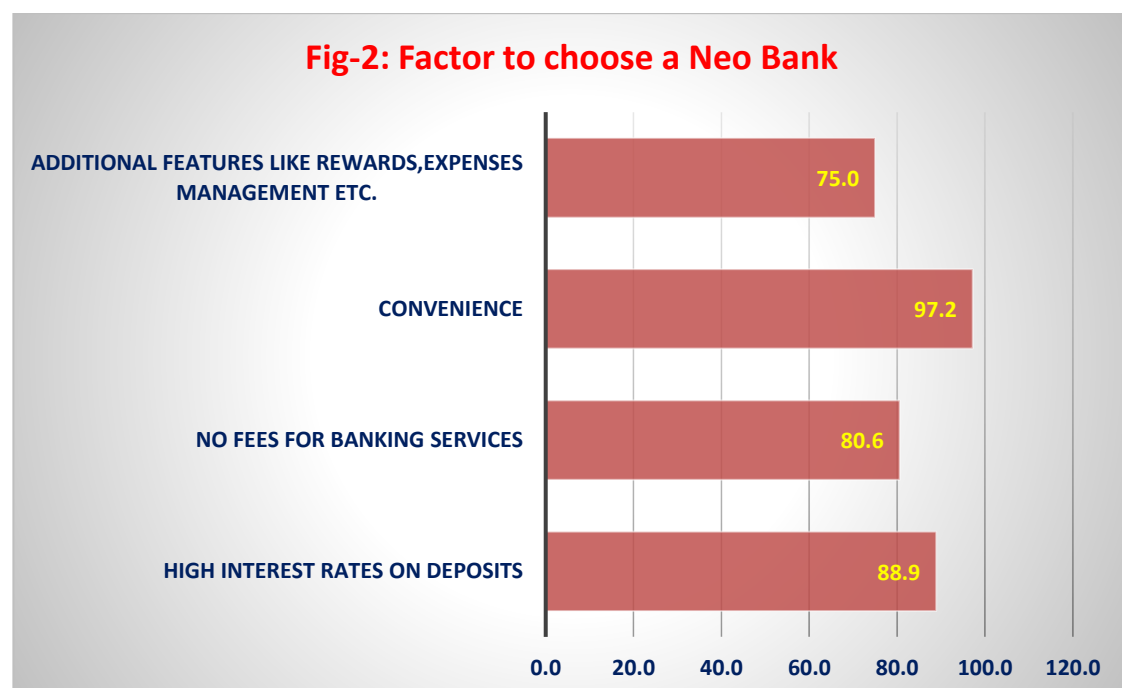
Source: Primary data

The above graph shows that the most familiar neobanks were Kotak811, RazorpayX, and Instant Pay, followed by others.

Table-5: Most important factor for you to choose a Neo Bank?

Particulars	f	%
High Interest Rates on Deposits	32	88.9
No Fees for Banking Services	29	80.6
Convenience	35	97.2
Additional Features like Rewards, Expenses Management etc.	27	75.0

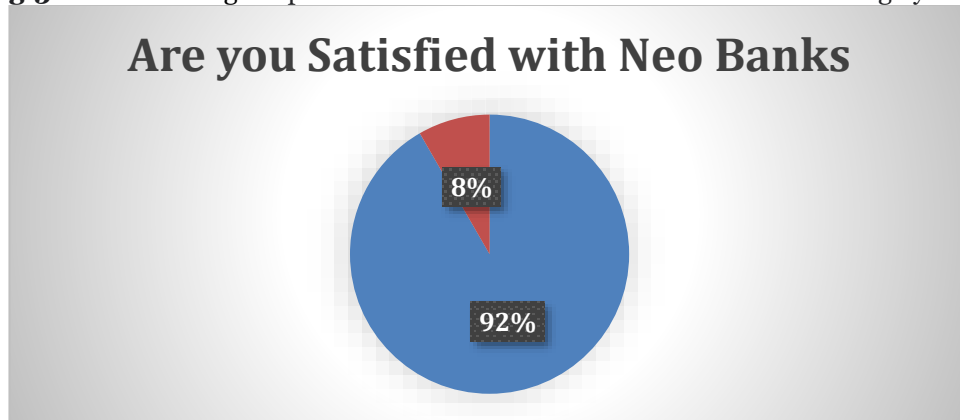
Fig-2: Factor to choose a Neo Bank



The above graph shows the most important factor when selecting Neo Banks. Most of the Respondents felt Convenience, High Interest Rates on deposits, and no fees for Banking Services like the issue of Debit cards, Credit cards, AMC etc.

c. Satisfaction level of people towards new age banking

Fig-3: Table showing Respondents satisfied with the services of Neo Banking System?



The above graph shows the satisfaction with the services of Neo Banks. 92% of the Respondents were Happy and Satisfied with Neo Bank's Services.

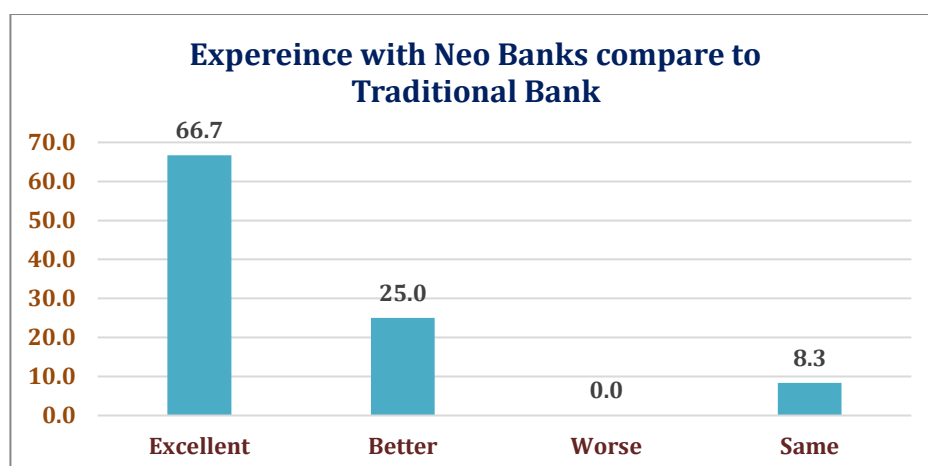
Table-7: Respondents Overall Experience with services of Neo Banks?

Particulars	Frequency	Percentage
Excellent	20	55.6
Good	13	36.1
Average	2	5.6
Poor	1	2.8

The above table shows the Overall experience with the services of Neo Banks. 55.6% of the Respondents were Rated excellent, and 36.1% of the Respondents were rated Good.

Table-8: Table showing Experience with Neo Banks Compare to Traditional Banks?

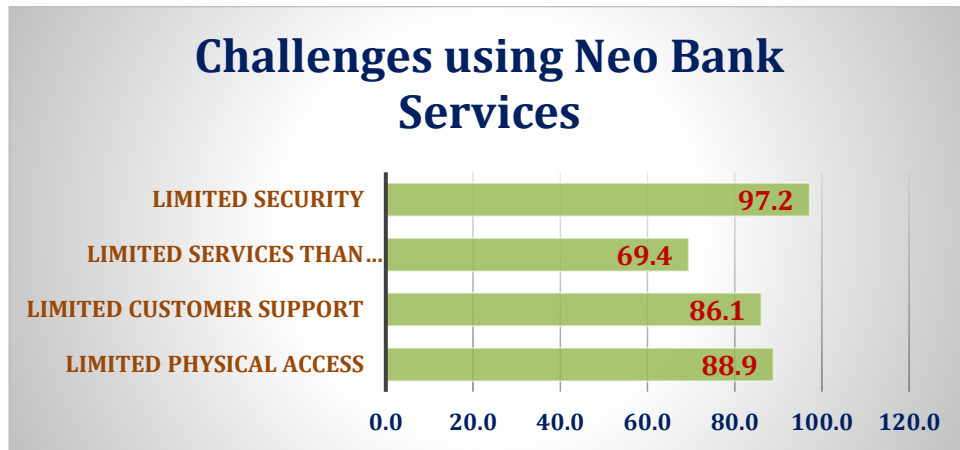
Particulars	Frequency	Percentage
Excellent	24	66.7
Better	9	25.0
Worse	0	0.0
Same	3	8.3



The above graph shows that Respondents Experience is Excellent in Neobanks compared to Traditional Banks. Majority of the respondents given positive response towards neo banking compare to the traditional banking.

Table-9: Table showing Challenges faced by Respondents in Neo Bank services.

Particulars	Frequency	Percentage
Limited Physical Access	32	88.9
	31	86.1
Limited Services than Traditional Banks	25	69.4
Limited Security	35	97.2



The above graph shows different challenges faced while using Neo Banking Services, and Limited Security is the biggest Challenge for Respondents.

Table-10: Table shows when people were asked would they recommend the neo banks.

Particulars	Frequency	Percentage
Very Likely	26	72.2
Likely	9	25.0
Neutral	1	2.8
Unlikely	0	0.0

The above table-10 shows that 97.2% of Respondents will recommend Neo Banks to others.

d. Testing of hypothesis

Table : 11: Descriptive statistics of the variable (One-Sample Statistics)

	N	Mean	Std. Deviation	Std. Error Mean
Reasons for Opting Neo banks	5	69.8000	47.07122	21.05089
Factors Affecting	4	30.7500	3.50000	1.75000
Satisfaction Level	4	9.0000	9.12871	4.56435
Challenges for Using Neo Banks	4	30.7500	4.19325	2.09662

Source: Primary Data, SPSS Output

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)*	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Reasons for Opting Neo banks	3.316	4	.029	69.80000	11.3534	128.2466
Factors Affecting	17.571	3	.000	30.75000	25.1807	36.3193
Satisfaction Level	1.972	3	.143	9.00000	-5.5258	23.5258
Challenges for Using Neo Banks	14.666	3	.001	30.75000	24.0776	37.4224

Source: Primary data, SPSS output *5 percent level of significance

From the one sample t test it is observed that, there is a significant difference in the perception level of the respondents towards reasons for opting neo banks, factors affecting and challenges facing by the respondents with respect of neo banks transaction but in case of satisfaction level t value is insignificant, therefore it can be concluded that, customers of neo banks do not have much satisfaction towards neo banks.

VI: CONCLUSION

The entire world has witnessed the growth of Digital platforms. This research examined awareness and perceptions of Neobanks. Presently, Neo Bank has not yet gotten a licence from the RBI, but it can partner with any Traditional bank. Analysis of the primary data revealed that most of the respondents are aware of E-Banking. Neo banking is a new concept. Although respondents are aware of Neo banks, the study found that the majority are not account holders. The public in general is afraid of Cyber fraud and other security reasons; therefore, visiting bank branches is preferred. Current Scenario: The banking industry's Future lies with Neo Banks.

Neobank is suggested for India due to its global usage and convenience of opening and operating accounts, seamless payments, transfer of funds, and remittances of funds. It has alternative methods for assessing creditworthiness, which are some of the features that are attractive to micro and small industries and underbanked or unbanked customers. New-age banks provide access to financial services and products to all people. New-age banks should give preference to Security and Create awareness regarding the advantages of Neobanks over Traditional Banks.

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