

The Role Of Neobanks In Reshaping Financial Services

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Abstract

The rapid growth of neobanks can be better understood in the context of digitization in general. The impact of neobanks has greatly diminished the services provided by traditional banks and the contemporary, tech-savvy expectations of its customers. The evolution of the neobanking system depends heavily on consumer opinion and societal acceptance. Due to the pandemic's ease of access and absence of obstacles, customers found neobanking services even more appealing. This study employed an exploratory research design as its technique and stratified random sampling to select its respondents. The objectives are achieved through the utilization of primary and secondary materials. According to the article, neobanks are the way that banking will develop in the future.

Keywords: Neobanking, Fintech, Knowledge, Preference.

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Introduction:

Payments, Insurance and investing are just few sector where more and more individuals are turning to digital solutions, thanks to the explosion of e-commerce. Neobanks are a special kind of online bank. They go by lot of names, Including Internet only banks, digital banks and online banks. They provide services comparable to traditional banks and are accessible via a mobile app. They do not have any physical location as they are entirely digital. A novel sort of financial institutions that relies on digital technology is known as a challenge bank, neo banks or digital banks. Instead of having any brick and mortar facilities, these banks are providing their financial services via mobile app or online. Jupiter, Instant pay some of top India's online banks. Due to Reserve Bank of India lack of regulations, digital banks in India must collaborate with conventional banks to provide their services.

Neobanks are financial institutions that operate entirely online and do not have any branches. This group of business known as fintech, and its member use technology to bring clients innovation financial services. By offering standardized and user friendly account management experience, neobanks want to shake up the money management industry and compete with the conventional banks. The idea of a new bank has evolved if it has only just joined the larger Fintech Industry. Initially the new bank was described as direct-to-consumer, Internet With the valuation of USD 118.57 billion in 2023, the worldwide

Neobanking market is projected to expand from 2023 to 2030, a Compound annual growth rate of 54.8%. There will likely remarkable increase of 53.4%. Conventional banking is threatened by neobanks, often called challenger banks. In India, the new banking industry has been tremendous growth during the last four to five years. With the over 36 organizations vying for attention. It's clear that each bank is targeting a different demographic with its own products and services, which bodes well for their future expansion.

Literature Review:

(Vivek Maurya, 2026) This article explores the growth and present state of neo-banking in India, as well as its evolution, important prospects, and regulatory challenges within the digital financial ecosystem. The study demonstrates how digital infrastructure, demographic trends, and innovative fintech models are propelling neobanking's rapid growth using secondary empirical data from reputable industry papers, financial news, and regulatory sources. The operational constraints, cyber security risks, and regulatory ambiguities that affect India's neo-bank environment are also severely evaluated. Neo-banking has emerged as a revolutionary force in India's rapidly evolving digital financial landscape. The development, growth factors, opportunities, and regulatory challenges of neo-banking in India are examined in this research. The study uses secondary empirical data from industry reports, financial publications, and regulatory sources to illustrate how the adoption of neo-banking services

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has been accelerated by developments in digital infrastructure, rising smartphone penetration, and demographic shifts toward technology-oriented consumers. The report also examines how fintech innovation may improve the banking industry's customer experience, financial inclusion, and cost effectiveness. It also critically assesses important limitations, such as operational reliance on partner banks, growing cybersecurity risks in a fully digital world, and legal ambiguity brought on by the lack of independent licensing regimes. The results indicate that whereas neo-banks have substantial. They have the potential to completely change the way financial services are provided in India, but their long-term viability depends on clear regulations, effective risk management, and increased customer confidence.

(Reepu & R, 2023) The Indian banking sector has been upended by the rise of neobanks. As we move closer to a fully digital economy, more and more people worldwide are beginning to consider "banking without branches" and "keeping money without banks." Neobanks are the final group of financial institutions on the market. It facilitates basic money management by putting users in touch with a range of materials that act as a bridge between them and regular financial educators. There is absolutely no possibility that using your clients' services may result in benefit outages. You can be certain that your consumer will never experience a service interruption when you use their services.

(Jaiswal & Mr. Nilesh, 2022) It looks at how Indian consumers perceive Neobanking. The benefits and drawbacks of neobanks, which offer more substantial administrative services than traditional banks, are examined. However, because doing so would conflict with the full digitalization of the account management industry, the Reserve Bank of India has not yet started granting saving licenses to neobanks.

(Vyas & R, 2021) This article discusses how neo-banks are affecting conventional banks and the banking industry overall. The author summarizes the rapid rise of neobanks and talks about their offerings and business strategies. Neo-banks, which prioritize digital channels and innovative products, are revolutionizing the banking sector, according to Vyas. The essay explores the benefits and drawbacks of neobanks, including how they can provide more access to banking services and potential regulatory issues. The author emphasizes how traditional banks respond to

challenges posed by neo-banks while discussing the competitive situations in the banking business.

(George, 2022) In the banking sector, the emergence of neobanks has been a revolutionary force. Dealing with traditional banks and their customers has grown easier because to the platform's wealth of helpful features. To fulfill the new standard of immediate gratification, traditional banks must become neobanks. Corruption is decreased as a result of the working process's transparency. Other transaction costs, like processing costs, will drop as a result. Neobanks aims to simplify procedures by offering its customers a plethora of new data and an easy-to-use interface. Additionally, the government will keep a careful eye on the availability and distribution of neobanks funds. One of the best methods to advance the nation without breaking the bank.

(Dr. Anuradh, 2022) The rise of digital platforms was on fully display during the pandemic, when regular trips of banks institutions were out of the questions owing to lockdown restrictions. For those seeking remote banking services, Neobanking has been a godsend. More than 40% Increase in digital payments has been seen, paving way for Neo banking. Neo bank may still form partnerships with other banks that have physical branches even if it has not yet received permission from RBI. Most respondents have adaptable wallets and find it beneficial to use them, according to study of vital facts.

(Temelkov, 2020) With its creative use of technology to provide banking services, the financial technology sector has upended the banking industry: Interestingly, banks are now able to offer financial services in a more flexible and effective way thanks to innovative technology. This has led to the emergence of new banking models, which are gradually upending the financial markets and the comfortable niches occupied by established banks.

(Pius & Dr. R. Velmurugan, 2020-21) emphasized how the growth of neobanks and their organizational structure relate to Indian culture. According to some estimations, it was the first start-up in Bengaluru to collaborate with SBM. According to the research, traditional banks in India had negative growth rate of 8.18% between 2019 and 2020, while India growth rate was 33.33%. This exceeded the 16.06% global growth rate.

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(Priya&DrAnand, 2022) The Indian banking sector is taking a new look thanks to the Neobanking model. Regarding the discrepancy between what customer's desire and what conventional banks offer, they are entirely correct. Their services guarantee that customers receive flawless support. Additionally, they guarantee hassle-free consumer interactions. In current age of digital banking technology, these Neobanks have challenges in setting up business in India because to RBI strict regulations.

(Kavya Shabu&Vasanthgopal, 2022) The financial sector has changed, which is beneficial for digital payments like online banking and the coronavirus pandemic. From the client's point of view, they attempt to comprehend the potential and constraints of Neobanking in India. The study received a lot of positive feedback from neobanks users.

(Dokania, 2020) In the future, neobanks will dominate the banking industry. It offers a range of services to facilitate banking and acts as a link between clients and conventional banks. Everyone wants their tasks completed quickly and without having to wait around in this digital age. Transforming traditional banks into neo banks is necessary. Because the working process is transparent, it aids in the reduction of corruption. Additionally, it will assist in reducing other transitional costs like processing fees. Neobanks are introducing new client data and efforts to facilitate transactions. By making services more accessible and affordable, they assist people who would not otherwise be able to buy or have access to traditional banking services.

Objective of Study:

- To study the awareness of consumers towards Neo Banking and Conventional banking.
- To study the preference of consumers towards Neo Banking and Conventional banking.
- To study the perception of Neo banking and Conventional banking system.
- To study the customer satisfaction level with the services offered by Neo Banking and Conventional banking.

Research Methodology:

The Phase of research that outlines how surveys should be conducted is known as research methodology. The process of systematic data collection and analysis of the gathered data serve as the foundation for the validity of the entire research project. The research methodology is the step of research that describes how researchers should conduct the survey. It is a

systematic technique to solve the problem. The research design is the technique used to collect answers from the respondents. The descriptive research design and Stratified random sampling methods has been used. The primary and secondary data will be used for the research work. The primary data shall be collected through structured questionnaires, and the secondary data shall be collected through magazines and journals. For research 100 samples were taken. For the data analysis excel shall be used and the study was carried out in the selected metro cities of India.

Data Analysis and Interpretation:

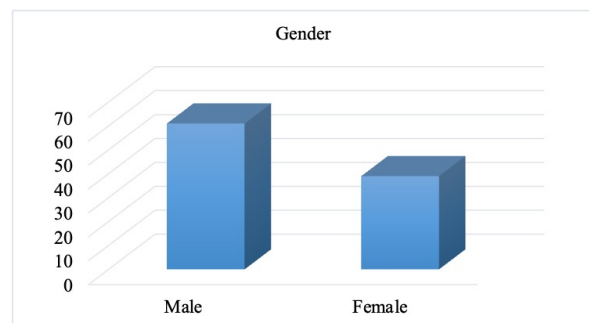
1. Gender

Table:1

Male	64
Female	36

Source: Survey Data

Chart:1



The provided data suggests that, in the context of research on Neo Banking, there is a higher representation of males (64%) compared to females (36%). This distribution indicates a majority of participants being male.

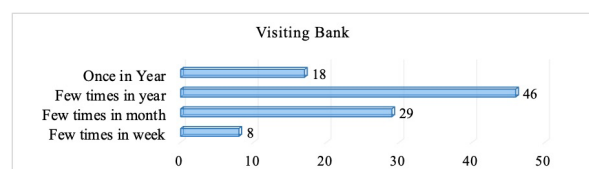
2. you are visiting bank

Table:2

Few times in week	18
Few times in month	19
Few times in year	46
Once in Year	16

Source: Survey Data

Chart:2



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A larger portion of customers, 46, visit the bank on a less frequent basis, only a few times in a year. The smallest group consists of 17 customers who visit the bank only once in a year. This implies that they have very infrequent requirements for in-person banking services and may rely on other channels for their routine transactions. The majority of customers, 29 in this case, visit the bank a few times within a month. This suggests a moderate level of banking activity for this group, possibly related to regular monthly transactions or service.

3. Neo Banking offers innovative and modern financial solutions.

Table:3

Strongly Agree	24
Agree	26
Neutral	20
Disagree	16
Strongly Disagree	14

Source: Survey Data

The neobanks offering modern and innovative financial solution in which majority of the respondents are convenience with the solution offered by it. The twenty percentage respondents are neutral on financial solution and thirty percentage respondents are disagree on modern financial solution. According to the response received from the respondents seventy percentage respondents are neutral to strongly agree, that shows how neobanks provides better solution to consumers.

4. Understand the services provided by Neobanks.

Table:4

Strongly Agree	48
Agree	32
Neutral	18
Disagree	01
Strongly Disagree	01

Source: Survey Data

As neobanks are provided the various services to the consumers where they can easily connect with the banking system. Ninety-eight percentage respondents who are fairly know the various services provided by the neobanks. I can say that according to the data, neobanks has provided better services to the customer as per the need of consumers.

5. Neobanking offers Innovative and Modern Solutions.

Table:5

Strongly Agree	40
Agree	38
Neutral	12
Disagree	06
Strongly Disagree	04

Source: Survey Data

The majority of respondents, constituting 78%, express the neobanks are provide innovative and modern solutions. This reluctance may stem from established trust, familiarity, or a perceived stability associated with conventional banks. On the other hand, 12% favour Neo banking in neutral side, might believe that there is not that much difference between neobanks and conventional banks solutions. The minority, accounting for 10%, is drawn to Neo banking for its innovative features, suggesting an interest in cutting-edge financial technologies. Overall, the survey reveals a predominant adherence to conventional banking practices, with a notable minority acknowledging the appeal of Neo banking's modern solutions.

6. Customer satisfaction level with the services offered by Neo Banks.

Table:6

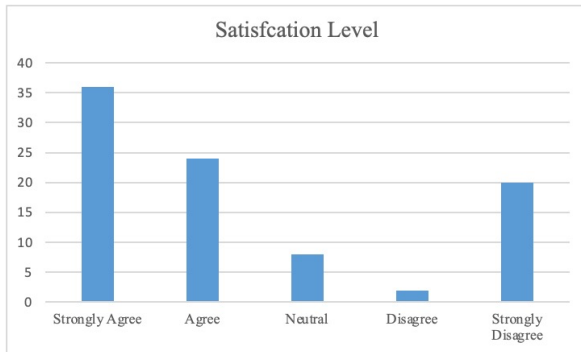
Strongly Agree	36
Agree	24
Neutral	08
Disagree	02

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Strongly Disagree	20
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Source: Survey Data

Chart:3



The majority of the respondents are satisfied with the services provided by neobanks. Those who are engaged with Neobanking express satisfaction, while twenty-two percentage respondent's express the dissatisfaction, that shows the room of improvement in Neobanking services. As Neobanking sector continuously evolve, addressing the concern and enhancing services level for improvement. As Neobanking sector enhancing and attracting role in larger user base and Improving overall satisfaction levels.

7.Neo Banking provides a convenient alternative to conventional banking.

Table:7

Strongly Agree	38
Agree	22
Neutral	20
Disagree	12
Strongly Disagree	08

Source: Survey Data

The majority of the respondents are in very positive side that neobanks provide alternatives of conventional banking, while twenty percentage respondents are neutral according to the survey data. Neobanks have to explore the various services effective ways to give very tough condition to conventional banks. The remaining twelve and eight percentage respondents are disagree to strongly disagree side as neobanks are provide limited services compare to the conventional banks.

8.What is your primary reason for considering or Adopting Neo banking over the conventional banking system?

Table:8

Convenience, Lower fees and charges	36
Innovative Features	24
Trust in Technology	16
Modern solution	34

Source: Survey Data

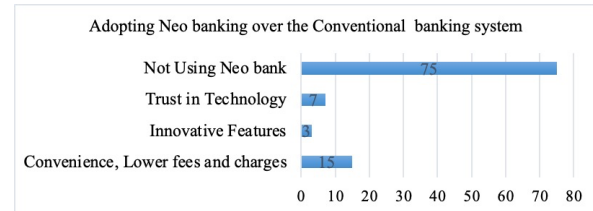


Chart:3

The majority of respondents, constituting 75%, express a preference for not using Neo banks, suggesting a prevailing on conventional banking systems. This reluctance may stem from established trust, familiarity, or a perceived stability associated with conventional banks. On the other hand, 15% favour Neo banking primarily due to convenience and lower fees and charges, highlighting the appeal of cost-effectiveness and streamlined services. The smaller 7% contingent places trust in technology, emphasizing a belief in the reliability and security of innovative financial solutions. The minority, accounting for 3%, is drawn to Neo banking for its innovative features, suggesting an interest in cutting-edge financial technologies. Overall, the survey reveals a predominant adherence to conventional banking practices, with a notable minority acknowledging the appeal of Neo banking's modern conveniences and cost advantages.

9.How would you rate the Convenience of Neo Banking Services compared to conventional banking services?

Table:9

Strongly Agree	24
Agree	26
Neutral	40
Disagree	4
Strongly Disagree	6

Source: Survey Data

The services provided by the neobanks compared to the conventional banks majority of the consumer are positive with the services provided by the neobanks. This is the very good sign for the perspective of the

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consumers and all over fintech industry. Only ten percentages of the respondents are in form of Disagree to strongly disagree part in form of services provide by neobanks compared to the conventional banks.

10. Conventional banks provide convenient access to banking services.

Table:10

Strongly Agree	48
Agree	14
Neutral	16
Disagree	06
Strongly Disagree	16

Source: Survey Data

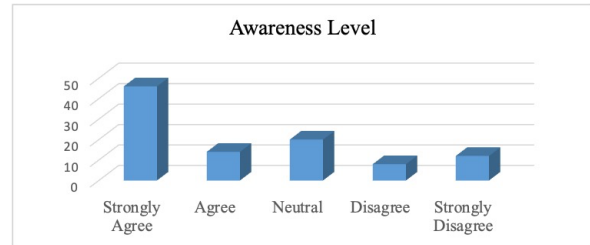
The majority of the respondents are strongly believing that conventional banking provides very good access to banking services. The sixteen percentage respondents are in neutral that shows uncertainty about the access of conventional banking services. The twenty-two percentages respondents are saying that conventional banks are not provide effective services.

11. Awareness of the various financial products offered by conventional banks

Table:11

Strongly Agree	46
Agree	14
Neutral	20
Disagree	08
Strongly Disagree	12

Source: Survey Data



It appears that there is significant symmetric in awareness between conventional banks and Neobanking. Eighty percentage respondents are agreeing that whichever product offered by conventional banks, they are knowing and aware about it. The lack of awareness of financial products offered by conventional banks, despite growing presence in financial landscape, underscore a potential gap in communication regarding products and services.

12. Customer satisfaction with the services offered by conventional banks:

Table:12

Strongly Agree	58
Agree	20
Neutral	16
Disagree	04
Strongly Disagree	02

Source: Survey Data

It appears that there is significant symmetric in satisfaction between conventional banks and Neobanking. Eighty-six percentage respondents are agreeing that whichever product offered by conventional they are satisfied with the services. The lack of satisfaction regarding services, may improve the communication between the clients and services provider. It could help in improving the satisfaction level of conventional banks.

Independent Sample T Test:

Satisfaction Level Between Neo banks and Conventional Banks:

HO: There is no significant difference in satisfaction between the Neo banks and Conventional Banks.

H1: There is significant difference in satisfaction between the Neo banks and Conventional Banks.

						T test for Equality Means		95% Confidence	
	F	Si	T	D	Sig.(2	Mea	St.	Low	U

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- The services provided by the neobanks compared to the conventional banks majority of the consumer are positive with the services provided by the neobanks
- The respondents are strongly believing that conventional banking provides very good access to banking services.
- There is significant symmetric in awareness between conventional banks and Neobanking. Eighty percentage respondents are agreeing that whichever product offered by conventional banks
- There is significant symmetric in satisfaction between conventional banks and Neobanking. Eighty-six percentage respondents are agreeing that whichever product offered by conventional they are satisfied with the services

Conclusion:

It can be concluded that in order for the Indian banking system to be able to innovate and strengthen its core, a change of approach from conventional banking system to digital must be adopted. A neo banking system which operate exclusively on digitally, offers a significant advantage over conventional banking system. While Neo banks have its own drawbacks, to overcome this long-term safety and security model installation, the customer perception plays a crucial role in the robust development of Neo banking in India. The awareness and understanding of Neo banks needs to be extended to the root level. In addition, the government needs to take all the appropriate steps to regulate and oversee the functioning of Neo banks in order to enable Digital India.

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