



# COMPARITIVE STUDY OF TRADITIONAL BANKING AND NEO BANKING SYSTEM

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## Abstract:

This particular study was conducted to understand the concept of neo banking system and the traditional banking system where the current market is booming with the neo banking facilities in the traditional banking the main aim of the study is to understand the major differences in the area of traditional banking and neo banking system and the I also came to know how the neo banking system is impacting the traditional banking and also the market places and the facilities of the neo banking system, also I was educated about the merits and de merits of neo banking & and traditional banking and Strength, Weakness, opportunities and threats of the neo banking and future growth was studied.

**Key words:** - Indian Payment system, Banking, Finance, Neo Banking, Indian Banking

## Introduction

In the rapidly evolving landscape of financial services, traditional banking institutions have long been the bedrock of the global economy. However, the emergence of Neo Banking Systems, a disruptive force powered by technological innovation, has ushered in a new era of financial services that challenges the conventional banking paradigm. This paper delves into a comprehensive comparative study of these two distinct yet interrelated facets of the financial world: the time-honored traditional banking system and the dynamic and innovative neo banking systems.

Our investigation aims to shed light on the fundamental differences and striking similarities between these two banking models, uncovering the implications they hold for customers, businesses, and the financial industry as a whole. By exploring their strengths, weaknesses, and adaptability in the ever-changing financial ecosystem, we seek to provide valuable insights into the evolving landscape of banking and its potential implications for the future. In an era characterized by rapid technological advancements and changing customer expectations, this study offers a critical perspective on the choices and challenges faced by both traditional and neo banking institutions, ultimately contributing to a more informed dialogue on the future of finance.

## Literature survey

1. Dr Bhadrappa Haralayya ( 2021)

Banking in the retail sector refers to the practise of a bank providing financial services to individuals rather than enterprises, organisations, or other banks. Accounts for savings and transactions, mortgages, unsecured loans, debit cards, and credit cards are

among the most prevalent retail banking products. Retail banking in India boomed following the 1992 financial sector reform.

2. A. V. Komarov, V. M. Martyukova (2020)

One among the most popular significant paths for the advancement of contemporary financial technologies has been explored, and that path is neo-banking. The goal of the essay is to examine the necessary conditions, benefits, and future prospects for neo banking development in the Russian Federation. The characteristics of local and international neobanks, such as Tink off Bank, Rocket Bank, Touch Bank, and Tochka, have been provided through methods of retrospective analysis, comparison, and graphical research, and a detailed examination of how they compare to conventional banks have also been.

3. REEPU, REEPU (2023)

The banking industry has undergone a digital transition that has improved customer service, business sustainability, and competition. Covid 19 Neo-bank adoption skyrocketed due to the pandemic. The current study intends to look into two major goals. It looks at the future of a neo-bank using a survey method after identifying the elements influencing consumer selections between neo-banks and traditional banks.

4. Zoran Temelkov(2022)

When a financial institution is known as a "neo bank," it solely exists online. The main focus of this examination is the growth and operation of neo banks in India. Neo Bank's distinguishing feature is that it has no physical location. Neo-banking now offers a big economic opportunity as individuals avoid from going to actual bank branches. The term "neo bank" has gained popularity recently the outcome of its introduction to the financial technology sector.

5. Mrs. Yasmin, A. Barodawala (2022).

We now witness the onslaught of digital technologies and internet applications. Each worldwide community, whether or not to be a corporation or a family, is searching for a change or an adaptation to the same. Neo banks, who hit the nail on the head, quickly and skillfully filled the void and is advancing every day in this contemporary period.

### **III RESEARCH DESIGN AND METHADODOLOGY**

Objective of the study:

1. To study earlier researches on neo banking services advancements
2. To study the overall neo banking services trend of replacing traditional banking services
3. Analyzing of users trend from last 5 years in the traditional banking and neo banking system.
4. Analyzing the rise of online/neo banking transactions in last 5 years.
5. Impact of neo banking on traditional banking system

Type of Research: - Comparative research

Sampling Type: Convenience sampling technique

Data sources:

Primary and secondary data sources-are used to obtain information.

Primary data: The primary data have been gathered through questionnaires.

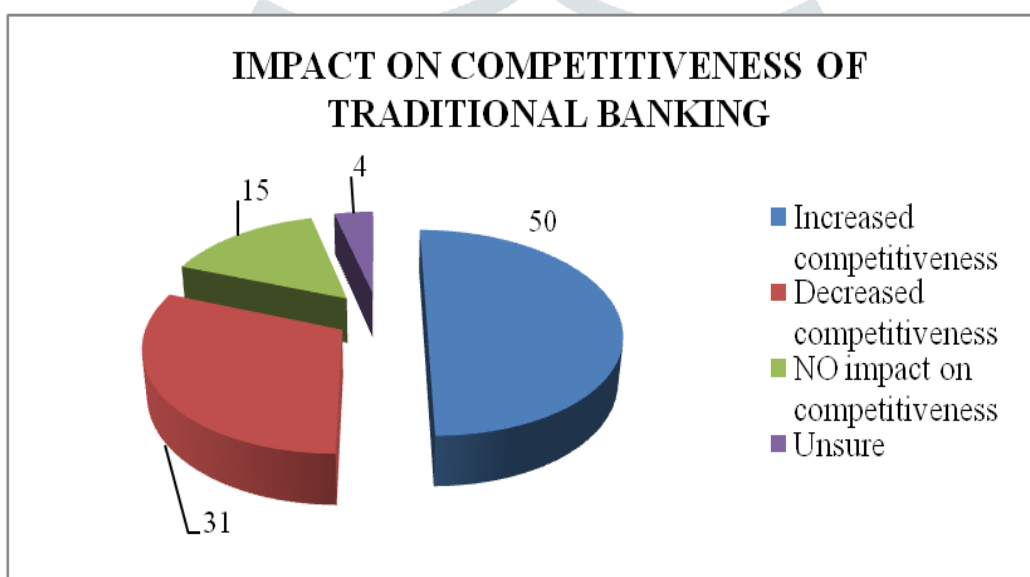
Secondary Data: Secondary sources include research papers, articles, and websites.

Sample size: 52

ANALYSIS AND INTERPRETATION  
Impact on competitiveness of traditional banking:

**Table And Graph Representing Impact On Competitiveness Of Traditional Banking**

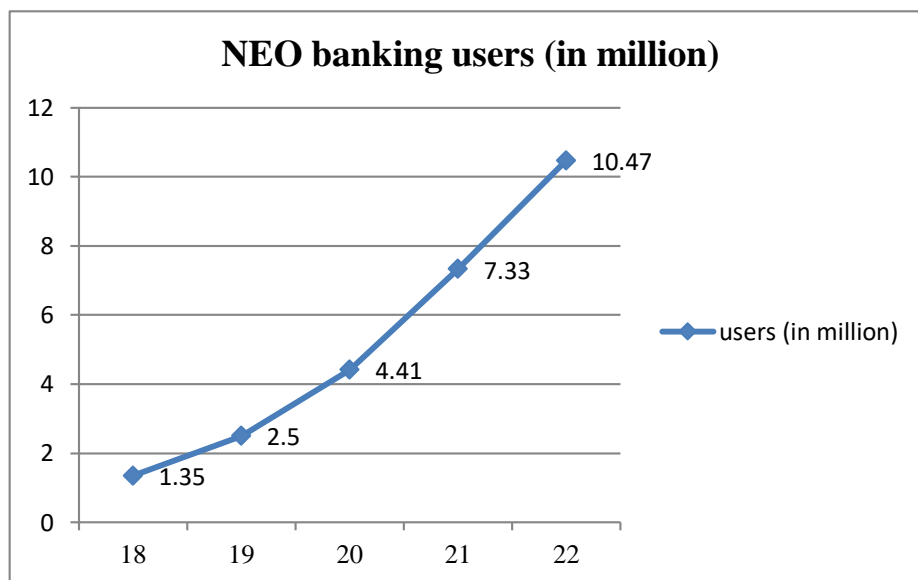
Opinion of respondents	No of respondents	%
Increased competitiveness	26	50
Decreased competitiveness	16	31
NO impact on competitiveness	8	15
Unsure	2	4



Neo banking users in India from past 5 years

**Table And Graph Representing the Users of Neo Banking**

YEARS (in 2000s)	USERS(in millions)
18	1.35 millions
19	2.50 millions
20	4.41 millions
21	7.33 millions
22	10.47 millions



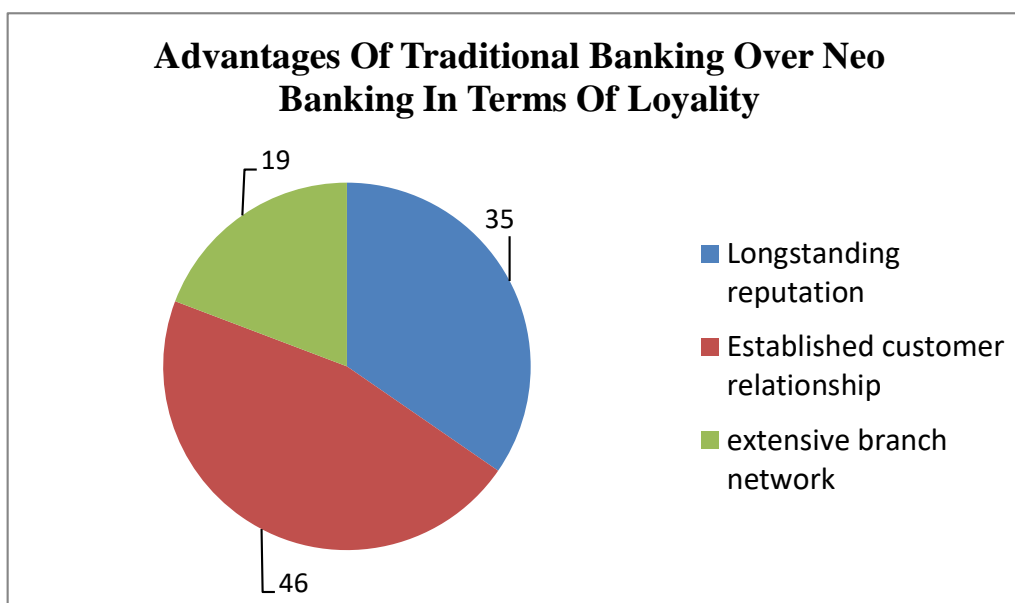
As shown in the graph and table above, there were 1.35 million users of neo banking in 2018; however, in the following year, 2019, there was a 1.15 million increase in users; however, when it came to 2020, the impact of the pandemic forced users to switch digitally from traditional banking; as a result, in that year, there was a nearly twofold increase in users, followed by increases to 7.33 million in 2021 and 10.47 million in 2022. These statistics show that the number of users is increasing rapidly year over year.

Past 5 years neo banking transaction value (in USD \$ billions)

**Table And Graph Representing the Transaction Value of Neo Banking**

YEARS (in 2000s)	USERS (in USD \$billions)
18	4.40 billions
19	9.40 billions
20	18.56 billions
21	34.67 billions
22	53.60 billions

**Advantages Of Traditional Banking Over Neo Banking In Terms Of Loyalty:**



The transaction value of neo banking was 4.4 billion in 2018, before exploding to 9.4 billion in 2019 and then expanding by 100% by 2020, as seen in the table and graph above. At the same time, the trend of transaction value climbed rapidly, reaching 34.67 billion in 2021 and 53.6 billion in 2022, as specified in the graph above. These results show that the monetary value of transactions conducted through the neo banking system is improving and increasing year on year (YOY).

**Table And Graph Representing Advantages Of Traditional Banking Over Neo Banking In Terms Of Loyalty**

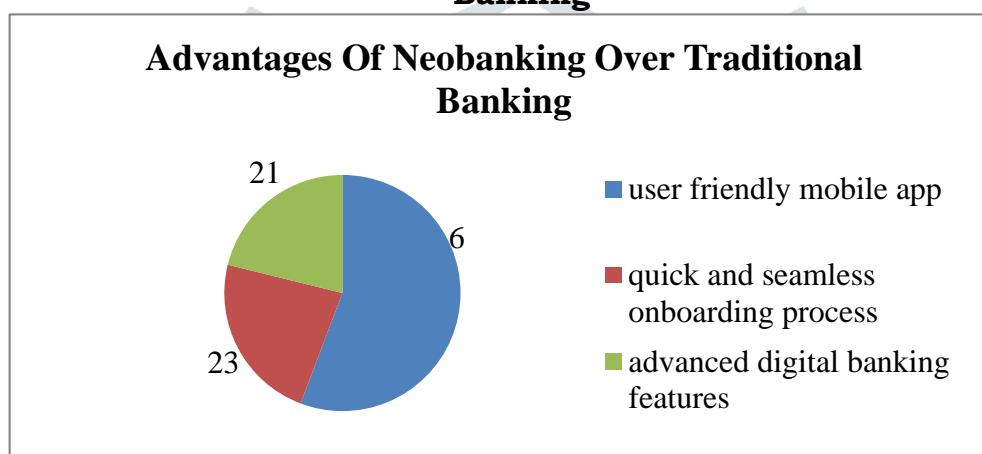
Opinion of respondents	No of respondents	%
Longstanding reputation	18	35
Established customer relationship	24	46
Extensive branch network	10	19

When comparing conventional banking to neo banking, one of the most significant advantages to remember is the existing client connection. According to a study I performed, 24 out of 52 respondents identified this benefit, with the lasting reputation in the industry coming in second. The remaining ten respondents preferred the wide branch network throughout the country.

### Advantages Of Neo Banking Over Traditional Banking:

Opinion of respondents	No of respondents	%
User friendly mobile app	29	56
Quick and seamless on-boarding process	12	23
Advanced digital banking features	11	21

**Table And Graph Representing Advantages Of Neo Banking Over Traditional Banking**



The three primary advantages of neo banking over conventional banking, according to employee feedback, are user-friendly mobile applications, a quick and simple on-boarding procedure, and powerful digital banking capabilities. Of the 52 respondents, 29 preferred the benefits of user-friendly mobile applications, 12 preferred a quick and simple on boarding procedure, and 11 preferred the sophisticated digital banking services provided by the country's leading banks through technical implementation.



#### IV Results and Discussions

- The users of neo banking in the nation have significantly raised from year to year and also, we can expect a huge jump in the number of users in the nation
- Also, the value of transactions through neo banking has drastically raised and this will impact on the traditional banking system.
- The major players of neo banking in India are PAYTM, FAM PAY, DIGI BANKING BY DCB and others.
- Change in customer behaviour in banks
- Change in offerings of products or services in the banks
- Also noticed the increased the level of competitiveness
- The bank should ensure to stay trustable, establishing the relationship and also should have the branch networks of the banks.
- The neo banking is having 3 vital advantages like users friendly mobile apps, advanced digitalized banking system and quick on-boarding process in which all of 3 are vital to sustain in the market.

#### V Conclusion

In conclusion, the comparative study of neo banking and traditional banking reveals a significant impact of neo banking on the traditional banking industry. Neo banking, with its innovative and customer-centric approach, has disrupted the traditional banking model by offering convenient and technologically advanced financial services.

Additionally, neo banks have introduced a range of innovative features and personalized offerings that cater to the specific needs and preferences of customers. These include budgeting tools, real-time transaction notifications, and seamless cross-border payments, among others. Such advancements have raised customer expectations, prompting traditional banks to enhance their service offerings and improve customer experience. This affects the traditional banking system.

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