

Neobank

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In news— The Reserve Bank of India (RBI) is taking a hard look at the neobank business model where fintechs plug into a conventional bank's network and become customer-facing banking service providers.

What is a Neobank?

- **A neobank is a digital bank that does not have any branches.**
- Instead of having a physical presence at a set location, **neobanking is entirely online.**
- A broad collection of financial service providers, who primarily target tech-savvy customers, comes under the umbrella of neobanking.
- **Basically, a neobank is a fintech firm that provides digital and mobile-first services like payments, debit cards, money transfers, lending, and more.**
- While traditional banks continue to struggle with bringing their legacy-based infrastructure into the digital age, neobanks leverage its modern digital platforms to analyse customer data and make data-driven decisions.
- **Neobanks can also afford to slash customer fees by a significant amount** since they don't have to bear the expenses of running physical locations.
- Since Neobanks don't have a physical office in neighbourhoods, **consumers can create their accounts from their mobile devices from the comfort of their home** and due to their technology-driven KYC process, the account can be ready in just a couple of minutes.
- By using an app Neobanks provide services via its mobile application.
- **In India, neobanks don't have a bank license of their**

own.

- Instead, **they count on bank partners that are regulated to provide bank-licensed services.**
- The likes of **Jupiter, Fi, Niyo, and RazorpayX are currently working in partnerships with traditional banks.**
- Currently, the RBI does not allow banks to be fully digital in India.
- As the **third largest fintech ecosystem in the world after the US and China, the Indian fintech market** is poised for further disruption with the emergence of neobanks.