

Neobanking Market Assessment, By Account Type [Savings Account, Business Account], By Application [Enterprises, Personal, Others], By Service [Mobile Banking, Payments and Money Transfers, Checking/Savings Account, Loans and Insurance, Investments, Others], By Region, Opportunities and Forecast, 2017-2031F

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Report description:

Global neobanking market is projected to witness a CAGR of 31.38% during the forecast period 2024-2031, growing from USD 85.51 billion in 2023 to USD 759.05 billion in 2031. Factors such as reduction in fees and costs, easy accessibility and convenience, fast account opening, digitalization, and financial inclusion are contributing to the growth of global neobanking market. Also, changing customer preferences, increasing acceptance of new technology, regulatory framework, and compliance, technological advancements, and rise in usage of smartphones and internet are responsible for the growth of global neobanking market. Neobanks are digital banking platforms that operate online and offer customers a flawless and hassle-free experience. Major banks have been slower in adapting to newer technologies and changing customer requirements, but start-up digital banks have gained a large user base actively using their services. According to the Federal Deposit Insurance Corporation, traditional banks have lost over 2,500 branches across America in 2023. Around 71 percent of the consumers prefer to manage their accounts online with millennials at 74 percent and Generation Z at 68 percent. Together with AI tools online banking systems will boost the market to great heights.

Rising Digitalization in Banking Sector Driving the Market

The rise in demand for digitalization in banking activities across the world is leading to growth in global neobanking market. The development of neo-banks has been fastened by the increased digitization of banking activity. Government policies of tight movement and travel limitations have forced consumers to use digital banking systems, which positively impact the utilization of the services. Due to robust technology, neobanks are now more effective, efficient, and innovative. The fact that neo-banks are completely digital assists in automating transactional data, allowing the neo-bank to focus more on advanced goods and services. It has changed for the better to realize its full potential by integrating new technologies such as analytics, artificial intelligence,

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voice interfaces, and others. Around 71% of global businesses are now digital and financial service institutions are expanding digitally. Capital One's Eno, a personal banking assistant, has recently been upgraded with a fraud detection engine that automatically warns customers about fraud in real time and, if required, blocks their card.

Reduced Fees and Innovative Services to Boost the Market

Reduced fees and costs and personalized and innovative services significantly impacted the growth of neobanks in the financial services industry. Reduced costs and fees are one of the most compelling arguments for neobanks' rapid adoption in their ability to provide services at much-reduced fees and costs than traditional banks. Neobanks conduct its business with minimum physical infrastructure and focuses on digital services to prevent the overhead expenses of keeping physical branches open. It can pass on savings to its customers through lower fees for a variety of services such as transaction fees, foreign exchange fees, and account management fees, due to its cost-effective strategy. Customers are becoming more attracted to neobanks as they seek justified and transparent financial services.

In June 2023, Zepz launched Sendwave Pay which simplifies the way of sending funds to other countries in which the account holder can save up to 25 percent on transaction fees on payments to Kenya, Ghana, Tanzania, Uganda, Nigeria, and Liberia. People from tech-savvy millennials to small business owners are drawn to the idea of avoiding the numerous fees that traditional banks frequently demand for each service.

Europe Dominates the Market

Europe accounted for the largest market share in the global neobanking market. The regional market's growth can be attributed to the emergence of innovative technologies and AI tools and their early adoption. Moreover, companies are focused on developing new product platforms and forming partnerships to strengthen their position in the global neobanking market. Various regional neobanks have developed robust distribution channels, creating opportunities for online banking activities.

Asia-Pacific is the fastest growing region due to rising adoption of internet services, rise in usage of smartphones, and minimizing operating costs which will in turn boost the growth of global neobanking market in the region. Factors such as easy and efficient banking services and the rise in digital-only banks across countries including Japan, India, and China are expected to contribute to the growth of Asia-Pacific neobanking market over the forecast period.

Business Accounts Dominate the Global Neobanking Market Share

The business account segment dominates the market with the largest share of revenue. Neobanking has become a popular method for businesses worldwide to make large-scale payouts. The streamlined processes and user-friendly features of neobank platforms improve the efficiency of disbursements to vendors and other stakeholders while contributing to the growth by reducing the need for manual intervention.

Neobanks use a user-friendly interface designed to protect against cyber threats and improve the online savings account environment. They are equipped to detect and respond to cyber-attacks within the banking network quickly. Moreover, customers can securely make international transactions with enhanced safety measures. For instance, Starling Bank, in 2023 launched a "Fixed Saver" product offering 3.25% on deposits between 2,000 GBP to 1 million GBP.

Enterprise Segment Rule the Market

The enterprise segment has the highest market share in global neobanking market. These platforms offer services customized for enterprises such as credit, transaction, and asset management. Neobank service providers that cater to small and medium-sized enterprises (SMEs) are expanding their product offerings by acquiring businesses to enhance the overall customer experience. SME neobank ZikZuk acquired TaxSpanner in November 2022 to provide customers with a seamless tax filing platform besides managing banking and payments.

The personal segment is experiencing significant growth in the forecast period owing to the increasing usage of smartphones providing consumers to easily adopt neobanking services, which are user-friendly interfaces and convenient. Through mobile apps, these services offer a hassle-free experience for money transfers and a mobile banking facility.

Future Market Scenario (2024 - 2031F)

Revolut Business launched RevTag in September 2023, an instant and free ecosystem for cross-border payments. It provides businesses with the stability to pay employees across 150 countries and regions worldwide.

In August 2023, Atom Bank added a new option through which funds can be transferred directly from the existing Instant Saver when we want to open a new fixed saver. This feature will make it easier to manage savings in the Atom app. These technological

upgrades are making it more accessible for customers, making the global neobanking market soar high in the coming years.

Key Players Landscape and Outlook

The key market players are investing steadily in research and development to expand their products indicating the growth in global neobanking market. Market participants are undertaking a variety of strategic activities to expand their global footprint, with developments such as new product launches, contractual agreements, mergers and acquisitions, higher investments, and collaboration with other organizations.

In March 2024, Revolut launched the Point-of-Sale iPad application for hospitality industry businesses. It allows users to track sales trends and inventory turnover levels and helps in decision-making. The transaction fees start at 0.8% + GBP 0.02. Its user-friendly interface and advanced features streamline the way businesses manage store operations, while the low transaction fees and 24-hour settlement activity ensure easy access to funds without business delays.

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