

India 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 Age of Users [Less than 20, Between 20-40, Greater than 40], By Region, Opportunities and Forecast, FY2018-FY2032F

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Report description:

India neobanking market is projected to witness a CAGR of 42.16% during the forecast period FY2025-FY2032, growing from USD 9.38 billion in FY2024 to USD 156.47 billion in FY2032. Factors such as reduction in fees and costs, easy accessibility and convenience, fast account opening, digitalization, financial inclusion, changing customer preferences and rapid adaptation of new technology, regulatory framework and compliance, technological advancements, and rise in usage of smartphones and internet are responsible for the growth of India neobanking market. Neobanks are digital banking platforms that are operated online. They provide a flawless online experience to customers for a hassle-free usage.

The major banks have been slower in terms of adaptation to newer technologies and changing customer requirements, but start-up digital banks have been gaining a large user base, which is actively using their services. In India, about 26 percent population were using neobanks in 2023 with neobank users by volume of 371.2 million account holders. The success rate is due to the customer convenience factor, reduced costs, and 24-hour customer support provided by the neobanking companies. The rise in the internet penetration in India is one of the factors which has led to the growth in global neobanking market with more than 820 million active internet users till March 2024.

Rising Digitalization in Banking Sector to Drive the Market

The development of neo-banks has been fastened by the increased digitization of banking activity. The rise in demand for digitalization in banking activities across the world is leading to growth in the India neobanking market. During the COVID-19 pandemic, government policies of tight movement and travel limitations forced consumers to use digital banking systems, which

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created a positive impact on 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 the automation of transactional data, allowing the neo-bank to focus more on advanced goods and services. According to a press release by the Press Information Bureau, the total number of digital payment transactions volume increased to 11,660 crores in FY2023. It has changed for the better to realize its full potential by integrating new technologies such as analytics, artificial intelligence, voice interfaces, and many more.

Reduced Fees and Innovative Services to Boost the Market

Reduced fees and costs and personalized and innovative services had a significant impact on 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 transactions, foreign exchanges, and account management, through its cost-effective strategy. Customers are becoming more attracted to neobanks as they are looking for justice and transparency in financial services. 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.

South India to Dominate the Market Share

The southern region accounted for the largest market share in India neobanking market. The growth of the region's share in the market can be attributed to the emergence of innovative technologies together with AI tools and early adoption of these technologies. In south, Bangalore is considered one of the largest neobanking cities in India. Companies are focused on developing new product platforms and forming partnerships to strengthen their position in the neobanking market. Various neobanks in the region have developed robust distribution channels creating opportunities for online banking activities.

Western India is the fastest growing region due to the adoption of internet services, the rise in usage of smartphones, and minimizing operating costs which will boost the growth of India neobanking market. Factors such as easy and efficient banking services and the rise in digital-only banks across the region are expected to contribute to the growth of India neobanking market in west and central India over the forecast period.

Savings Accounts Dominated the Market

The savings account segment dominates the market by gaining the largest share of revenue, owing to the emerging population in the country. Neobanking has become a popular method for consumers to make large-scale payments. The streamlined processes and user-friendly features of neobank platforms improve efficiency and contribute to growth by reducing the need for manual intervention. Maximum neobanks in India have the savings account feature.

In 2023, the YONO app was used to obtain 64 percent of all savings accounts. 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. Business accounts are fast-growing due to several startup companies launching in the country which would require them to make payments on a large scale and across different countries.

Personal Segment Rule the Market

The personal segment has the highest market share in India neobanking market. These platforms offer services customized personally owing to the usage of smartphones, providing consumers to adopt neobanking services, which are user-friendly and convenient easily. These mobile apps and services offer a hassle-free experience for money transfers and payments and a mobile banking facility. 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. Multiple neobank startups are coming up with offerings targeted toward small businesses by providing them with a portfolio of financial services. SME neobank ZikZuk acquired TaxSpanner in November 2022 to provide customers with a seamless tax filing platform besides managing banking and payments.

Future Market Scenario (2025 - 2032F)

In April 2024, Razorpay launched its own UPI infrastructure "UPI Switch" in partnership with Airtel Payments Bank. It is a next-generation cloud-based solution designed to handle 10,000 transactions per minute boosting the success rate by 4-5 percent.

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State Bank of India's YONO, in July 2023, launched inter operable cardless cash withdrawal facility which will allow users to generate a QR code through the app which they can scan at the ATM to withdraw cash. These upgrades in technology make it more accessible for customers to make the neobanking market soar skies in the forecast years.

Key Players Landscape and Outlook

The key market players are investing steadily in research and development to expand their products indicating the growth of global neobanking market. Market participants are undertaking a variety of strategic activities to expand their Indian footprints, with developments related to new product launches, contractual agreements, mergers and acquisitions, higher investments, and collaboration with other organizations. Neo Banks specialize in the needs of women, teenagers, gig economy, SMSE has been formed and offered lucrative products and schemes to expand the financial umbrella towards all sections of society.

In June 2022, Bengaluru-based startup Freo launched Freo Save which is a digital savings account in partnership with Equitas Small Finance Bank to become a prominent platform providing savings, lending, and wealth-growth products to customers. It will offer an interest rate of 7 percent to consumers for amounts more than USD 6004. 74 (INR 5 lakh) up to USD 240196.8 (INR 2 crores).

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*Companies mentioned above DO NOT hold any order as per market share and can be changed as per information available during research work

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