

United States 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, 2018-2032F

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Report description:

United States neobanking market is projected to witness a CAGR of 27.31% during the forecast period 2025-2032, growing from USD 34.56 billion in 2024 to USD 263.67 billion in 2032. Several factors are contributing towards making the concept of a digital-only bank more attractive and workable, hence driving the growth of the United States neobanking market, including reductions in fees and operational costs, making banking services more affordable and attractive to a wider audience. The essence of neobanking is to provide smooth digital interfaces to provide access to their finances without hustling anywhere, providing ease of accessibility and convenience. The usage of high technology while opening an account speedily attracts customers in search of quick and less time-consuming banking services. The offering generates wider market opportunities due to digitalization and financial inclusion, while demanding shifts due to preferences for tech-savviness and customized banking experiences. With a supportive regulatory framework, strict standards of compliance, and the rapid acquisition of new technologies, neobanks can execute their functions securely and efficiently. Increased access to smartphones and the internet has laid a concrete foundation for neobanking services to reach everybody worldwide and continue growing in this field. Neobanking refers to banks that operate exclusively online, without any physical branches. These digital-first banks offer traditional financial services, such as current and savings accounts, through mobile apps and websites, often with minimal or no fees. By leveraging digital technology, neobanks provide quick account openings, real-time transactions, and seamless user experience, addressing the increasing demand for convenient and efficient banking solutions in the modern digital age. In January 2024, SoFi, the digital personal finance company, announced the expansion of a new small business marketplace inside the SoFi product experience. This new feature will allow SoFi to serve millions of American small business owners by connecting their financing needs to SoFi's network of providers.

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Reduced Costs and Innovative Services to Boost Market Growth

Lower fees and customized and innovative services have powered the growth of neobanks in the financial services market. It has transformed the rules of competition and changed customer perceptions of banking. Probably the most powerful rationale for rapid neobank adoption is the ability to provide services cheaper than brick-and-mortar banks. With minimal physical infrastructure and concentrated digital services, neobanks are not burdened with the overhead of maintaining a physical branch network. This eventually saves the model for passing on savings to customers by offering low transaction fees, foreign exchanges, or account management fees. Serving customers seeking a more equal and open-minded route to financial services, its clientele went from tech-savvy millennials to small business owners tired of the traditional bank charges. Such a reduction of fees creates customer loyalty and better financial management for the customers themselves, thus making neobanks quite attractive as an alternative to conventional banking.

In May 2024, Alliant Credit Union introduced SBL Edge, its new lending platform that focuses on small balance commercial real estate borrowers in the multifamily, manufactured housing, and self-storage industries. SBL Edge was conceived and built by industry veterans with immense experience in commercial real estate lending. SBL Edge executes operational efficiencies and unleashes deep industry knowledge to deliver unparalleled service.

Neobanks generate revenue by charging for services such as overdraft protection, foreign currency transactions, ATM withdrawals, and wire transfers. They attract customers with high-interest savings accounts, investment options like mutual funds and ETFs, and cashback rewards for debit card purchases. Additionally, they partner with fintech companies to offer auxiliary services like insurance products.

In 2024, SoFi Technologies Inc.'s Loan Platform Business generated USD 63.2 million in fees and USD 2.1 billion in personal loan volume, with USD 1.1 billion of this volume for third parties in one quarter.

Integration of Advanced Technologies to Boost Market Growth

Advanced technological integration shapes the course of the United States neobanking market, which is expanding at a rapid rate since it can support improved operational efficiency and higher customer satisfaction. Indeed, neobanks are driving the shift by leveraging advanced technologies such as AI, machine learning, and blockchain to reshape traditional banking models. Thus, AI and machine learning help neobanks to provide really customized financial services, from tailored investment recommendations to fraud detection in real-time, aside from automating routine jobs and reducing human errors. It makes the entire banking experience more efficient, secure, and user-friendly. In February 2024, Revolut launched an advanced scam detection feature to protect customers against card scams. Revolut's brand-new AI-scam feature can help spot if a customer is being scammed, and hence break the spell of the scammer before they send their money to the criminal. Since testing was initiated, fraud losses from card scams at Revolut have fallen 30%, where money has been sent to take advantages of investment opportunities.

Furthermore, blockchain makes transactions more transparent and secure, further cutting costs due to intermediaries and, at the same time, increasing user trust. The nature of the technological changes is to smoothen banking operations and introduce new, innovative services that will meet the changing needs and preferences of customers. And as these technologies get further refined, they are likely to further distinguish neobanks from traditional financial institutions, bringing a diverse and technology-savvy customer base on board, and ensuring significant market growth in the digital age. Additionally, neo-banks are deploying robo-advisors for automated investment management, offering tailored financial planning tools to help customers achieve their financial goals.

Savings Account to Dominate the United States Neobanking Market

Savings accounts are predominant in the United States neobanking market. This can be identified as a reason for dominance from neobanks that can place their initial focus on personal users or consumers rather than businesses. The cost-effective and user-friendly features usually attract personal users. Neobanks usually encourage personal consumers with features related to high-yield savings, low fees, and hassle-free digital experience. These low fees and hassle-free features are increasingly driving the consumer's need for cost-effective and user-friendly banking solutions. Savings accounts are in high demand among neobank users due to the attractive interest rates, tiny maintenance fees, and ease of management with mobile applications. The features improve a host of common consumer pain points regarding traditional banking that charges exorbitant fees and provides limited access to digital tools. In September 2024, SoFi Technologies, Inc. announced that it now serves more than 10 million members across its products and services. In 2024, total members increased by nearly 2.5 million; these growing numbers will further

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enhance the dominance of savings accounts in this market.

While neobanks have increasingly added business accounts to their services, the latter naturally tends to be relatively smaller in comparison. Business accounts would relate to invoicing tools, expense management features, or business loans, which demand a different set of requirements and compliance standards altogether. But while neobanks are making strong headways toward catering to such needs in businesses, the market for personal savings accounts remains a more developed and widely adopted segment.

West Region to Dominate the United States Neobanking Market Share

Various key factors drive the leading position of the Western United States. West has major technology hubs, such as Silicon Valley, that drive innovation and early adoption of digital financial solutions, accelerating the adoption of neobanking services. Coupled with its advanced and enforced digital infrastructure, which guarantees seamless access to online banking, the region has become a haven for neobanks. Furthermore, the West places great emphasis on fintech, supported by enormous venture and technology company investments. The combination of such factors puts the West in a competitive position for the growth of neobanking market, setting trends and benchmarks for the remainder of the country, while fastening an already leading position in the market. In August 2024, Axos Bank is a nationwide subsidiary of Axos Financial Inc. and earned several class-leading spots in various USA TODAY Blueprint, Best Of lists, including the top spots for Best Checking Account, Best Business Bank Account, and Best Personal Loan.

Northeast region is turning out to be the main force in the United States neobanking market as the region is among the major financial centers, with innovations and venture capital investments in digital financial services flowing from cities such as New York. The Northeast indeed has a very high population density in the urban centers, hence offering a great market potential for neobanking solutions.

Future Market Scenario (2025 – 2032F)

As digital transformation reshapes the landscape for financial services, the neo-banking pace is expected to increase. Neobanks will extend their effort in fostering financial inclusion by continuing extensive services to the low-income and underbanked segments.

Advanced analytics intends neo-banks to offer bespoke financial products and proactive financial management tools, meeting customer needs in the forecast period.

Mergers and acquisitions (M&A) among fintech firms have become a strategic approach to strengthening market positions in the highly competitive financial industry. By combining resources, technologies, and customer bases, fintech companies can enhance their service offerings and expand their market reach.

Neo-banks are diversifying their offerings beyond traditional banking services by delving into wealth management, insurance, and investment products. They are incorporating cryptocurrency services, providing customers with more options for their financial portfolios.

Key Players Landscape and Outlook

Key players invest heavily in research and development to widen their portfolio of products and offerings in the growth of the neo-banking market. Since companies focus on research and development activities, they are therefore able to provide innovative new features that continue shaping the changing needs of consumers and manage the competitive advantage of companies. Market players focus on strategic plans for expansion across various regions. These include new product development, partnering through contractual agreements, and merger and acquisition deals to expand their portfolio with new technologies and market opportunities. Further, additional investment in technology and infrastructure added to the points of scalability of operation improvement and better service delivery. Strategic partnerships between organizations and other fintech startups contribute to the innovation of ideas and expansion of services available. Put together, these activities underline a dynamic and fast-changing neobanking landscape with continuous innovation and global expansion.

In June 2024, Chime's has acquired Salt Labs, which will include Jason Lee and the team at Salt Labs, along with their offerings, joining Chime as part of this acquisition. The move allows Chime to further advance its mission of empowering people to achieve financial progress by adding top-tier enterprise capabilities and industry expertise.

Table of Contents:

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1. Project Scope and Definitions
2. Research Methodology
3. Executive Summary
4. Voice of Customer
 - 4.1. Respondent Demographic
 - 4.2. Brand Awareness
 - 4.3. Factors Considered
 - 4.4. Services Overview
5. United States Neobanking Market Outlook, 2018-2032F
 - 5.1. Market Size Analysis & Forecast
 - 5.1.1. By Value
 - 5.2. Market Share Analysis & Forecast
 - 5.2.1. By Account Type
 - 5.2.1.1. Savings Account
 - 5.2.1.2. Business Account
 - 5.2.2. By Application
 - 5.2.2.1. Enterprises
 - 5.2.2.2. Personal
 - 5.2.2.3. Others
 - 5.2.3. By Service
 - 5.2.3.1. Mobile Banking
 - 5.2.3.2. Payments and Money Transfer
 - 5.2.3.3. Checking/Savings Account
 - 5.2.3.4. Loans and Insurance
 - 5.2.3.5. Investments
 - 5.2.3.6. Others
 - 5.2.4. By Region
 - 5.2.4.1. Northeast
 - 5.2.4.2. Midwest
 - 5.2.4.3. West
 - 5.2.4.4. South
 - 5.2.5. By Company Market Share Analysis (Top 5 Companies and Others - By Value, 2024)
 - 5.3. Market Map Analysis, 2024
 - 5.3.1. By Account Type
 - 5.3.2. By Application
 - 5.3.3. By Service
 - 5.3.4. By Region
6. Demand Supply Analysis
7. Value Chain Analysis
8. Porter's Five Forces Analysis
9. PESTLE Analysis
10. Interest Rate Analysis
11. Market Dynamics
 - 11.1. Market Drivers
 - 11.2. Market Challenges
12. Market Trends and Developments
13. Case Studies

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- 14. Competitive Landscape
 - 14.1. Competition Matrix of Top 5 Market Leaders
 - 14.2. SWOT Analysis for Top 5 Players
 - 14.3. Key Players Landscape for Top 10 Market Players
 - 14.3.1. Chime Financial Inc.
 - 14.3.1.1. Company Details
 - 14.3.1.2. Key Management Personnel
 - 14.3.1.3. Products and Services
 - 14.3.1.4. Financials (As Reported)
 - 14.3.1.5. Key Market Focus and Geographical Presence
 - 14.3.1.6. Recent Developments/Collaborations/Partnerships/Mergers and Acquisition
 - 14.3.2. Acorns Grow Incorporated
 - 14.3.3. Revolut Group Holdings Limited
 - 14.3.4. Alliant Credit Union Corporation
 - 14.3.5. Finco Services Inc. (Current)
 - 14.3.6. Primis Financial Corporation
 - 14.3.7. M1 Finance LLC
 - 14.3.8. SoFi Technologies Inc.
 - 14.3.9. Zeta Services Inc.
 - 14.3.10. Axos Financial Inc.

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

- 15. Strategic Recommendations
- 16. About Us and Disclaimer

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