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A STUDY ON CROSS-COUNTRY ANALYSIS OF NEO BANKING: INDIA AND THE US

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ABSTRACT
This study highlights how neobanks, which are exclusively digital financial companies, have disrupted traditional banking systems by contrasting and comparing the birth and adoption of these businesses in the US and India. Neobanks provide more efficient, cost-effective, and customized banking experiences by utilizing cutting edge technology. They don't have any physical branches; all of their business is done online. Despite having similar technological infrastructures, the growth and development of neobanks is impacted by distinct regulatory frameworks, socioeconomic factors, and consumer behaviors in the US and India. This study makes use of primary survey data and hypothesis testing to assess critical factors such as user-friendliness, security concerns, customer trust, and overall satisfaction with neobank services in both countries. Based on the analysis, neobanking has become more popular and trusted in the US due to its well-established digital financial ecosystem and robust regulatory frameworks. However, despite its quick growth, the Indian neobanking market faces challenges with regard to customer trust and regulatory compliance. The study concludes with recommendations for increasing the adoption of neobanks, particularly in the Indian market, through regulatory support, improved security measures, and improved customer education.

KEYWORDS: *Neobanks, digital banking, financial technology, financial inclusion, digital transformation.*

INTRODUCTION
Neobanks—wholly digital financial institutions without any physical locations—have transformed the banking sector by offering flexible, affordably priced services through online and mobile platforms. They cater mostly to tech-savvy clients and provide services like real-time payments, easy account setups, and personalised financial tools. India's neobanking boom is being driven by the country's youthful population, widespread smartphone adoption, and government digital initiatives. However, challenges such as evolving legal frameworks and concerns regarding data security impede their growth. A robust regulatory framework allowing neobanks to work with FDIC-insured banks for consumer protection, a well-established fintech ecosystem, and high levels of digital literacy, on the other hand, support the more developed US neobank market.

In order to compare neobank adoption, usability, and trust in India and the US, this paper focuses on important aspects such as data security and ease of navigation. The study intends to illustrate how regulatory frameworks, market maturity, and consumer behavior impact neobank growth and user experiences in each nation by examining the variations among these markets.

REVIEW OF LITERATURE
With the introduction of neobanks, the banking industry has undergone a paradigm shift. **Pai and Monis (2023)** examine these changes by utilizing ABCD and SWOC analyses to examine the advantages, disadvantages, and opportunities that these digital banks present, especially in the Indian context where they have revolutionized financial services for both individuals and businesses. However, **Barodawala (2022)** draws attention to the neobanks' general emergence in India, outlining their benefits and drawbacks. She also makes a distinction between challenger banks, which operate outside of traditional regulatory frameworks, and traditional banks, which are heavily regulated, noting that the latter is vital to the former's operations.In addition to highlighting the creative financial services and scalability that neobanks provide, which help them compete with established financial institutions, **Chakraborty (2020)** delves into the particular challenges faced by neobanks in India, such

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as regulatory barriers and issues with customer trust brought on by the absence of physical branches. By contrasting the regulatory frameworks for neobanking in the US and India, **Huang and Patel (2022)** adopt a more comprehensive approach. They look at how these two markets' regulatory environments vary and how that affects neobanks' operational strategies, compliance, and market penetration.Similar to this, **Kumar (2021)** offers a comparative analysis of the neobanking ecosystems in the US and India, emphasizing the variations in the product offerings, customer profiles, and particular difficulties encountered by each market. This highlights the fact that the neobanking growth trajectories are different in developed and emerging economies. The adoption rates of neobanks in the US and India are examined by **Gupta and Mehta (2021),** who place particular emphasis on fintech adoption, internet penetration, and digital literacy. Their findings demonstrate how these factors affect consumer preferences for digital banking services relative to traditional banks in both countries. Lastly, **Wong (2021)** examines the disruptive influence that neobanks are having in the United States. Specifically, it highlights the innovative nature of neobanks' customer experiences, regulatory flexibility, and operational models. Additionally, it examines how neobanks' digital-first strategy is upending traditional banks' market positions and changing the banking landscape.

RESEARCH GAP

Comparative studies of neo-banks in the United States and India are scarce, especially when it comes to the ways in which their operations and growth are influenced by different regulatory frameworks. Studies that already exist frequently concentrate on particular areas while ignoring variations in culture, economy, and technology. Furthermore, there is a dearth of research on issues related to security, privacy, and trust in these two markets, as well as how neo-banks handle financial inclusion and competitive strategies in these unique environments.

SCOPE OF THE STUDY

The purpose of the study is to investigate cross-national factors influencing the US and India's adoption of neo-banks. Internet penetration, laws, technology, market dynamics, rivalry, and consumer behavior are important components. Additionally, it will evaluate how customer perceptions are shaped by security and trust issues. The study will highlight the particular opportunities and difficulties faced by each market.

OBJECTIVES OF THE STUDY

1. To examine and compare the level of user trust in neo banks' ability to secure financial information in India and the US.
2. To analyse the differences in ease of navigation and overall user satisfaction between neobank users in both countries.

RESEARCH METHODOLOGY

A combination of primary and secondary data are used in this study. To get direct feedback on their banking experiences, surveys were sent to neobank customers in the US and India. To support the primary findings, secondary data was gathered from publications such as journals, case studies, and reports. The Mann-Whitney U test was utilized as a statistical tool to evaluate the research hypotheses.

Sampling

Sample Size: 100 respondents from India and 50 from the US.

Sampling Technique: Non-random sampling was employed, using convenience sampling in India and snowball sampling in the US to ensure sufficient responses.

Hypothesis

1. Trust in Financial Information Security

H_0: There is no difference in the level of trust in neo banks' ability to secure financial information between Indian and US users.

H_1: There is a significant difference in the level of trust in neo banks' ability to secure financial information between Indian and US users.

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DATA ANALYSIS AND HYPOTHESIS TESTING.

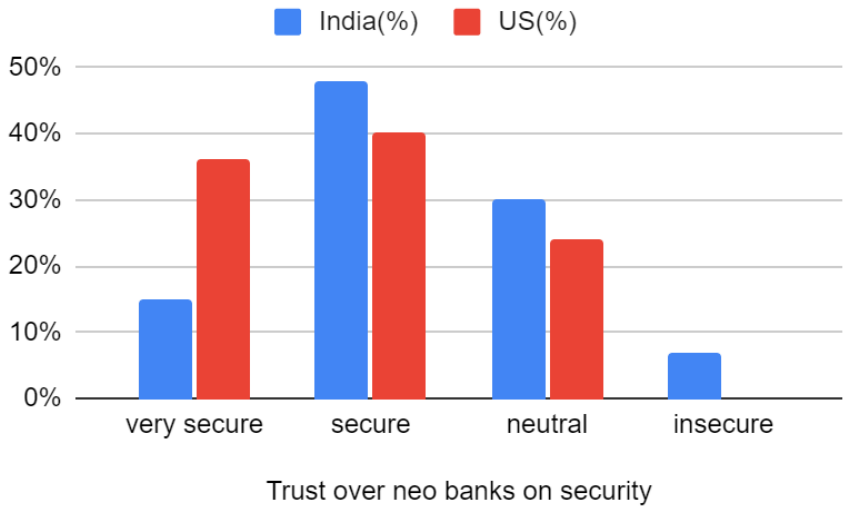
1.1. Table showing trust in neobanks' security among users in India and the US..

Trust over neo banks on security	India	%	US	%
Very secure	9	15	18	36
Secure	28	48	20	40
Neutral	18	30	12	24
Insecure	4	7	0	0
Total	59	100	50	100

Analysis

Based on the above table, 36% of US users find neobanks very secure, compared to 15% of Indian users. A majority in both countries consider them secure (48% in India, 40% in the US). More Indian users (30%) are neutral, while 7% feel insecure, compared to no US users reporting insecurity.

1.1. Graph representing trust in neobanks' security among users in India and the US.



Interpretation

The above graph depicts that the US users show higher trust in neobanks' security, while Indian users display more neutral or insecure views, reflecting different confidence levels.

Hypothesis test

Hypothesis : Trust in Financial Information Security.

H_0: There is no significant difference in the level of trust in neo banks' ability to secure financial information between Indian and US users.

H_1: There is a significant difference in the level of trust in neo banks' ability to secure financial information between Indian and US users.

A **Mann-Whitney U test** was conducted to compare the level of trust in financial information security between Indian and US users.

	Country	N	Mean Rank	Sum of Ranks
Trust over neo banks	India	100	70.4	7039.5
	US	50	85.71	4285.5
	Total	150		

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Test Statistics

Mann-Whitney U	1989.5
Wilcoxon W	7039.5
Z	-2.11
Asymp. Sig. (2-tailed)	0.035
a Grouping Variable: Country	

Interpretation

The above table displays the findings of the Mann-Whitney U test, which was used to ascertain whether respondents from the US and India had different opinions regarding neo banking. The results showed that US participants had a mean rank of 85.71, higher than Indian participants' mean rank of 70.4, suggesting that US users had more faith in neobanks. The analysis yielded a Z-value of -2.11 and a p-value of 0.035.

Since the p-value is less than the alpha threshold of 0.05, the null hypothesis—which contends that there is no difference in the levels of trust between the two countries—is rejected. This statistically significant result indicates that participants from the US have higher levels of trust in neobanks than participants from India. There could be a variety of reasons for this disparity, including variations in cultural norms, regulatory

Due to discrepancies in market experience and regulatory maturity, users' confidence in neo banks' ability to secure financial information varies greatly between the US and India. Trust is increased in the US by a well-established regulatory framework and a developed digital banking ecosystem. Neobank security protocols may become less credible in India as a result of shifting laws and concerns about the security and privacy of personal information.

FINDINGS

- Though since the US has a more advanced digital banking environment than India, US users have significantly higher trust in neo banks' ability to protect financial data.
- Neobank platforms are reportedly easy to use for users in both the US and India, suggesting that both markets have well-thought-out and easily navigable user interfaces.
- Due in part to the US's tech-savvy populace and strict financial regulations, neobanks have a larger market share than in India, where users encounter issues with regulatory clarity and trust.

RECOMMENDATIONS

- To improve user trust, India should fortify its regulatory frameworks and establish explicit policies pertaining to consumer protection, security, and compliance in digital banking.
- In order allay consumer fears and encourage wider adoption, Neobanks in India ought to concentrate on raising consumer knowledge of their data security protocols.
- To stay competitive with traditional banks, both US and Indian neobanks should place a high priority on ongoing innovation by providing advanced security features, personalised financial solutions, and seamless user experiences.

CONCLUSION

This cross-national comparison of US and Indian neobanks highlights significant variations in user confidence, market uptake, and regulatory frameworks. Neobanks in the US are part of a sophisticated fintech ecosystem that benefits from consumer confidence and cutting-edge technology. While the government's digitization initiatives and the increase in mobile internet usage have encouraged the growth of neobanks in India, evolving regulations and worries about data security continue to be obstacles to their widespread adoption.

In order for neobanks to prosper in India, it is imperative to reinforce regulatory frameworks and give priority to educating consumers about data security. To maintain growth and competitiveness, both nations will need to prioritise customer-centric solutions and ongoing innovation.

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