

# Partnering for Growth: How Traditional Bank Performance Shapes Neo-Banking Success in India

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**Abstract:** This study has been undertaken to investigate the influence of the performance of Traditional Partner banks on the performance of neobanks in India by comparing their financial performance. By analyzing their financial data, specifically operating revenue and profit/loss, we aim to quantify the influence of established banks on the success of these emerging players. Using a robust time series dataset spanning January 2021 to December 2022 (post-pandemic), we employ correlation analysis, regression analysis and ANOVA to uncover the intricate dynamics at play.

## I. INTRODUCTION

Neobanks are a relatively new phenomenon, yet their definition has already evolved.

At first, they were regarded as banks with no physical presence that only conducted business online and dealt directly with clients. This idea has evolved as neobanks work to differentiate themselves from the online banking services provided by traditional banks. The improvement of the client experience is increasingly more important to neobanks than just concentrating on digital banking. For instance, alternative lenders now commonly place a strong emphasis on embedded finance and use-case-based financing rather than merely focusing on pure-play lending platforms and markets. Participants in other fintech industries have also adopted this strategy in their efforts to seamlessly integrate financial services into larger client demands in order to generate more durable demand and product innovation.

The development and wide-scale acceptance of embedded finance are being facilitated by the digitization of the entire banking and transaction journey, the modernization of dated systems and customer-serving practices, and the facilitation of transactions at source. Banking is changing quickly as a component of embedded finance, with an emphasis on client satisfaction.

Neobanks are gaining traction for a number of reasons, including:

- **Convenience:** Neobanks are entirely digital, which means that customers can access their accounts and services from anywhere with an internet connection.
- **Superior customer experience:** Neobanks are known for their superior customer experience. They typically offer a more streamlined and user-friendly interface than traditional banks and are often more responsive to customer inquiries.
- **Innovative products and services:** Neobanks are constantly innovating and developing new products and services to meet the needs of their customers. For example, many neobanks offer features such as peer-to-peer payments, budgeting tools, and investment platforms.
- **Lower fees:** Neobanks typically charge lower fees than traditional banks because they have lower overhead costs.

For example, in India, neobanks such as Paytm Payments Bank, YONO, and Razorpay are rapidly growing their customer base by offering a variety of innovative products and services, such as instant loans, digital wallets, and merchant payment solutions.

## II. NEOBANKS and FINTECHS

Neobanks and FinTech firms are both relatively new terms in the financial industry, and they are often used interchangeably. However, there are some key differences between the two. Neobanks are digital-only banks that offer a range of traditional banking services, such as checking and savings accounts, debit cards, and loans. They typically have no physical branches and rely on technology to provide a seamless and convenient banking experience for their customers. Neobanks are often seen as more customer-centric and innovative than traditional banks, and they are often popular with younger consumers. FinTech firms are companies that use technology to improve or automate traditional financial services. FinTech firms can offer a wide range of products and services, including online payments, mobile banking, peer-to-peer lending, and investment management. FinTech firms can be either independent companies or subsidiaries of traditional banks.

Characteristics	Neobanks	FinTech Firms
Business model	Digital-first, with no or few physical branches	Can be digital-first or have a physical presence
Services offered	Checking and savings accounts, debit and credit cards, loans, money transfers, etc.	Can offer a wide range of financial services, including payments, lending, investment management, and insurance
Regulatory requirements	Must obtain a banking license	Regulatory requirements vary depending on the type of services offered

### III. WHY TRADITIONAL BANKS ARE PARTNERING WITH NEOBANKS

Traditional banks increasingly recognize the need to collaborate with neobanks to accelerate their go-to-market strategies, develop streamlined and low-cost acquisition and distribution models, and provide a superior customer experience. This has led to the emergence of banking as a service (BaaS).

BaaS allows fintech companies to connect with banks through APIs and build their financial services on top of the regulated infrastructure. Neobanks use BaaS APIs to provide customer-initiated onboarding, account funding, and other banking activities. Banks can opt to focus on risk management and building financial infrastructure while leaving distribution and customer interaction to fintech companies, SaaS players, and marketplaces. This is appealing to customers because it makes it easier for them to access financial services. For example, a small business can open a bank account using its accounting software or avail loans directly on a logistics platform. Today, organizations of all types, including marketplaces, software companies, and logistics firms, are offering embedded financial services to serve retail customers and small businesses.

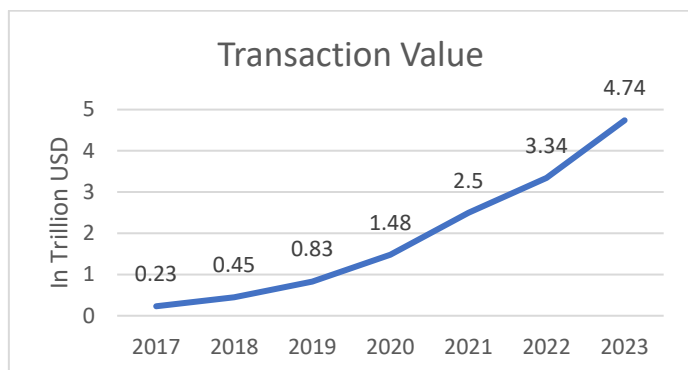
### IV. THE GLOBAL NEOBANKING LANDSCAPE

Neobanks first emerged in the early 2010s, and they have since grown rapidly in popularity. In 2022, the global neobanking market was valued at **USD 66.82 billion**, and it is expected to grow at a **compound annual growth rate of 54.8% from 2023 to 2030**. The global neobanking landscape is becoming increasingly competitive. New neobanks are emerging all the time, and traditional banks are also launching their own digital banking offerings. Neobanks are growing rapidly, and they are expected to play an increasingly important role in the financial services industry in the years to come. Here are some of the key trends that are shaping the evolution of the global neo-banking landscape:

- **The rise of embedded finance:** Embedded finance refers to the integration of financial services into non-financial products and services. Embedded finance is a growing trend, and neobanks are well-positioned to capitalize on it.
- **The increasing use of artificial intelligence (AI) and machine learning (ML):** Neobanks are using AI and ML to improve their products and services. For example, neobanks are using AI to personalize financial recommendations for customers and to detect fraud.
- **The expansion into new markets:** Neobanks are expanding into new markets, such as Latin America and Africa. These markets have a large unbanked and underbanked population, which represents a significant opportunity for neobanks.

### V. HISTORICAL PERFORMANCE OF NEOBANKS GLOBALLY

Neobanks are a relatively new type of financial institution, so there is not a lot of historical data on their financial performance. However, the data that is available suggests that neobanks are growing rapidly and becoming more profitable. For example, a report by McKinsey & Company found that neobanks globally generated \$12.5 billion in revenue in 2021, up from \$6.1 billion in 2020. The report also found that neobanks are expected to generate \$50 billion in revenue by 2025. While neobanks are growing rapidly, they are not yet profitable. In fact, many neobanks are still losing money. However, the losses are narrowing, and some neobanks are expected to become profitable in the next few years. The transaction value of Neobanks is on an increasing trend suggesting that their financial performance is set to improve drastically in the coming years.



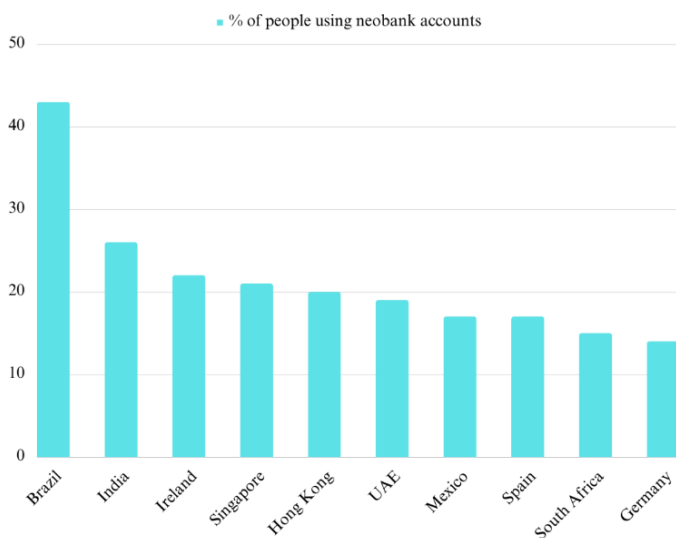
Source: Statista

## VI. INVESTOR'S OUTLOOK ON NEOBANKS IN INDIA

Neobanks in India raised **\$340 million in funding in 2022, less than the \$410 million raised in 2021**. However, neobanking is still in its early stages, as evidenced by the fact that more than 85% of all neobanking funding was raised in the past two years. India's neobanking market is estimated to reach **\$48 billion in revenue in 2022 and \$183 billion in 2030**. Neobanks' ability to quickly seize this opportunity, meanwhile, is also partially constrained by the same cause. To supply their services, neobanks in India must collaborate with banks that are subject to RBI regulation. This implies that a fintech business can concentrate on technology while the bank takes on some of the responsibility for financial compliance. However, entrepreneurs in the industry contend that this also implies that a neo-bank's operations and image are closely tied to its partner bank (Subramaniam, 2023). A neobank does not always have access to the bank's larger operations or its books because it is merely one of the bank's partners.

## VII. ADOPTION OF NEOBANKS

The adoption of neobanks is particularly strong in developing markets. In these markets, neobanks are playing a key role in increasing financial inclusion. For example, in India, neobanks are providing banking services to millions of people who were previously unbanked or underbanked.



Source: Finder's international neo banking statistics 2022

## VIII. EXPANSION SCOPE FOR NEOBANKS IN INDIA

Here are some of the key customer segments and focus areas that retail neobanks are targeting:

- **Blue- and grey-collar workers:** This segment accounts for approximately 250 million people in India's population and is significantly underserved by traditional banking players due to their low-ticket size and volume of transactions.
- **Gig economy workers:** Gig economy workers, including people who work on short-term and on-demand contracts, account for nearly 15 million people in India's population. Neobanks can tap into this segment to provide financial services. The recent surge in organizations adopting gig-tech models for certain tasks has provided an opportunity to formalize this customer segment and digitize their relevant transactional data, which can be utilized by financial services players to provide customized products.
- **Teenager-focused neobanks:** India is home to over 250 million teenagers, and this large number is becoming a strong base for the financial services ecosystem. This segment presents neobanks with a significant untapped opportunity, as teenagers are growing up in an on-demand world with preferences for digital transactions and e-commerce. According to a survey conducted by a neobank exclusively for Indian teenagers, 84% of them shop online for both big-ticket (gadgets) and small-ticket items (food, clothes, and digital subscriptions). Multiple neobanks are providing account services that are focused on this segment, including personal financial management (PFM), imparting financial knowledge, and payment services.
- **Digital millennials:** Millennials comprise the largest age group in India's population (approximately 400 million). They could be a huge potential customer base for neobanks. These digitally connected individuals are driving the growth of many digitally driven consumer-facing businesses.

## IX. NEOBANKS AND THEIR PARTNER BANKS IN INDIA

The performance of neobanks in comparison to their partner banks in India has been a topic of interest and debate in recent years. Neobanks have been able to offer competitive interest rates on savings accounts and other financial products. By operating solely online, they have lower overhead costs compared to traditional banks, allowing them to pass on the savings to customers. This has made them an attractive option for individuals seeking higher returns on their deposits.

However, it is important to note that neobanks in India are not standalone entities; they typically partner with traditional banks to provide banking services. This partnership allows neobanks to leverage the existing infrastructure and regulatory framework of their partner banks while focusing on their core strengths in technology and customer experience.

This partnership has proven to be beneficial for both neobanks and traditional banks. Neobanks are able to offer a wider range of services by tapping into the established banking network of their partner banks. On the other hand, traditional banks benefit from the technological expertise and innovation that neobanks bring to the table.

In terms of financial performance, neobanks in India have generally shown positive growth. They have been able to attract significant investments from venture capital firms and other investors, which has provided them with the necessary capital to expand their operations. Additionally, the increasing adoption of digital banking in India, driven by factors such as demonetization and government initiatives like Digital India, has created a favorable environment for neobanks to thrive.

However, it is worth noting that neobanks in India are still relatively new entrants in the banking industry, and their long-term sustainability is yet to be proven. They face challenges such as regulatory compliance, customer trust, and the need to establish a robust risk management framework. Furthermore, traditional banks are also embracing digital transformation and investing in their own online banking platforms, posing potential competition to neobanks.

## X. PERFORMANCE OF NEOBANKS AND THEIR PARTNER BANKS IN INDIA

### 10.1 Data and Sources of Data

For this study secondary data has been collected. From the annual reports of the partner banks, their operating revenue and profit/loss are obtained from Jan 2021 to Dec 2022. And from the website and several news sources, the operating revenue and profit/loss of the Neo-Banks under study are obtained from Jan 2021 to Dec 2022.

Table 1- The Neo-Banks and their partner banks

S No.	Neo Bank	Founding Year	Partner bank
1.	Fi	2019	Federal Bank
2.	Razorpay	2013	HDFC Bank
3.	FamPay	2019	IDFC First Bank
4.	Niyo	2019	Federal Bank
5.	Freo	2021	SBM India Bank

Table 1.1 Fi compared with Federal Bank

Function	Fi		Federal Bank	
Current Net Worth/Valuation (in Cr)	240		21,419.49	
Year	2021	2022	2021	2022
Operating Revenue (in Cr)	1.25	21	15,702.82	15,749.85
Profit/Loss (in Cr)	(50.3)	(245.2)	4,206.96	5,195.20

Table 1.2- Razorpay compared with HDFC bank

Function	Razorpay		HDFC Bank	
Current Net Worth/Valuation (in Cr)	750		12,36,074.05	
Year	2021	2022	2021	2022
Operating Revenue (in Cr)	844.6	1,485.6	1,57,263	1,92,800
Profit/Loss (in Cr)	6.38	7.37	36,961	44,109

Table 1.3 FamPay compared with IDFC Bank

Function	Razorpay		IDFC First Bank	
Current Net Worth/Valuation (in Cr)	15			
Year	2021	2022	2021	2022
Operating Revenue (in Cr)	0.35	3.06	18,221.56	20,394.72
Profit/Loss (in Cr)	(13.2)	(43.36)	452.28	145.49

Table 1.4 Niyo compared with SBM Bank India

Function	Niyo		SBM Bank India	
Current Net Worth/Valuation (in Cr)	17.9		740	
Year	2021	2022	2021	2022
Operating Revenue (in Cr)	25.32	24.3	315.24	513.17
Profit/Loss (in Cr)	(87.67)	(79.95)	18.64	125.08

Table 1.5 Freo compared with Federal Bank

Function	Freo		Federal Bank	
Current Net Worth/Valuation (in Cr)	4.5		21,419.49	
Year	2021	2022	2021	2022
Operating Revenue (in Cr)	15.7	56.03	15,702.82	15,749.85
Profit/Loss (in Cr)	(65.7)	(167.25)	4,206.96	5,195.20

## 10.2 Theoretical framework

Variables of the study contains dependent and independent variable. The study used pre-specified method for the selection of variables. The study used the metrics of Neo-Banks as dependent variable and that of the partner banks have been used as the independent variables. In this study, five neobanks operating in India are examined, and their performance is compared to that of their partner bank to see whether the performance of the partner bank affects the performance of the neobank using correlation, regression analysis and ANOVA.

### 10.2.1 Correlation analysis of revenues and profit of Neo-Banks and their Partner Banks

Table 2 Correlation between Revenue of Neobanks and their traditional partners- 2021

Neobank	Revenue Neobank	Traditional Partner Bank	Revenue Traditional Bank	
Fi	1.25	Federal Bank	15702.82	
Razorpay	844.60	HDFC Bank	2090.40	
FamPay	0.35	IDFC First Bank	18221.56	
Niyo	25.32	Federal Bank	315.24	
Freo	15.70	SBM India Bank	15702.82	

			Revenue Neobank	Revenue Traditional Bank
		Revenue Neobank	1	
		Revenue Traditional Bank	-0.567365377	1

A correlation value of -0.567 indicates a moderately strong negative correlation between two variables. This means that when one variable increases, the other tends to decrease, and vice versa. However, the strength of the relationship is not as strong as a perfect negative correlation of -1, where one variable always decreases exactly as the other increases.

Table 3 Correlation between Revenue of Neobanks and their traditional partners- 2022

Neobank	Revenue Neobank	Traditional Partner Bank	Revenue Traditional Bank	
Fi	21	Federal Bank	15749.85	
Razorpay	1485.6	HDFC Bank	192800.00	
FamPay	3.06	IDFC First Bank	20394.06	
Niyo	24.3	Federal Bank	513.17	
Freo	56.03	SBM India Bank	15749.85	
			Revenue Neobank	Revenue Traditional Bank
		Revenue Neobank	1	
		Revenue Traditional Bank	0.99485785	1

A correlation value of 0.99 indicates a very strong positive correlation between the two variables being measured. This means that as one variable increases, the other variable tends to increase proportionally, and vice versa.

Table 4 Correlation between Profit of Neobanks and their traditional partners-2021

Neobank	Profit Neobank	Traditional Partner Bank	Profit Traditional Bank	
Fi	-50.30	Federal Bank	4206.96	
Razorpay	6.38	HDFC Bank	18.64	
FamPay	-13.20	IDFC First Bank	452.80	
Niyo	-87.67	Federal Bank	36961.00	
Freo	-65.70	SBM India Bank	4206.96	
			Profit Neobank	Profit Traditional Bank
		Profit Neobank	1	
		Profit Traditional Bank	-0.750673541	1

A correlation value of -0.75 indicates a strong negative correlation between two variables. This means that as one variable increases, the other variable tends to decrease, and vice versa.

Table 5 Correlation between Profit of Neobanks and their traditional partners-2022

Neobank	Profit Neobank	Traditional Partner Bank	Profit Traditional Bank	
Fi	-245.2	Federal Bank	5195.2	
Razorpay	7.37	HDFC Bank	44109	
FamPay	-43.36	IDFC First Bank	145.49	
Niyo	-79.95	Federal Bank	125.08	
Freo	-167.25	SBM India Bank	5195.2	



			<i>Profit Neobank</i>	<i>Profit Traditional Bank</i>
		Profit Neobank	1	
		Profit Traditional Bank	0.524628773	1

A correlation value of 0.52 indicates a moderate positive correlation between two variables. This means that the variables tend to move in the same direction, but not perfectly.

### 10.2.2 Regression analysis & ANOVA of revenues and profit of Neo-Banks and their Partner Banks

Table 6 Regression analysis between Revenue of Neobanks and their traditional partners- 2021

<i>Regression Statistics</i>	
Multiple R	0.567365377
R Square	0.321903471
Adjusted R Square	0.095871294
Standard Error	354.7621757
Observations	5

The table shows regression statistics for a model that predicts the revenue of a neobank based on the revenue of a traditional bank. The regression statistics indicate that there is a moderate correlation between the independent variable (traditional bank revenues) and the dependent variable (neobank revenues), with a multiple R of 0.567365377. This means that 56.7% of the variation in the dependent variable can be explained by the independent variables.

However, the adjusted R-square is much lower, at 0.095871294. This indicates that the model is not very good at predicting new data, as it only explains 9.5% of the variation in the dependent variable after adjusting for the number of independent variables in the model.

Table 7 ANOVA analysis between Revenue of Neobanks and their traditional partners- 2021

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	179237.9679	179238	1.424148878	0.318492755
Residual	3	377568.6038	125856.2		
Total	4	556806.5717			

The ANOVA table shows that the F-statistic is 1.424148878, with 1 degree of freedom for the numerator and 3 degrees of freedom for the denominator. The p-value for the F-test is 0.318492755. The p-value is greater than 0.05, so we fail to reject the null hypothesis of equal means. This means that there is not enough evidence to conclude that there is a statistically significant difference between the mean values of the groups.

Table 8 Regression analysis between Revenue of Neobanks and their traditional partners- 2022

<i>Regression Statistics</i>	
Multiple R	0.994858
R Square	0.989742
Adjusted R Square	0.986323
Standard Error	76.36652
Observations	5

The Multiple R-values of 0.995 indicates an extremely high positive correlation between the independent and dependent variable in the model. This suggests that the independent variables collectively explain nearly all of the variation in the dependent variable. The R Square value of 0.990 is exceptionally high. It represents the proportion of the variance in the dependent variable that is explained by the independent variables in your model. In this case, about 99% of the variability in the dependent variable is explained by the



independent variables in the model. This implies an excellent fit, and the model is highly effective at explaining the variation in the dependent variable. The Adjusted R Square, with a value of 0.986, is also very high and close to the R Square value. It adjusts for the number of independent variables in the model, and in this case, it suggests that the independent variables continue to have a significant explanatory power even after accounting for the number of variables.

Table 9 ANOVA analysis between Revenue of Neobanks and their traditional partners- 2022

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	1688078	1688078	289.4587	0.000442
Residual	3	17495.53	5831.845		
Total	4	1705574			

In this case, the p-value is 0.000442, which is less than the significance level of 0.05. This means that we reject the null hypothesis and conclude that there is a statistically significant difference between the means of the Regression and Residual groups. Overall, the ANOVA table suggests that the Regression model has a significant effect on the dependent variable.

Table 10 Regression analysis between Profit of Neobanks and their traditional partners- 2021

<i>Regression Statistics</i>	
Multiple R	0.750673541
R Square	0.563510765
Adjusted R Square	0.418014353
Standard Error	29.26503232
Observations	5

The regression statistics provided indicate that the model has a moderately strong fit for the data. The Multiple R of 0.750674 indicates that the independent variables explain 75.0674% of the variance in the dependent variable. The R Square of 0.563511 indicates that the independent variables explain 56.3511% of the variability in the dependent variable. Adjusted R Square of 0.418014 indicates that the independent variables explain 41.8% of the variance in the dependent variable, taking into account the number of independent variables in the model. The Standard Error of 29.265032 indicates that the estimates of the regression coefficients are relatively precise.

Table 10.1 Regression analysis between Profit of Neobanks and their traditional partners- 2021

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	3317.01893	3317.019	3.873021731	0.143726706
Residual	3	2569.32635	856.4421		
Total	4	5886.34528			

In this case, the p-value is 0.143726706, which is greater than the significance level of 0.05. This means that we fail to reject the null hypothesis and cannot conclude that there is a statistically significant difference between the means of the Regression and Residual groups. The F-statistic of 3.873 is relatively small, which also suggests that there is not a strong effect of the Regression group. The p-value of 0.143 is close to the significance level of 0.05, which means that we cannot be completely confident that the results are not due to chance. Overall, the ANOVA table suggests that there is no strong evidence of a significant difference between the means of the two groups.

Table 11 Regression analysis between Profit of Neobanks and their traditional partners- 2022

<i>Regression Statistics</i>	
Multiple R	0.524629
R Square	0.275235
Adjusted R Square	0.033647
Standard Error	99.01681

The Multiple R-values of 0.525 indicate a moderate positive correlation between the independent variables and the dependent variable in the model. This suggests that the independent variables collectively explain some of the variation in the dependent variable. However, it's not a very strong correlation. The R Square value of 0.275 represents the proportion of the variance in the dependent variable that is explained by the independent variables in your model. In this case, approximately 27.5% of the variability in the dependent variable is explained by the independent variable. This implies that a significant portion of the variation in the dependent variable remains unexplained. Overall, this suggests that the independent variables may not be strongly related to the dependent variable.

Table 11.1 ANOVA analysis between Profit of Neobanks and their traditional partners- 2022

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	11169.82	11169.82	1.139275	0.364073
Residual	3	29412.99	9804.329		
Total	4	40582.81			

The ANOVA table suggests that the regression model is not statistically significant. The relatively high p-value (0.364) associated with the F-statistic indicates that the independent variable in the model does not collectively contribute significantly to explaining the variation in the dependent variable. This implies that the relationship between the independent and dependent variables in the model may not be statistically meaningful or that additional variables or model adjustments may be needed to improve the model's explanatory power.

## XI. RESEARCH OUTCOMES

The regression analysis results presented above provide valuable insights into the relationship between the revenue and profit of neobanks and their traditional partners. By examining the regression statistics and ANOVA tables for both 2021 and 2022, we can draw several conclusions and make suggestions for future actions.

First, in 2021, the regression model showed a moderate correlation, with a multiple R of 0.567 and an R-squared value of 0.322. This means that traditional bank revenues explained around 32% of the variation in neobank revenues. However, the adjusted R-squared value of 0.096 indicates that the model's predictive power is limited, as it only explains 9.6% of the variation after accounting for the number of independent variables.

In contrast, the regression analysis for 2022 showed an exceptionally high correlation between traditional bank revenues and neobank revenues. With a multiple R of 0.995 and an R-squared value of 0.990, the model explained nearly all of the variation in neobank revenues. The adjusted R-squared value of 0.986 further confirms the model's strong explanatory power. These results suggest that traditional bank revenues play a significant role in predicting neobank revenues in 2022.

Moving on to the regression analysis of profit, we observed a moderate correlation in 2021, with a multiple R of 0.751 and an R-squared value of 0.564. This indicates that traditional bank profits explain approximately 56% of the variation in neobank profits. However, the adjusted R-squared value of 0.418 suggests that the model's explanatory power decreases to 41.8% when considering the number of variables. Nonetheless, the model still provides useful insights into predicting neobank profits.

In 2022, the regression analysis for profit showed a weaker correlation, with a multiple R of 0.525 and an R-squared value of 0.275. These values indicate that traditional bank profits explain only 27.5% of the variation in neobank profits. Additionally, the adjusted R-squared value of 0.034 suggests that the model's predictive power is further reduced when accounting for the number of independent variables. These results indicate that traditional bank profits may not have a strong relationship with neobank profits in 2022.

Based on these findings, we can provide some suggestions for future actions:

- Firstly, it is crucial for neobanks and their traditional partners to carefully analyze the correlation between their revenues and profits. While the regression analysis for revenue in 2022 showed a strong relationship, the analysis for profit in the same year indicated a weaker correlation. This suggests that other factors may be influencing neobank profitability, and further research is needed to identify these factors.
- Additionally, neobanks and traditional banks should explore the impact of other variables that could potentially have significant effects on revenues and profits. Conducting a comprehensive analysis of market trends, customer behavior, and regulatory changes can provide further valuable insights into the dynamics of the neobank and traditional banking sectors.

In conclusion, the analysis results provide valuable insights into the relationship between the revenue and profit of neobanks and their traditional partners. While the models showed varying degrees of correlation, it is important to consider other factors that may influence profitability and revenue generation. By conducting further research, exploring additional variables such as expenditure and customer acquisition, and expanding the sample size, neobanks, and traditional banks can enhance their understanding of the relationship between their financial performance and take informed actions to drive growth and profitability.

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