

Neo-banks vs Traditional Banks

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Abstract

Customers are more and more frustrated of more or less obvious banking fees, with which they support unnecessary traditional banking products and services, limitations, cause by banks' working hours and waiting for available teller.

Most traditional banks offer online access to checking and savings accounts. Such access enables customers to review their balances, transfer money and make payments. But overall, traditional banks aren't on the cutting edge of customer friendly technology and they are still dependent on the fees they charge. In other words, online banking is so yesterday.

A new crop of financial technology startups threaten to disrupt the business of banking. Recognizing the younger generations are more comfortable with the Internet and mobile apps and don't want to pay for certain services, they have been launching banks with a twist: everything can be done on a smartphone and takes mere minutes. They are betting Millennials, and their older counterparts too, want something new out of their bank and they want to do their banking without ever going into a branch. Without the overhead of physical branches, neo-banks have a cost advantage and can pass on their savings to their customers.

Known as challenger banks in some circles, the neo-banking industry is growing, with more startups waiting in the wings for bank charters. As with any burgeoning industry, there are multiple entrants jockeying for the leadership position. Some have been around for a while, while others are newer to the banking market. All are aiming to make your banking life easier and more customized, at a lower cost in fees.

In the paper, the leading neo-banks will be listed and discussed, why they are a threat to the traditional banking industry and why traditional banking industry is not able to follow their lead.

Keywords: neo-banks, traditional banks, bankers, customers, generation Z