

Top 4 Innovative features of Indian neobanks

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Hi there, and welcome to the second podcast in the series on Neo banking in India. In the first podcast, we covered benchmarks of India's top 13 neobanks. Today, we take that conversation a little further. Today, we review some of the most innovative practices or most innovative features that these neobanks have unleashed on the Indian market. And I'm delighted to have Varnika Goel, lead analyst covering the financial services space at Twimbit, back here to have this conversation with us. So welcome, Varnika. Great to have you. Varnika, what are the innovations that you could look at across all these 25 plus banks in India? How do you see that innovation? And what areas are they innovating? How would they differentiate?

Varnika Goel

Thank you, Manoj. So when I say innovation, I think there are four broad categories where these banks are truly identifying innovation. And to begin with, number one would be **security** because, definitely, security is an essential aspect of banking digitally. And with the ongoing phishing attacks and cyber-attacks, the trust to bank digitally has always been a concern, and which is why we've come up with biometrics – two-factor, three-factor authentication. And now, the KYC authentication has also started to become more robust.

The second aspect, what I would say, would be from a **community** standpoint neobanks are actually trying to develop communities where they bring customers together. They help create an interactivity amongst customers and engage them more, beyond the banking services and transaction and give something which the customers feel engaged with.

The third, we talk about, is more from reaching to the **last mile customer**. How do you build that network digitally, where you can actually reach out to the masses, where India is largely an underbanked population, and in some cases, unbanked as well. So, how do you reach out to the customers digitally, and actually onboard them and create journeys out of that.

And fourth, is having **targeted value propositions for the customer**.

So how do you bring in all types of products and services in a one-stop solution. Actually, thinking about building a Super app, and without the customer moving out of the banking space and juggling between multiple apps, actually consume all the services in a single app itself.

Manoj Menon

Great Varnika, let's dive straight in. So, which are the top four and maybe, which is the first one that we should cover? In your opinion, one of the most innovative features that the neobanks have brought to the Indian market.

Varnika Goel

Right, so I think what the most innovative feature that we want to talk first about is security. And with security, I would like to take the example of Airtel Payments Bank, because Airtel Payments Bank came up with this concept called Safe Pay, which is a third layer of security, where they're actually asking for a three-factor authentication after the customer has filled in their OTP. And they have also filled in their password or a UPI pin to authenticate a transaction. Now, what does this third layer of security do.

This, actually, third layer of security is being brought into the system to reduce the phishing attacks, to actually manage cyber-attacks and also build that level of trust with the customer that this transaction is end-to-end secure. And at the same time, it is also ensuring that this activity is happening through an Airtel network intelligence framework, which is actually an AI-driven platform. Where they're sending out Safe Pay alerts right after the customer is making a transaction, authenticating a transaction through the two layers. So what they've done actually is to educate their customers, they ran this very powerful advertising campaign where they are educating their customers by telling them through a storyline that how a phishing attack can happen. And you can offset that attack by this third leg of accepting or rejecting your transaction to a Safe Pay alert. So why I feel that this is really cool. And this feature actually increases my engagement with the platform is because you're able to do this entire activity in a split second.

Manoj Menon

So you are a customer of Airtel Payments Bank, you have used the feature, you don't feel that this third step is an, is an extra point of friction that causes an inconvenience?

Varnika Goel

No, I don't think so because this happens while I'm doing that entire transaction. So this is, my journey's still there. So I haven't gone out of my journey. So it happens very instantly. And it's just a click. And I don't need to fill in any information. So I don't need to enter a captcha. I don't need to enter an OTP. I don't need to enter a PIN. I just need to click on either approved or reject, which actually reconfirms in my mind that yes, I need this transaction to go through, or I don't need this transaction to go through. So it doesn't create a friction. Rather, it actually reconfirms my decision whether I want to go for it or not.

Manoj Menon

Excellent. I think that's great, and at some point, it'll be great to get insights from Airtel on how many people actually stop at the third point of authentication. And you may get some real interesting insights on, and especially in today's environment, where fraud with transactions, financial transactions, are at an all-time high. So that was number one. What is number two on your list?

Varnika Goel

Okay, so number two on my list is today that every customer wants to conduct all its transactions, whether it is financial or non-financial, through a single app. They do not want to move out of the app to make a payment. And at the same time, they do not want to move out of their banking app to buy apparel or groceries or making their utilities. So that is what Paytm is providing. With the Paytm Mall integrated into the Paytm Payments Bank and their overall Paytm app, you can actually shop. You can buy electronics, books, make travel tickets, pay our utilities, even buy financial products, like third-party insurances. And the entire gamut is in a one-stop solution. So you don't need to move out. And, at the same time, there is an integrated system where you can use the Paytm money, or you can use the bank account money. You can even use your wallet, there are multiple choices how you want to make the payment.

So at this, you don't need to go to a third-party site to actually do the transaction, there is a Super-app that they have created. And this is, I think, a model that Paytm is adopting from the likes of what the WeBank has, which is actually an integrated Super-app where you can chat, you can do payments, you can shop, you can do each and everything in your integrated app. So I think that is super cool. Now, that is where the industries of the future are, where you create an integrated Super app, and you're able to transact and consume services. So you actually increase your per capita consumption of service, not just for banking, but even for non-banking products and services.

Manoj Menon

Excellent. So but as a consumer, you feel -Oh, I'm relying too much on one app, is there a concern or a fear? Or you think the convenience of doing everything in one place far overrides other features?

Varnika Goel

I think I will go with the latter, the convenience of doing it at one place. Because anyways, when I'm going to make a travel ticket, or make my trip or a clear trip or something. I'm still paying through my Paytm. So why don't I do that in my Paytm app itself, make that transaction happen? And I don't need to have another app to make that transaction. Similarly, why do I need to buy my electronics on maybe Amazon, when I'm paying to Amazon through my Paytm bank account. I can still do it from my Paytm account itself and have those goods delivered. So that actually creates more convenience for me to consume services on the app itself rather than making it a third-party interaction.

Manoj Menon

Excellent. Okay, good. So that was the second one, all-in-one Super app. What is the third one?

Varnika Goel

I think third one, it would be my personal favourite, is actually building communities. And this is the one community I'm most excited about because it's teenage-based community. So, FamPay is a teenage-based neobank. It caters to the teenagers' requirements. It has the most cool, innovative cards to offer to the teenagers. And what is trying to do in addition to that is create a community for teenagers to interact and actually consume more than banking services on through their community. So they run it on a concept called LEG, which is three things - learning, earning and growing. And what they do in that is, in the learning part, they have come up with something called FAM Academy, where they conduct master classes, which are outside of the teenage curriculum, school curriculum. So something that they're more interested and passionate about, they want to have a masterclass of it, they can consume it on their community. In addition to that, they're actually creating mentorship programs with scholars from IIT and premium institutes, where teenagers can connect with them and decide their future careers. And they also have counselling sessions on their community for career counselling and mental counselling for teenagers. What they're trying to do in terms of earning is, that you can earn something called FAM coins, which you can redeem as rewards and discounts on the app itself. So how do you do that? You do that through Quickzeta, which is their teen-based quiz program. They conduct quizzes which are related to teen interest, for example, football. So they'll pick up any current league happening, and they're going to talk about that and quiz the kids on that, and you can earn coins based on your scores. And in terms of the last part, which is about growing, is more about interactivity between them and learning what they want to explore more, whether it's banking or non-banking aspects. So they're trying to support the teenagers in all parts of their growing in this age that they are moving from adolescence to adults.

Manoj Menon

Excellent. So community, Security, Super app. Fourth one, what is the fourth one?

Varnika Goel

Okay, the final one is actually reaching to the last mile of the customer. Last-mile customer, which is actually building a network where you are not just targeting to the urban millennial population. We're actually moving a step ahead and building a digital network for banking, the rural community. So this is more about achieving the underbanked and the unbanked goal for the Indian population. So what actually stands out for me here is the Fino Payments Bank branch and business correspondent network. So, they established four lakh network points, where these banking touch points were spread across India in the remotest of locations where these were not just a bank outlet. But it was more

supported from kirana stores, or mobile recharge outlets, or small kiosks, which are actually set up by the groceries, or the vegetable vendors who actually became the bank or respondent to sell services like opening a bank account, making cash withdrawals or deposits, or making remittances from one point to another. And it actually revolutionised the whole migrant remittances network. Now migrants could actually send small ticket money to their homes at a click of few buttons. And all this was happening through the digital network. And they were actually able to sell more of government-run policies and government-run account-based, incentive-based accounts to these customers where they can actually utilise the schemes that are available from the government as well as from their network to actually transact more and earn more money out of it.

Manoj Menon

Excellent. Wow, it's amazing how in a very short period of time, just opening up the sector, we have seen such a wide degree of innovation. Any other ones, Varnika, we'd missed mentioning other than the top four that you want to just quickly highlight for our listeners?

Varnika Goel

Definitely. So I think a few more things that the banks are doing, which is actually cool and innovative. Number one is they're trying to embed something called as predictive analytics. And they're coming up with predictive psychometric tools, which actually track your spending and your saving patterns. So you can see how many, in which category you spend most money in? Where are the areas that you can actually cut down your expenses and saved money? And how does your goal-setting work? So depending upon what goal have you set for your saving, you can actually track how much have you overshoot or how much you still have the capacity to burn out. So that's something interesting and I think there are FamPay, Walrus and Finin who have come up with certain propositions like introducing, Walrus is about to come up with a game called Dracons attack. Finin already has a predictive analytics dashboard called Fibo. And FamPay runs challenges like Save the Streak, where it's like a seven-day saving campaign, where teenagers come together and make sure on how they can save more money rather than spending it out all out.

Another thing, what I feel is very cool and innovative is actually gaining a lot of traction and engaging customers is the innovation that they're doing with their cards. So debit cards used to be usually, extremely boring, very standard design, very company-centric design. Now it is moving towards a more customer-centric design, where the customer has the capability of customising their card with their own signature, have it numberless. It's more from a portrait standpoint than a landscape. And in some cases, I think in the future, they might also be able to grab a metal card and not just a plastic card. Because today, millennials are environmentally oriented. They believe that you have to save the environment, and you have to be more conscious about what we're putting out in the environment. So I think that is another step that even these neobanks can think of.

Manoj Menon

Thank you very much, Varnika. That was Varnika's Top 4:

1. **Security with Airtel payments bank,**
2. **Super app of Paytm,**
3. **Community of FamPay, and**
4. **Touching last mile customer with Fino payments bank**

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Thank you very much, Varnika.

Varnika Goel

Thank you, Manoj.

Thank you