

**NEOBANKS: A GLOBAL TREND AND PROSPECTS FOR COUNTRIES WITH
DEVELOPING FINANCIAL INFRASTRUCTURE**

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ABSTRACT: This paper explores the rise of neobanks—digital-only financial institutions—as a significant global trend in the evolution of banking services. The analysis highlights their advantages and limitations, particularly in the context of countries with developing financial infrastructure. Special focus is given to the potential role of neobanks in enhancing financial inclusion and accelerating digital transformation in Uzbekistan.

Keywords: neobank, digital banking, fintech, financial inclusion, Uzbekistan, developing countries.

INTRODUCTION

The global financial industry is undergoing rapid transformation driven by digital innovation. One of the most prominent trends is the rise of neobanks—fully digital, branchless banks offering low-cost, technology-driven financial services. In developed markets, neobanks such as Monzo (UK), Revolut (UK/EU), and Tinkoff (Russia) have disrupted traditional banking by providing user-centric platforms, low fees, instant money transfers, and enhanced customer experience. This study explores the key operational models of these neobanks and evaluates their adaptability and potential in emerging economies, particularly in Central Asia (CA).

The emergence of neobanks—digital-only financial institutions without physical branches—has significantly reshaped the global banking landscape. These fintech-driven entities leverage advanced technologies such as artificial intelligence, cloud computing, and mobile platforms to provide seamless and cost-effective financial services.

Zalan and Toufaily (2017) examine the business model of neobanks, arguing that their customer-centric design, agile structure, and low operational costs make them highly competitive compared to traditional banks. The authors highlight how mobile-first strategies and open APIs create tailored financial experiences.

Gimpel, Rau, and Röglinger (2018) analyze the digital maturity of banking institutions and suggest that neobanks are not just disruptors but also innovation catalysts for incumbent banks. Their research shows that customer trust and data security are still key concerns for the long-term viability of digital-only banks.

PwC Global FinTech Report (2021) emphasizes the global rise of digital banking, with neobanks playing a major role in increasing financial inclusion, especially among the unbanked and underbanked populations. The report points out that regions such as Southeast Asia, Latin America, and Africa are particularly fertile for neobank growth due to high smartphone penetration and underserved financial systems.

Claessens and Rojas-Suarez (2020) focus on developing economies, underlining that neobanks can act as powerful tools for extending financial infrastructure to rural and informal sectors. However, they stress the importance of supportive regulatory environments and digital literacy programs.

Chishti and Barberis (2016), in their foundational work *The FINTECH Book*, explore how neobanks challenge traditional banking norms through lean operations, cloud-based infrastructure, and behavioral analytics. They stress the role of open banking in enabling these innovations.

Accenture (2022) presents a case study-based analysis of the sustainability of neobanks, concluding that while funding and customer acquisition are strong in early stages, profitability remains a challenge. Nevertheless, digital-first economies with developing infrastructures are positioned to benefit from neobank adoption, provided regulatory and technological gaps are addressed.

Collectively, these studies affirm that while neobanks have introduced radical innovations in the financial sector, their success in countries with developing infrastructure depends on factors such as regulation, trust-building, digital infrastructure, and user education. The literature highlights both the promise and the risks of scaling neobanks globally.

METHODS

This qualitative study uses comparative analysis based on:

- Public financial reports (2022–2023),
- Product portfolios,
- User growth metrics,
- Digital adoption indicators from World Bank and Statista,
- Case analysis of CA region (Uzbekistan, Kazakhstan, Kyrgyzstan) based on available financial infrastructure indicators and regulatory frameworks.

RESULTS

Over the past half-decade, neobanks—digital-only banks without physical branches—have emerged as powerful disruptors in the global financial ecosystem. Driven by technological advancements, regulatory support, and changing customer expectations, neobanks have experienced rapid growth in user adoption, investment inflows, and product diversification.

Between 2018 and 2024, the number of active neobanks worldwide grew from fewer than 100 to over 400, with customer bases exceeding 1 billion globally. Key markets include:

- Europe (especially the UK with Monzo, Revolut, Starling Bank)
- Latin America (Brazil's Nubank became one of the world's largest digital banks)
- Asia-Pacific (India's Paytm Payments Bank, South Korea's KakaoBank)
- USA (Chime, Varo Bank)

Neobanks have attracted substantial venture capital:

- Between 2019 and 2021, global funding exceeded \$10 billion.
- Despite a slowdown in 2022–2023 due to macroeconomic headwinds, strong players continued raising funds for international expansion and profitability improvements. The following graphs illustrate current trends in neobank usage in countries with different levels of financial infrastructure development:

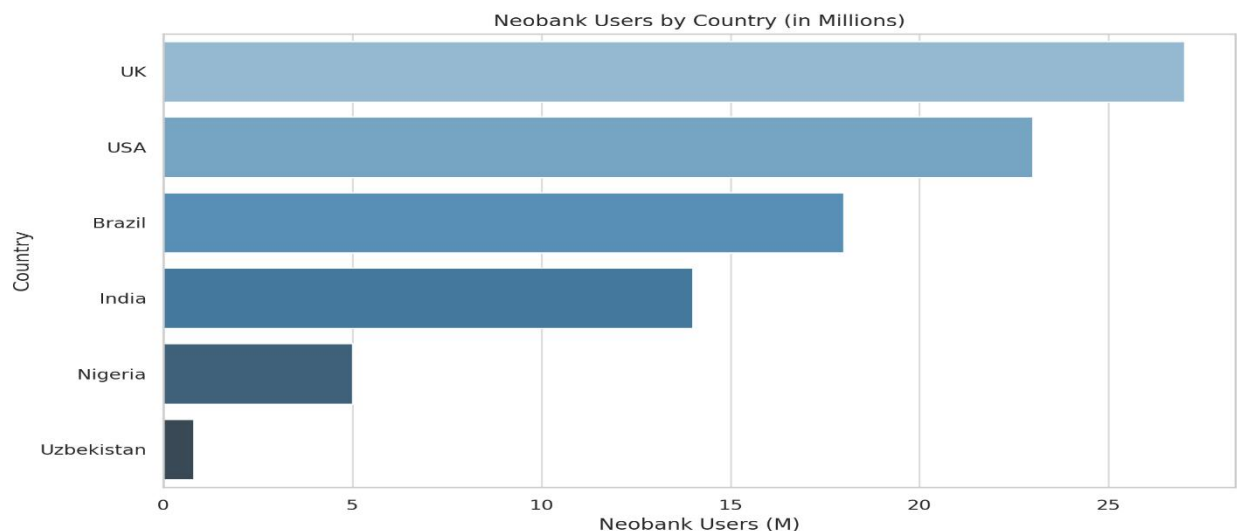


Figure 1. Number of neobank users (in millions)

It is illustrated number of neobank users in the Figure 1. The UK (27 million) and the US (23 million) lead in terms of user numbers. Brazil and India are showing strong adoption, with 18 and 14 million respectively.

Uzbekistan (0.8 million, not listed) is lagging behind, reflecting the early stages of digitalisation and low penetration.

Initially focused on basic services (e.g., current accounts, money transfers), neobanks now offer:

- Personal and business loans
- Investment tools
- Buy Now Pay Later (BNPL) services
- Crypto and savings accounts
- Budgeting tools driven by AI

While regulators initially welcomed neobanks to foster competition, recent concerns about compliance and risk management have increased scrutiny:

- Some neobanks (e.g., N26 in Germany) faced restrictions.
- Traditional banks have responded with their own digital units or partnerships.

Despite rapid adoption, many neobanks still struggle with profitability due to:

- High customer acquisition costs
- Low cross-selling rates
- Competition from both incumbents and fintechs

However, trends toward embedded finance, open banking, and financial inclusion continue to position neobanks as central players in the evolving financial landscape.

Monzo and Revolut were both founded in 2015 in the UK, signaling their emergence during the early wave of neobank expansion. Tinkoff, by contrast, was established much earlier in 2006 in Russia, positioning it as a pioneer in digital banking in Eastern Europe.

Monzo focuses on traditional banking (current accounts and P2P payments), catering to everyday users. Revolut has a broader offering, including currency exchange and cryptocurrency services, emphasizing its global, borderless banking model. Tinkoff operates a more diversified portfolio including credit, insurance, and lifestyle services, showing a strong fintech-ecosystem approach.

Table 1.

Comparative Analysis of Monzo, Revolut, and Tinkoff

Feature	Monzo	Revolut	Tinkoff
Founded	2015	2015	2006
Region of Origin	UK	UK (global expansion)	Russia
Core Services	Current accounts, P2P	Currency exchange, crypto	Credit, insurance, lifestyle services
Revenue Model	Subscription + FX	Freemium, FX, crypto	Credit-based
Regulation	FCA (UK licensed bank)	EMI (UK), e-money license	Full banking license
Customer Base (2023)	~8 million	35+ million	20+ million
Digital Engagement	High (mobile-first)	Very high (super app model)	High (AI-based UX)

In the table 1 it is analysed these three neobanks' activities. Monzo uses a subscription-based and FX fee model. Revolut adopts a "freemium" model with monetization via FX and crypto services. Tinkoff relies on a credit-based model, benefiting from interest income.

Monzo is a licensed UK bank regulated by the FCA, offering high trust. Revolut operates under e-money licenses (EMI), allowing global scalability but with some limitations in banking functions. Tinkoff has a full banking license in Russia, enabling comprehensive banking operations.

Revolut leads with 35+ million users worldwide due to its aggressive global expansion. Tinkoff follows with 20+ million, reflecting a strong domestic presence. Monzo has around 8 million users, showing more modest but focused UK growth. Revolut stands out with very high engagement through its super app model. Monzo also scores highly with a mobile-first strategy. Tinkoff leverages AI-based UX for personalized services, maintaining high user satisfaction.

Each neobank reflects a distinct strategy: Monzo focuses on user simplicity and domestic market strength. Revolut is aggressively global with diversified fintech services. Tinkoff builds a holistic financial ecosystem around its users with credit and lifestyle integration.

This diversity illustrates how fintech institutions adapt based on regulatory environments, user needs, and technological focus.

While Monzo and Revolut rely heavily on lightweight digital models, Tinkoff's approach is broader, integrating credit, lifestyle, and e-commerce features. For emerging markets like Uzbekistan and Kyrgyzstan, where credit card penetration is low but smartphone usage is growing, a hybrid model similar to Tinkoff, with credit services + digital convenience, may be more suitable.

Challenges in Central Asia include low trust in financial institutions, limited digital KYC infrastructure, fragmented payment systems.

However, opportunities include young, tech-savvy populations, government-driven digitalization programs (e.g., Uzbekistan's "Digital Uzbekistan 2030"), potential for public-private partnerships with fintechs.

To succeed, neobanks in CA should focus on simplified onboarding, microcredit and remittance services, partnership with local telcos and payment providers, regulatory dialogues for fintech sandboxes.

CONCLUSION

Neobanks represent a significant opportunity for inclusive financial services in developing economies. While models like Monzo and Revolut emphasize simplicity and currency management, Tinkoff's complex ecosystem suggests a stronger fit for markets like Central Asia, where financial infrastructure is still maturing. Local adaptation, customer education, and partnerships with regulators will be critical for sustainable adoption.

The key factor for success is not only the availability of technology, but also the level of digital literacy, trust and readiness to change formats.

Uzbekistan has good prerequisites for scaling FinTech services due to the growth of mobile infrastructure, especially among young people and entrepreneurs.

Recommendations: support for neobanks at the regulatory level, stimulation of investments in digital solutions and educational initiatives on financial literacy.

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