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DOI <https://doi.org/10.26661/2414-0287-2022-2-54-11>**PROBLEMS AND PROSPECTS OF THE DEVELOPMENT OF NEOBANKING IN UKRAINE****Seisebayeva N.G., Goncharova V.G., Dibrova V.O.***Zaporizhzhia National University**Ukraine, 69000, Zaporizhzhia, Zhukovsky str., 66*

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The article is devoted to the study of the peculiarities of neobanking in Ukraine, the topical issue of the development of banking activity in the conditions of the digital economy. Neobanking is what society needs at the moment. Due to such banking systems, a person can quickly transfer funds, as well as receive credit funds, or open a deposit in a few minutes. In the conditions of war, time has become more important than ever, the time it takes to collect funds to help the Armed Forces, or the time it takes to send funds to a family abroad, neobanks perform such tasks in a few minutes, which attracts the attention of users even more. The article researched and analyzed the number and dynamics of the development of neobanks in the world, as well as determined their number in different parts of the world, considered the richest and largest banks in terms of client audience. Neobanking in Ukraine is only at the nascent stage and the number of neobanks will continue to grow. Therefore, it is quite expedient and relevant to consider the problems and prospects of the development of this type of banking in Ukraine. The article defines the location and number of existing neobanks in Ukraine, their features and the number of users. The essence of the concept of "neobanking" and the history of its emergence are considered. The main problems of neobanking have been identified, including the high cost of establishment, distrust of consumers, the need to work on the basis of a traditional bank. The advantages of Internet banking (remote management of the card, quick execution of financial transactions, payment for services, interaction with the bank, minimum or zero commission) and disadvantages (insufficient trust of customers in online banks, high risks of cybercrimes, probability of server errors, but data shortcomings can be solved with the help of financial literacy, development of tools to ensure safe and continuous use of banking). Conclusions were made regarding the existence of neobanks and traditional banks in Ukraine, about positive dynamics in Ukraine as a whole (legal changes at the legislative level have begun).

**ПРОБЛЕМИ ТА ПЕРСПЕКТИВИ РОЗВИТКУ НЕОБАНКІНГУ В УКРАЇНІ****Сейсебаєва Н.Г., Гончарова В.Г., Діброва В.О.***Запорізький національний університет**Україна, 69000, м. Запоріжжя, вул. Жуковського, 66***Ключові слова:**необанк, банк, необанкінг,  
онлайн-банк, фінтех,  
цифрова економіка

Стаття присвячена дослідженню особливостей необанкінгу в Україні, актуальному питанню розвитку банківської діяльності в умовах цифрової економіки. Необанкінг це те, що на разі потребує суспільство. Завдяки таким банкам людина може оперативнo перераховувати кошти, а також отримувати кредитні кошти, або за кілька хвилин відкрити депозит. В умовах війни, як ніколи став важливим час, час за який потрібно зібрати кошти на допомогу ЗСУ, або час за який потрібно відправити кошти родині за кордон, необанки виконують такі завдання за декілька хвилин, що ще більше привертає увагу користувачів. В статті досліджено та проаналізовано кількість та динаміку розвитку необанків у світі, а також визначено їх чисельність у різних частинах світу, розглянуто найбагатші та найбільші за клієнтською аудиторією банки. Необанкінг в Україні тільки на етапі зародження та кількість необанків, ще буде зростати. Тому досить доцільно та актуально розглянути проблеми та перспективи розвитку такого виду банкінгу в Україні. В статті визначено місце та кількість наявних необанків в Україні, їх особливості та кількість користувачів. Розглянуто сутність поняття «необанкінгу» та історію його виникнення. Виявлено основні проблеми необанкінгу, серед яких висока

вартість заснування, недовіра споживачів, необхідність працювати на основі традиційного банку. Визначено та обґрунтовано переваги інтернет-банкінгу (дистанційне управління картою, швидке виконання фінансових операцій, оплата послуг, взаємодія з банком, мінімальна або нульова комісія) та недоліки (недостатня довіра клієнтів до онлайн-банків, великі ризики кіберзлочинів, вірогідність серверних помилок, але дані недоліки можна вирішити, за допомогою фінансової грамотності, розробки інструментів забезпечення безпечного та безперервного користування банкінгом). Зроблено висновки щодо існування необанків та традиційних банків в Україні, про позитивну динаміку в цілому по Україні (почалися правові зміни на законодавчому рівні).

### Problem formulation

The external environment of banking activities is dynamically changing through the rapid development of technologies and innovations, namely: the Internet and telephone have become an integral part of every person's life, more and more services are moving online, social networks have become a fairly accessible platform for business development. The development of online banking was facilitated by labor migration, because the need for fast international money transfer increased. In order to retain their customers, banks began to consider options for their development, and one of the solutions was the creation of online banks. And later, in 2017, the first neobank appeared in Ukraine – Monobank, and with that, the problems of the existence and functioning of neobanks and traditional banks in one banking system of the modern economy of Ukraine were determined.

### Analysis of latest research and publications

Such Ukrainian experts as M. Guba and A. Linnyk [1] were engaged in defining the essence of neobanking, analyzing their current state and trends in their development. O. Kozlyachenko and A. Berezan [2] analyzed the prospects for the development of virtual banks (neo-banks) in Ukraine, S. Lobozińska, I. Skomorovich and U. Vladychyn [3] distinguished the types of neo-banks, revealed ways of interaction between banks and financial and technological companies, N. Blaschuk-Devyatkina, M. Kapitanchuk [4] listed the main functions of neobanking and highlighted the advantages and disadvantages compared to traditional banking (Table 1).

### Goals formulation

The purpose of this article is to identify the problems of neobanking in Ukraine and the world, to determine the characteristic trends and prospects for its further development.

### Outline of the main material of the research

For the last few years, the banking system has been developing at a fairly fast pace. In 2022 people are increasingly paying attention to convenience and mobility, and the banking sector is no exception. Due to the spread of Internet services, there is a greater need for online banking. The coronavirus pandemic also led to the rapid spread of this type of service, and paying by phone became a necessity.

As of April 2022, Ukraine is in a state of war with Russia, business cannot function fully, most branches of traditional banks do not work or are located in occupied territory, ATMs do not work in many cities due to lack of electricity. In such conditions, the full-fledged operation of traditional banks is almost impossible, and therefore the emergence of neobanks, which do not have branches, and all functions are already available after downloading a mobile application, is a necessity.

Thus, analyzing and summarizing the researchers' definition of the term «neobank», we can come to the conclusion that a neobank is a bank without branches that provides its services via the Internet.

The global market of neobanking shows rapid growth and is one of the most promising areas of fintech for the next 10 years. The history of neobanks dates back to 1989 in Great Britain, where a bank without branches was created for the first time, providing service by telephone 24/7. British First Direct can be considered one of the first neobanks, it was the first to apply the concept of working without branches, serving customers around the clock with the help of a call center. By May 1991, 100,000 customers used the bank's services.

With the development of the Internet, banking institutions often sought to reduce operating costs by offering Internet banking services to customers. At the same time, the first Internet banks appeared for the first time. In 1998, the Internet bank Egg appeared again in Great Britain. With the

Table 1 – The essence of the concept of “neobank” [1-4]

Author	Definition
M. Guba, A. Linnyk	Neobank is modernized and constantly updated banking with developed modern functionality, forms of communication and data transmission, including such basic elements as the Internet (websites, offices) and mobile banking (programs, messages).
O. Kozlyachenko, A. Berezan	Neobank is a financial and credit institution that conducts various banking operations, while not using office branches, but only a virtual network and modern Internet platforms.
S. Lobozińska, I. Skomorovich, U. Vladychyn	Neobanks are completely online companies that are 100% digital and accessible to customers only through mobile applications and PC platforms.
N. Blaschuk-Devyatkina, M. Kapitanchuk	The essence of the term "neobank" is to provide financial and credit services exclusively through the Internet. This means that these institutes do not have any institutions or representative offices, only a program built on the basis of the latest technologies.

help of a call center and an online portal, customers could manage their accounts. Thanks to the convenient service, soon the bank had more than two million client accounts.

However, in the classic version, which provides the possibility of a completely remote banking service using a smartphone and a mobile application, neobanks have gained popularity only in the last few years and laid the foundation for a new banking industry [5].

A total of 319 banks started to exist during the studied period. According to fig. 1, we can see that the active development of neobanking in the world began in 2015, the highest number of new neobanks opened in 2019. In 2021, the number of neobanks decreased, due to the fact that the banking sector is already quite full of neobanks and newly opened banks will not receive the necessary number of customers for full-fledged life activities.

Analyzing fig. 2, we can come to the conclusion that neobanking is most developed in Europe, there are 37 neobanks in Great Britain alone. Australia has the second largest number of existing neobanks, with only three fewer in North America. The smallest number of neobanks is observed in Africa, this trend may be due to the underdevelopment of the territories and the lack of a properly developed Internet network.

The largest in terms of customer base is the Brazilian neobank Nubank, which has more than 30 million account holders, founded in 2013, is the largest fintech company in Latin America and one of the largest in the world. In addition to opening savings accounts and issuing credit

cards, Nubank offers life insurance, consumer loans, mobile payments, and products for small businesses and entrepreneurs. Last year, the bank acquired the digital investment platform Easynvest, which has 1.6 million customers and \$5 billion in assets. Since its inception, Nubank has raised about \$2 billion in private funding [8].

The richest is the American Chime with a capitalization of \$14.85 billion. The Chime company, founded in 2013, offers a free and convenient banking application, along with the installation of which the client receives a debit card and a savings account. Neobank took advantage of the rise of digital banking during the pandemic and reached a \$14.5 billion valuation in September with a Series F funding round [9].

There are currently 7 neobanks in Ukraine. Among them are BVR Ukraine, Izibank, Monobank, Neobank, O. Bank, Sportbank, Todobank. Ukrainian legislation does not allow banks to exist separately from traditional banks, therefore each neobank is created on the basis of a traditional bank.

The first non-bank in Ukraine was Monobank, according to fig. 3 we can see that it was also single until 2019. In 2019, Sportbank appeared, and in 2020, Izibank and Todobank were added to them. During 2021, three more banks appeared on the Ukrainian market.

Table 2 shows the characteristics of modern neobanks in Ukraine. In general, all non-banks provide classic banking services, focusing on the retail segment. Neobanks in Ukraine were founded on the experience of monobank. However, aware of significant competition from traditional

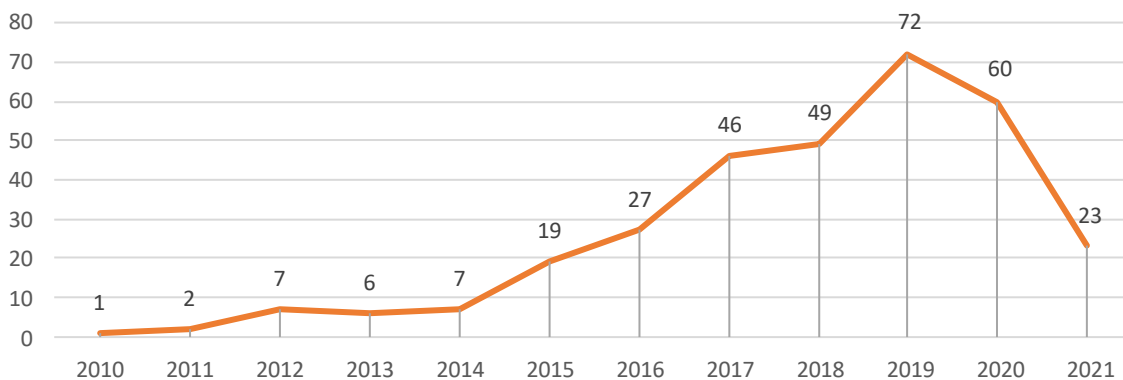


Fig. 1 – The amount of new neobanks 2010–2021 [6]

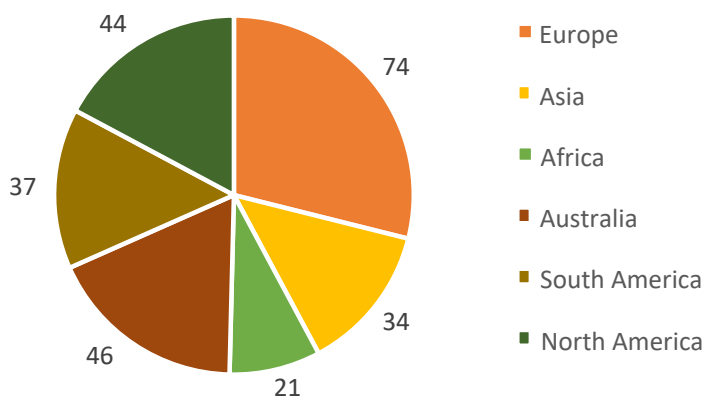


Fig. 2 – The amount of neobanks in different parts of the world

banks and among themselves, non-banks are looking for specific niches for the implementation of banking services.

It should be noted that neobanking in Ukraine is only at the nascent stage and the number of neobanks will continue to grow. Therefore, it is quite appropriate to consider the problems and prospects of the development of this type of banking.

The main problems of neobanking are:

- costs for creating and promoting necessary applications and various programs, websites for customer service;
- lack of trust in the bodies that ensure privacy and protection of personal data of individuals, as well as small and medium-sized enterprises, banking in general and non-banking in particular;

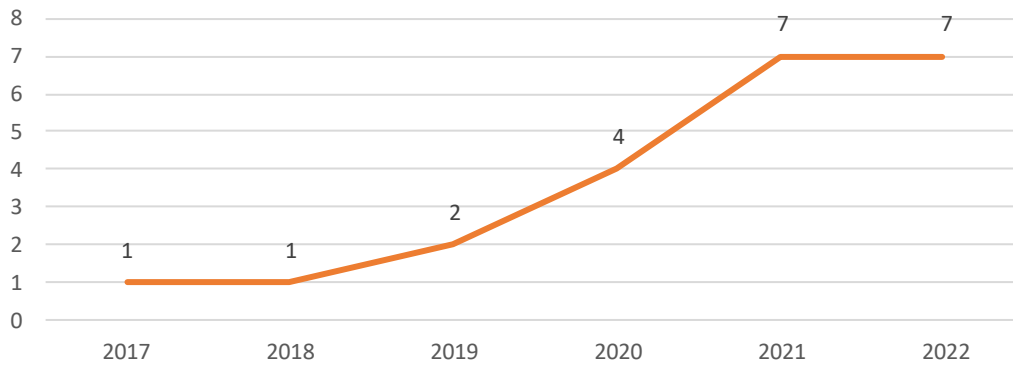


Fig. 3 – The amount of neobanks in Ukraine [7]

Table 2 – Neobanks in Ukraine 2017–2022 [10–16]

Bank	Founding history	The amount od users	Banking products
Monobank	Ukrainian neobank, created in 2017. Using for work banking license of Universal Bank, which is part of the TAC group	As for 12/31/2021 serves more than 5 million customers. The indicator of daily active users is 1.3 million.	Favorable tariffs for online lending, deposits and live customer support 24/7, as well as cash-back with exchange for real money. Turned out to a profit of \$8.6 million per year with an investment of \$2 million.
Izibank	Created in 2020	Has about 150000 users.	Investments – \$2 million. Cashback applies to all transactions, and the grace period for using credit funds is the longest – 72 days.
Sport bank	Ukrainian neobank, created in cooperation between N1 Management Company and DYVOTECH, conceived in 2014 and launched in 2019.	On 12/23/2021, the number of customers was 300,000.	Investment in the project – \$1 million. Record cashback of 10%, but only on all sports goods and services. Referral program for each invited friend – from 55 to 105 UAH, and the invited person receives 55 UAH at your own expense. Credit limit up to UAH 100,000.
O.Bank	At the end of 2021, Idea Bank launched a new mobile bank called O.Bank	Has about 120000 users.	Cashback for basic operations – up to 5%, and for purchases of Google and Apple services – up to 30%. Credit limit up to UAH 200,000. Free p2r transfers and ATM withdrawals without commission, however, only for the first 4 months of use.
BVR Ukraine	On 09/30/2021 – Fozzy Group, together with Bank Vostok and Mastercard, launched the first retail digital bank in Ukraine – Bank Vlasnyi Rakhunok	Has about 10000 users.	Points to the Own Account without restrictions on the amount and category. Fee-free payments and transfers. Top-up with cash at more than 4,033 «Silpo» cash desks without commissions. Cashless top-up without commissions. Preferential loan for up to two months at 0.00001%. 7% per annum with Nazbiratus – our savings account.
Neobank	It works under the license of ConcordBank and was created on the basis of Concord Fintech Solutions, the first fintech ecosystem opened in Ukraine. Launched in 2021	n/a	Entrepreneurs will be able to give separate access to their accountant. With the help of the bank, it will be possible to «open» the cash register in the phone. The tariffs for the service will be as follows: the package for FOP – 50 UAH/month, and for companies – 200 UAH/month. (provided there is movement of funds on the account). In addition to classic services, it is planned to promote own acquiring.
Todobank	The startup was a continuation of the Megabank Online mobile application from Megabank. He started working officially on August 5, 2019 and, one might say, was near the sources of neobanking in Ukraine	Has about 100000 customers.	It issues its own cards based on Visa Gold Rewards, offering 7% on the balance of the card. The credit limit is up to UAH 200,000, with a grace period of up to 62 days. Cashback of 1% on everything, in particular on ERC. The main difference between the service and other neobanks: to become a Todobank client, it is not necessary to order a Todobank card. It is enough to download the mobile application and start using todo using any Ukrainian bank card.

- if there are problems with the servers, accounting and documentation may be suspended until the end of their maintenance and debugging;
- high competition from traditional banks;
- presence of mistrust regarding the transition to alternative payment systems;
- the need to work on the basis of a traditional bank.

Despite the problems listed above, neobanks are gaining more and more popularity due to their advantages over traditional banks:

- simplification of opening an account, clients of neobanks can receive a card only by sending their documents to the application, and then receive the card by courier;
- saving time for making payments;
- 24/7 access to all services;
- simplified crediting procedure thanks to the use of innovative ways of assessing the borrower's creditworthiness by non-banks, which fully automates and accelerates the allocation of funds;
- targeting specific market segments, areas of activity, vulnerable clients who are not sufficiently covered by banking services (in particular, loans for small businesses and individual entrepreneurs, international transfers for labor migrants, mortgage lending for young people, etc.).

The operation of the neobank is fully ensured thanks to the Internet. The use of electronic technologies entails a number of risks:

- probability of DDos-attacks and cyber-attacks (the last big DDos-attack was on February 15, it was inflicted on state websites and large banks, their security survived, but during martial law such DDos-attacks are even more likely, because in addition to physical war, also there is an information war),
- distribution of confidential data by bank employees,
- technical failures (the application may not withstand user overload, so there are frequent failures in their work),
- disclosure of personal data by the clients themselves, and as a result, the leakage of their funds.

Despite all the risks, more and more users are turning to the services of neobanks, during martial law it is most convenient for users to open and use cards online. Therefore, it is reasonable to assume that even more neobanks will open in Ukraine in the coming years.

### Conclusion

The history of neobanking in the world began in the 20th century, and in Ukraine, the first neobank appeared only in 2017. Currently, there are only 7 neobanks in Ukraine, but, taking into account their advantages and the constant development of new technologies, the number of such banks in Ukraine will increase. Of course, traditional banks will continue to work on the market of financial services, but neo-banks have already taken a certain position and are popular among Ukrainians. On February 11, 2022, the Law dated December 14, 2021 No. 1953-IX «On Financial Services and Financial Companies» was adopted, which regulates the market of financial services and provides even more opportunities for the development of neobanking.

During martial law, the entire banking system of Ukraine had to be completely reformatted, and neobanks were no exception. Their main risk in this situation was hacker attacks on the systems, but they were avoided. Banks were in a somewhat frozen state for only a few days, but resumed their active work already in March. Users began to trust neobanks even more after these events, actively opened accounts and used the bank's services. Monobank has become a platform for volunteering for many people, thanks to the «Jar» function, people create separate so-called «deposits» for which they collect funds, and then send them to help the Armed Forces.

From this we can conclude that neobanking in Ukraine has quite great perspectives, every year banks are becoming more developed and functional for users, and therefore more attractive.

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