

## TRANSFORMATION OF BANKING ACTIVITIES IN SWITZERLAND: THE INFLUENCE OF NEO-BANKS AND PROSPECTS FOR THE DEVELOPMENT OF THE FINANCIAL SECTOR

## ТРАНСФОРМАЦІЯ БАНКІВСЬКОЇ ДІЯЛЬНОСТІ В ШВЕЙЦАРІЇ: ВПЛИВ НЕОБАНКІВ ТА ПЕРСПЕКТИВИ РОЗВИТКУ ФІНАНСОВОГО СЕКТОРУ

### **Khmara Maryna**

PhD (Economics), Associate professor of the Department of International Business, Educational and Scientific Institute of International Relations, Taras Shevchenko National University of Kyiv, e-mail: marynahmara@gmail.com ORCID 0000-0002-9119-5223

### **Kapliar Karina**

PhD student of the Department of International Business, Educational and Scientific Institute of International Relations, Taras Shevchenko National University of Kyiv, e-mail: karina.kapliar@gmail.com ORCID 0000-0002-3502-4980

### **Хмара Марина Петрівна**

Кандидат економічних наук, доцент, доцент кафедри міжнародного бізнесу Навчально-наукового інституту міжнародних відносин Київського національного університету імені Тараса Шевченка, e-mail: marynahmara@gmail.com ORCID 0000-0002-9119-5223

### **Капляр Каріна Володимирівна**

Аспірантка кафедри міжнародного бізнесу Навчально-наукового інституту міжнародних відносин Київського національного університету імені Тараса Шевченка, e-mail: karina.kapliar@gmail.com ORCID 0000-0002-3502-4980

**Abstract.** *Neobanks are dominant in the development of the financial sector of the leading countries of the world, the financial sector of Switzerland is no exception. The purpose of the article is a comprehensive study of the ways in which neo-banks change the Swiss banking sphere, namely the influence of neo-banks on the competitive environment and the behavior of Swiss consumers of banking services. The article examines the dynamic neobank market in Switzerland, analyzing data from the Statista and Swiss Payment Monitor platforms. A significant growth potential of this segment has been revealed, with an expected increase in the value of transactions to 109.7 billion USD by 2028. The article reveals the main areas of use of neobank services by the Swiss, including online payments, cash withdrawals, P2P transfers, bank transfers, cryptocurrency exchange, budgeting, donations and insurance. A comparative analysis of neobanks Neon, Revolut, Yuh, CSX, Wise, Yapeal, Zak based on data from the Moneyland.ch analytical platform revealed the most favorable offers for cards, interest rates and accounts. Investigated the cost of cash withdrawals and payments in different currencies, identifying Neon and Revolut as key options for users of neobank services in Switzerland. The article outlines the prospects for the development of neobanks in Switzerland, emphasizing the importance of technological innovation, focus on customer experience and competitive advantage. At the same time, challenges related to regulatory requirements, competition and the need to strengthen customer trust are noted. Overall, the study confirms that non-banks are playing an increasingly important role in the Swiss financial sector, offering innovative solutions and contributing to the development of the digital economy. The proposed article can be useful to professional researchers and analysts, banking institutions, business associations, regulators, international financial organizations. Further research in this area is expected in the direction of studying the specifics of the impact of regulation on the development prospects of neobanks in Switzerland.*

**Key words:** *neobanks, Switzerland, transformation of the financial sector, innovation, regulation, user behavior.*

**Анотація.** *Необанки є домінантою розвитку фінансового сектору провідних країн світу, не є виключенням фінансовий сектор Швейцарії. Метою статті є комплексному вивченню напрямків, як необанки змінюють банківську сферу Швейцарії, а саме впливу необанків на конкурентне середовище та поведінку швейцарських споживачів банківських*

*послуг. Стаття досліджує динамічний ринок необанків у Швейцарії, аналізуючи дані платформ Statista та Swiss Payment Monitor. Виявлено значний потенціал зростання цього сегмента, з очікуваним збільшенням вартості транзакцій до 109,7 млрд дол США до 2028 р.. Стаття розкриває основні напрямки використання сервісів необанків швейцарцями, включаючи онлайн-платежі, зняття готівки, P2P-перекази, банківські перекази, обмін криптовалютою, бюджетування, пожертви та страхування. Порівняльний аналіз необанків Neon, Revolut, Yuh, CSX, Wise, Yapeal, Zak на основі даних аналітичної платформи Moneyland.ch виявив найвигідніші пропозиції щодо карток, процентних ставок та рахунків. Досліджено вартість зняття готівки та платежів у різних валютах, визначивши Neon та Revolut як ключових опцій для користувачів сервісів необанків в Швейцарії. Стаття окреслює перспективи розвитку необанків у Швейцарії, підкреслюючи важливість технологічних інновацій, фокусу на клієнтському досвіді та конкурентних переваг. Водночас, зазначаються виклики, пов'язані з регуляторними вимогами, конкуренцією та необхідністю зміцнення довіри клієнтів. Загалом, дослідження підтверджує, що необанки відіграють дедалі важливішу роль у фінансовому секторі Швейцарії, пропонуючи інноваційні рішення та сприяючи розвитку цифрової економіки. Запропонована стаття може бути корисною фаховим дослідникам і аналітикам, банківським установам, бізнес-асоціаціям, регуляторам, міжнародним фінансовим організаціям. Подальші дослідження в даній царині передбачаються в напрямку вивчення особливостей впливу регулювання на перспективи розвитку необанків в Швейцарії.*

**Ключові слова:** *необанки, Швейцарія, трансформація фінансового сектору, інновації, регулювання, поведінка користувача.*

**Introduction.** The modern Swiss financial market is undergoing significant transformations under the influence of the rapid development of neobanks. These online-only digital financial institutions offer innovative services and products, challenging traditional banking models. Neobanks, thanks to their flexibility, technological orientation and customer orientation, are gaining more and more popularity among Swiss users, especially among young people. Accordingly, it is important to investigate the transformation of banking in Switzerland under the influence of neobanks. In particular, it is important to analyze the impact of neobanks on the competitive environment, consumer behavior, innovation and regulatory aspects. In this context, the question of the competitive environment is key, namely how neobanks affect traditional banks and their business models. An important issue, among other things, is the strategies used by traditional banks to adapt to new conditions. In addition, consumer behavior is a key factor, namely what factors influence consumers' choice between traditional banks and non-banks. It is important to study the expectations and requirements of consumers for financial services. Another important question is what innovative products and services neobank offers, and how these innovations affect the development of the banking sector as a whole. All this determines the relevance of this study. The results of the study will allow a deeper understanding of the transformation of the Swiss banking sector under the influence of neobanks and formulate recommendations for banks, regulatory authorities and other stakeholders.

**The purpose of the article** is a comprehensive analysis of the transformation of banking activity in Switzerland under the influence of neobanks in terms of the influence of neobanks on the competitive environment and changes in the behavior of consumers of banking services of neobanks in Switzerland.

**Literature review.** Neobanks, which are essentially digital banks without physical branches, are rapidly gaining popularity in developed and transition economies, changing the traditional banking sector. In this context, Sardar & Anjaria (2023) consider non-banks as catalysts of change in the banking sector. The authors analyze in detail the advantages of neobanks, such as convenience, personalized approach and innovative technologies, which attract customers, especially the younger generation. The article also highlights the challenges that neobanks face, including regulatory issues and competition with traditional banks. Kusnawi et al. (2023) focus on the perception of neobanks in Indonesia using sentiment analysis based on support vector algorithm. The research reveals mostly positive feedback from customers regarding digital banking services, convenience and ease of use. However, some customers have expressed concerns about data security and privacy. Soumady (2022)

examines the potential of neo-banks to transform India's banking landscape. The author notes that neo-banks, thanks to their flexibility and customer orientation, can win a significant share of the market, especially among the younger generation and poor segments of the population. However, the paper also notes that regulatory constraints and insufficient financial literacy may hinder the growth of neobanks. Neobanking, as a new direction of financial technologies, is attracting more and more attention from researchers and practitioners all over the world. This literature review examines three key works examining the concept, challenges and global practices of neobanking, as well as the current state of neobanking in the US and European countries, and the future of neobanking. Ziouache & Bouteraa (2023) provide a detailed description of the concept of neobanking, including its definition, key characteristics and differences from traditional banks. The authors also analyze the main challenges faced by neo-banks, such as regulatory restrictions, cyber security and competition with traditional banks. In addition, the article examines global practices of neobanking, including examples of successful neobanks from different countries of the world. Shuba & Lotkina (2022) focus on the current state of neobanking in the US and European countries. The authors analyze the specifics of the development of neobanking in these regions, including the regulatory framework, competitive environment and consumer preferences. The article also examines successful cases of neobanks in the USA and Europe and identifies the key factors of their success. Banga et al. (2023) provide an overview of the key growth drivers of neobanks in terms of the value proposition for the target audience. The authors examine factors contributing to the rapid growth of neobanks, such as digitalization, changing consumer preferences, and innovative technologies. The work also examines the potential directions of development of neobanks in the future, including the expansion of the range of services, partnerships with traditional banks and the use of artificial intelligence and blockchain. Aisyah, N.R. et al. (2023) conduct a user experience (UX) analysis of a neobank application using heart rates as indicators of users' emotional reactions. The authors found that indicators of the user's state (heart rate, etc.) can be used to assess user satisfaction, their engagement and the level of stress during interaction with the application. This study deepens the understanding of UX in financial technology. Rocchi, J.M. (2021) examines the strategic aspects of the creation and development of a successful neobank. The author outlines key success factors such as product differentiation, effective use of technology, customer focus, and building a strong brand identity. The author also emphasizes the importance of innovation and adaptation to the rapidly changing market of financial services.

However, the specifics of the development of neobanks and the resulting changes in the Swiss financial sector have not been sufficiently considered and require additional study.

**Main results of research.** Analysis of the Swiss banking services market and the role of neo-banks in the Swiss financial sector based on the data of the analytical platform Statista (2024) for 2024 with a forecast until 2028 demonstrates the significant growth potential of this innovative segment of the financial sector. According to forecasts, the value of transactions in 2024 will reach 63.94 billion US dollars, and by 2028 it is expected to increase to 109.71 billion US dollars. In terms of the average annual growth rate, this is growth at the level of 14.45%. This underlines the rapid development of neobanking and its growing role in the Swiss financial sector. The average transaction value per user in 2024 is USD 40.21 thousand, which indicates high involvement and activity of neobanking users in Switzerland. In addition, growth in the number of users of Swiss neobank services is expected at the level of 2.08 million people by 2028, which indicates the growing popularity and trust in digital banking solutions. The penetration of neobanking services among the Swiss population also shows positive dynamics - in 2024, the level of penetration of neobank services in Switzerland is 17.90%, and by 2028, the indicator is expected to grow to 22.88%. This confirms that more and more Swiss people are gravitating towards banking solutions based on the convenience, affordability and innovative features offered by non-banks.

Let's consider the main areas of use of the services of neobanks among the Swiss. Based on data from the Swiss Payment Monitor (2020), we will analyze how Swiss users use non-banks and which services are the most and least popular. The data show that the Swiss actively use non-banks for various financial transactions. Online payment (67% of respondents) is a key service of neobanks in Switzerland. Neobanks have become a convenient tool for everyday payments, both online and in retail networks. Cash withdrawal as a service of neobanks is noted by 38% of respondents – despite the digital nature of neobanks, cash withdrawal remains an important service for users. Fast and

convenient P2P transfers between users are one of the key advantages of neobanks (36% of respondents). Bank transfers of neobanks are used by every fifth (27% of respondents) according to the research. The growing interest in cryptocurrencies is reflected in the use of neobanks for their exchange (18% of respondents). Budgeting tools in non-banks have not become widespread with 9% of respondents noting the use of this tool. A small number of users (5% of respondents) use non-banks to make donations. Insurance services (3% of respondents) remain a niche service for neobanks. Data from the Swiss Payment Monitor (2020) demonstrate that non-banks have successfully integrated into the financial decisions of the Swiss. The services of neobanks in Switzerland are used for a wide range of operations, from daily payments to investments in cryptocurrencies. However, there is potential for further development, especially in the field of budgeting, insurance services and other niche offerings.

For comparison, the largest neo-banking market in the world – the United States – has a transaction value of USD 1,785 billion in 2024 (Swiss Payment Monitor, 2020). Although the Swiss neobanking market is much smaller in size, Swiss neobanking shows significant growth rates and development potential. The high average transaction cost per user and growing market penetration underscore the importance of the neobanking segment to the country's financial sector and its ability to meet the needs of today's financial service consumers. Given these trends, neobanks have the opportunity to become key players in the Swiss financial market, offering innovative solutions and contributing to the development of the digital economy.

Analytical platform moneyland.ch analyzed offers from Swiss neobanks. Neobanks Neon and Revolut received the highest marks for card usage. In terms of interest rates and accounts, neobank Yuh leads the way. Data from a moneyland.ch study showed that neobank cards are significantly cheaper than most credit cards from traditional banks when it comes to paying abroad.

The analytical platform Moneyland.ch (2023) compared the cost of cash withdrawals and payments in euros and US dollars in Switzerland and abroad. The non-banks CSX (Credit Suisse), Neon, Revolut, Wise, Yapeal, Yuh (Swissquote and Postfinance) and Zak (Bank Cler) participated in the comparison. The following user profile is created: annually the user of the profile makes payments in the amount of 10,000 Swiss francs in Switzerland using a non-bank card (usually a debit card), and also makes transactions during travel with the equivalent of 2,000 Swiss francs in transactions in the equivalent of euros, US dollars, and also withdraws cash from 6 ATMs abroad, including 1 ATM in Switzerland. The cheapest options are the Neon Free account from the Swiss neobank Neon and the Standard account from the international neobank Revolut. For consumers who fit the profile, the total cost of using neobank accounts is 57 Swiss francs. In addition, there is an account from the Swiss neobank Yapeal and the international neobank Wise; both have a total account usage fee of 69 Swiss francs. In terms of the studied user profile of neobanks in Switzerland, the most expensive neobank accounts are Zak Plus (318 Swiss francs) and CSX Black Debit Mastercard (264 Swiss francs).

In this context, we will present an analysis of the user profile of neobanking in Switzerland. The analytical platform Moneyland.ch (2023) used the following user profile to compare the cost of bank accounts and card transactions – the user uses his non-bank account to pay bills and receive wages. Every year, the user makes 50 outgoing and 20 incoming bank transfers through neobank services. They also have periodic rent payments that are paid monthly. The average balance in their personal account is 5 thousand Swiss francs. According to this profile, neobank Yuh is the most affordable, the total cost of use is 51 Swiss francs per year after interest. Neon ranks second with a total cost of CHF 57 per year. Yapeal ranks third with a total cost of CHF 111 per year. The two most expensive accounts are Credit Suisse CSX Black Debit Mastercard (CHF 264 per year) and Zak Plus (CHF 281 per year). Most of the neobanks presented in the comparison offer accounts without a basic account maintenance fee. All this points to the specifics of the demand for neobanking services in Switzerland and opportunities for further modeling of the neobank value proposition for the Swiss user.

We will highlight the main prospects for the development of neobanks in Switzerland and changes in the country's financial sector under the influence of technological development. Neobanks in Switzerland are developing rapidly, changing the traditional banking environment. Success is determined by several key factors and innovative directions of development. In particular, these changes are made possible by technological innovation and a focus on customer experience.

Neobanks offer convenient mobile applications, use artificial intelligence for personalized financial advice and integrate with other financial services through open banking. Neobanks attract customers with simplicity, transparency and lower tariffs, offering a wide range of innovative products. The target audience includes young people, small and medium-sized enterprises, as well as international customers. Despite the significant potential for growth, Swiss non-banks face regulatory requirements and high competition. In order to succeed in the market, non-banks must overcome these challenges, strengthen customer trust and continue to innovate, adapting to the needs of the ever-changing market. Let's summarize the results of the analysis in Table. 1.

Table 1

**The main directions of the development of the financial sector of Switzerland in the context of neobanks**

<b>Directions</b>	<b>Comments</b>
<i>Technological innovations as the main driver of the development of neobanks</i>	
Mobile banking	Neobanks focus on convenient mobile applications that allow customers to manage their finances from anywhere.
Open Banking	Integration with other financial services and applications through APIs, which expands functionality and convenience for customers.
Blokchain	Neo-banks are considering solutions for using blockchain to improve the security and transparency of transactions.
AI	Using artificial intelligence for personalized financial advice, cost analysis and fraud detection.
<i>Focus on customer experience as a competitive advantage of neobanks</i>	
Simplicity and convenience	Intuitive interfaces, quick registration and easy access to all functions.
Personalization	Offers products and services that meet the individual needs of customers.
Round-the-clock support	Respond quickly to customer inquiries via chat, email or phone.
<i>Competitive advantages of neobanks in Switzerland</i>	
Lower tariffs	Due to the absence of physical branches and optimization of processes, non-banks can offer lower fees and interest rates.
Transparency	Clear information about tariffs and conditions without hidden fees.
Innovative products	In addition to basic banking services, neobanks offer investment accounts, cryptocurrency transactions, insurance and other financial products.
<i>Target audiences of neobanks in Switzerland</i>	
Young people	Young people who value technology, convenience and innovation will gravitate towards neobanks.
Small and medium business	Businesses looking for an alternative to traditional banks with more flexible terms and digital solutions.
International clients	People who often travel or work abroad and need convenient international transfers and multi-currency accounts.
<i>Challenges and prospects of neobanks in Switzerland</i>	

Regulatory requirements	Neobanks must adhere to strict financial norms and rules, which can complicate their operations.
Competition	The growing number of neobanks and traditional banks developing digital services creates high competition in the market.
Customer trust	Some customers still prefer traditional banks because of their reputation and physical presence.

Source: own analysis.

Swiss non-banks have significant potential for further growth. Through innovation, customer focus and competitive advantage, neobanks can attract new customer segments and change the banking industry. However, in order to develop successfully, they must overcome regulatory challenges, withstand competition and strengthen customer confidence.

**Conclusions.** A study of the Swiss banking services market revealed a significant growth potential of the neobank segment. According to forecasts, the value of transactions in this sector will increase from \$63.94 billion. USA in 2024 to 109.70 billion dollars. USA in 2028, which confirms the growing popularity and trust in digital banking solutions. Analysis of the use of neobank services by the Swiss showed that they actively use them for a variety of financial transactions, including online payments, cash withdrawals, P2P transfers and cryptocurrency exchanges. This testifies to the successful integration of neobanks into the financial solutions of the Swiss and their ability to meet the diverse needs of users. A comparison of offers from Swiss neo-banks revealed that they offer competitive conditions in terms of card costs, interest rates and accounts. Some non-banks, such as Neon and Revolut, offer particularly favorable conditions for users who make payments abroad. Despite the relatively small size of the Swiss neobanking market compared to the US, it shows significant growth rates and potential for development. The high average transaction value per user and the growing market penetration underline the importance of the neo-banking segment to the Swiss financial sector. Prospects for the development of neobanks in Switzerland are related to technological innovation, focus on client experience and development of innovative products. Neo-banks are actively using mobile banking, open banking, blockchain and artificial intelligence to improve their services and attract new customers. However, Swiss neobanks face challenges such as regulatory requirements and high competition. To succeed in the marketplace, they must overcome these obstacles, build customer trust, and continue to innovate while adapting to the ever-changing market needs. Overall, the study found that the Swiss neobanking market has significant potential for further growth and development. Through innovation, customer focus and competitive advantage, neo-banks can attract new customer segments and transform the Swiss banking industry, contributing to the development of the country's digital economy.

Prospects for further research include the study of the specifics of the impact of regulation on the current state and prospects for the development of neobanks in Switzerland.

## References

1. Sardar, S. and Anjaria, K. (2023) 'The future of banking: how neo banks are changing the industry,' *International Journal of Management, Public Policy and Research*, 2(2), pp. 32–41. <https://doi.org/10.55829/ijmpr.v2i2.153>.
2. Kusnawi, K., Rahardi, M. and Pandiangan, V.D. (2023) 'Sentiment Analysis of Neobank Digital Banking using Support Vector Machine Algorithm in Indonesia,' *JOIV : International Journal on Informatics Visualization*, 7(2), pp. 377–383. <https://doi.org/10.30630/joiv.7.2.1652>.
3. Soumady, N.D.V.R. (2022) 'Are neo banks the future disruptors of banking in India –A perspective,' *International Journal of Advanced Research in Science, Communication and Technology*, 2(2), pp. 97–102. <https://doi.org/10.48175/ijarsct-2826>.
4. Ziouache, A., Bouteraa, M. (2023) 'Descriptive Approach of Neo-Banking System: conception, challenges and global practices,' *International Journal of Business and Technology Management*, 5(2), pp. 194– 204. <https://doi.org/10.55057/ijbtm.2023.5.2.18>.

5. Shuba, O., Lotkina, V. (2022) 'The current state of neobanking in the USA and European countries,' *Biznes Inform*, 7(534), pp. 17–24. <https://doi.org/10.32983/2222-4459-2022-7-17-24>.
6. Banga, C. et al. (2023) 'Growth and Future of Neo Banks – A Survey,' *2023 International Conference on Computational Intelligence and Knowledge Economy (ICCIKE)*, pp. 467–472. <https://10.1109/ICCIKE58312.2023.10131692>.
7. Aisyah, N.R. et al. (2023) 'User experience analysis of NeoBank Application using Heart Metrics,' *BEST Journal of Applied Electrical Science & Technology*, 5(2), pp. 1–7. <https://doi.org/10.36456/best.vol5.no2.6673>.
8. Rocchi, J.M. (2021) 'How to build a leading So-Called neobank and pursue its growth?,' in *How to Build a Leading So-Called Neobank and Pursue Its Growth?: The Case of the FinTech Nickel in Europe*, IGI Global, pp. 177–199. <https://doi.org/10.4018/978-1-7998-1630-0.ch008>.
9. Statista. *Neobanking – Switzerland* (2023). <https://www.statista.com/outlook/dmo/fintech/neobanking/switzerland>.
10. *Swiss Payment Monitor* (2020). <https://www.zhaw.ch/en/research/research-database/project-detailview/projektid/3467/>.  
*Moneyland.ch. These are the best Swiss neobanks* (2023). <https://www.moneyland.ch/en/swiss-neobank-study-2023>.