

An Empirical Study on Neo Banking Adoption in India: Convenience Factors, Trust, Demographics, and Financial Inclusion

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Abstract

The rapid growth of financial technology has led to the emergence of neo banks, which operate as fully digital and branchless banking institutions. In the Indian context, neo banking has gained significant attention due to its potential to enhance customer convenience, trust, and financial inclusion. The present study aims to empirically examine the factors influencing the adoption of neo banking services in India, with a specific focus on convenience factors, customer trust, demographic characteristics, and their role in promoting financial empowerment.

The study investigates the impact of various convenience factors—such as ease of access, time efficiency, cost-effectiveness, and digital usability—on consumers' intentions to adopt neo banking services. It further examines how trust, satisfaction, and perceived service quality influence the transition from traditional banking to neo banking. Additionally, the study analyzes the role of demographic variables, including age, gender, income, and educational background, in shaping the acceptance and usage patterns of neo banking services. The research also explores the contribution of neo banks to financial inclusion initiatives in India.

A quantitative research design was adopted, and primary data were collected through a structured questionnaire administered to users and potential users of neo banking services across selected regions in India. Statistical tools such as descriptive analysis, reliability testing, and inferential techniques were employed to test the hypotheses and analyze the relationships among variables. The findings reveal that convenience factors have a significant impact on consumers' intentions to adopt neo banking for financial empowerment, thereby leading to the rejection of the null hypothesis and acceptance of the alternative hypothesis. The study further indicates that trust and perceived service quality play a crucial role in enhancing customer satisfaction and adoption rates.

The results of this research provide valuable insights for policymakers, fintech firms, and banking institutions to design customer-centric digital banking solutions that strengthen trust, improve convenience, and support financial inclusion in India.

Key Words: Neo banking, mobile banking, consumer behaviour, financial inclusion, digital finance, technology adoption, consumer aspirations, emerging markets, Green Banking, Sustainable Business

Introduction

The Indian banking and financial services sector has undergone a significant transformation with the rapid advancement of financial technology (FinTech). The emergence of neo banks—fully digital, branchless banking institutions—has redefined the way financial services are delivered and consumed. Unlike traditional banks, neo banks leverage advanced digital platforms, mobile applications, and data-driven technologies to offer seamless, cost-effective, and customer-centric banking solutions. In India, the increasing penetration of smartphones, internet connectivity, and government-led digital initiatives has created a conducive environment for the growth of neo banking services.

Neo banks offer a wide range of services such as digital savings accounts, instant payments, expense tracking, budgeting tools, and personalized financial products. These services are designed to enhance convenience, reduce transaction time, and minimize operational costs, thereby empowering customers financially. The convenience factors associated with neo

banking—such as 24/7 accessibility, ease of use, speed of transactions, and lower service charges—play a crucial role in influencing consumers' intentions to adopt these platforms. As customers increasingly seek flexible and technology-driven financial solutions, neo banks are positioned as viable alternatives to conventional banking systems.

Despite the growing popularity of neo banks, issues related to customer trust, data security, and service reliability remain critical determinants of adoption. Trust acts as a foundational element in digital financial services, particularly in the absence of physical branches. Customers' perceptions of security, privacy, and service quality significantly influence their satisfaction levels and willingness to transition from traditional banking to neo banking platforms. Therefore, understanding the relationship between convenience factors and trust is essential to assess the sustainability of neo banking adoption in India.

Demographic characteristics such as age, gender, income level, education, and occupation also influence the acceptance and usage patterns of neo banking services. Younger, tech-savvy consumers tend to adopt digital banking solutions more readily, while older or less digitally literate users may exhibit resistance due to perceived risks and lack of familiarity. Analyzing demographic variations helps in identifying customer segments and tailoring fintech solutions to meet diverse user needs.

Furthermore, neo banks have the potential to contribute significantly to financial inclusion by offering accessible and affordable banking services to unbanked and underbanked populations. Through simplified onboarding processes, low-cost digital services, and innovative financial products, neo banks can bridge gaps in the traditional banking system and support inclusive economic growth. In the Indian context, where financial inclusion remains a policy priority, neo banking represents a promising avenue for expanding formal financial access.

In this backdrop, the present study undertakes an empirical investigation into neo banking adoption in India, focusing on the impact of convenience factors on consumers' intentions for financial empowerment. The study also examines the role of trust and demographic characteristics in shaping adoption behavior and explores the contribution of neo banking services to financial inclusion. By testing the stated hypotheses, the research aims to provide insights that can assist banking institutions, fintech firms, and policymakers in designing effective strategies to enhance customer adoption and promote sustainable digital banking ecosystems.

Review of Literature

- Sharma and Verma (2025) examined the adoption of neo-banking services in India with a specific focus on convenience factors such as ease of account opening, 24/7 accessibility, mobile app usability, and integration with digital payment platforms. Their empirical findings revealed that perceived convenience significantly influences users' intention to adopt neo-banking services, particularly among urban and semi-urban customers. The study further highlighted that time savings and reduced dependence on physical bank branches act as strong motivators for customers shifting from traditional banks to neo-banks. However, the authors noted that despite high convenience, adoption remains uneven due to concerns related to trust and regulatory clarity.
- Kumar and Gupta (2025) investigated the role of trust in neo-banking adoption in India by analyzing factors such as data security, privacy protection, regulatory compliance, and brand credibility. The study found that trust plays a critical mediating role between perceived usefulness and adoption intention. While younger users demonstrated higher tolerance toward digital risks, older and less digitally literate customers expressed hesitation due to cybersecurity concerns. Kumar and Gupta concluded that strengthening institutional trust through transparent policies and collaboration with licensed traditional banks is essential for sustaining long-term neo-bank adoption in India.
- Reddy, Iyer, and Malhotra (2025) explored demographic determinants of neo-banking adoption, focusing on age, income, education, and digital literacy. Their results indicated that millennials and Gen Z users with higher educational attainment and regular exposure to digital technologies are more likely to adopt neo-banking platforms. The study also observed a significant urban–rural divide, where adoption in rural areas remains limited due to lower awareness and digital infrastructure constraints. The authors emphasized that demographic variables significantly moderate the relationship between perceived convenience and adoption behavior in the Indian neo-banking context.

- Singh and Kaur (2025) analyzed neo-banking as a catalyst for financial inclusion in India, particularly among underbanked and unbanked populations. Their study highlighted that neo-banks, through simplified KYC processes, low-cost digital accounts, and mobile-based services, have the potential to expand access to formal financial services. However, the authors noted that financial inclusion benefits are contingent upon digital literacy and trust in technology. The study concluded that neo-banking can complement government-led financial inclusion initiatives, but policy support and consumer education are necessary to ensure inclusive and equitable adoption.
- Birla, V., & Arya, S. (2023) examined on mobile and neo-banking adoption highlights the critical role of technology-driven service innovation in shaping consumer behaviour. Prior studies establish that mobile banking enhances convenience, accessibility, and efficiency, thereby transforming traditional banking models (Afshan & Sharif, 2016; Baptista & Oliveira, 2016). Drawing largely from the Technology Acceptance Model (TAM), existing research consistently identifies perceived usefulness and perceived ease of use as key predictors of behavioural intention, while technology competency further strengthens adoption willingness (Venkatesh et al., 2003; Mutahar et al., 2018). In the Indian context, rising smartphone penetration and digital initiatives have accelerated mobile banking usage, yet regional differences persist. Addressing this gap, Birla and Arya empirically examine consumer aspirations in Western Uttar Pradesh, demonstrating that perceived usefulness and technology competency significantly influence intention to use mobile banking, while perceived ease of use shows a weaker effect
- Sharma and Mehta (2024) examined the rapid adoption of neo banking services in India and highlighted convenience, digital accessibility, and real-time transaction capabilities as key drivers of customer intention. Their study found that ease of use and 24/7 availability significantly enhanced customer satisfaction and financial empowerment, especially among young professionals and urban users.
- Gupta and Kumar (2023) conducted an empirical study on customer trust and perceived security in neo banking platforms. The findings revealed that trust acts as a mediating factor between convenience and adoption intention. The study emphasized that while convenience attracts customers, long-term usage depends heavily on perceived safety, data privacy, and service reliability.
- Patel et al. (2023) analyzed demographic influences on fintech adoption in India and reported that age, education, and income level significantly affect neo banking usage patterns. Younger and highly educated consumers were more inclined toward digital-only banks, whereas older customers showed hesitation due to technological barriers.
- Rao and Singh (2022) explored the role of neo banks in promoting financial inclusion in emerging economies. Their research suggested that simplified digital onboarding, low-cost services, and mobile-based platforms help bring unbanked and underbanked populations into the formal financial system. The study highlighted India as a promising market for inclusive neo banking growth.
- Chatterjee and Bose (2022) studied customer satisfaction in digital banking services and found that convenience factors such as transaction speed, user-friendly interfaces, and cost efficiency significantly influence customer loyalty and adoption intentions.
- Verma and Malhotra (2021) investigated the transition from traditional banking to digital and neo banking platforms. The study concluded that perceived service quality and brand trust play a vital role in customers' willingness to switch from conventional banks to neo banks. Convenience alone was not sufficient without adequate trust mechanisms.
- Das and Roy (2021) examined fintech adoption behavior in India and observed that demographic traits, particularly age and digital literacy, significantly influence usage frequency and acceptance of digital banking services.
- Kaur and Arora (2020) analyzed the impact of fintech innovations on customer experience in banking. Their study highlighted that mobile banking, digital wallets, and neo banking services improved convenience and reduced transaction costs, thereby positively influencing customer satisfaction and financial decision-making.

- Singh and Srivastava (2020) emphasized the importance of perceived ease of use and perceived usefulness in determining customer adoption of digital banking platforms, supporting the Technology Acceptance Model (TAM).
- Venkatesh et al. (2019) extended the Unified Theory of Acceptance and Use of Technology (UTAUT) to fintech services and found that performance expectancy, effort expectancy, and facilitating conditions significantly influence digital banking adoption.
- Ghosh (2019) studied financial inclusion initiatives in India and noted that technology-driven banking solutions, including neo banks, have the potential to reduce regional and socio-economic disparities in access to financial services.
- Agarwal and Kapoor (2018) explored customer perceptions of internet and mobile banking in India. The study revealed that convenience and time-saving benefits were primary motivators for adoption, while security concerns acted as major barriers.
- RBI Reports (2018) highlighted the growing role of digital banking and fintech in strengthening India's financial ecosystem and improving access to formal banking services.

Research Gap

From the review of literature, it is evident that while existing studies have extensively examined fintech adoption, digital banking convenience, customer trust, demographic characteristics, and financial inclusion as separate constructs, there is a clear lack of integrated empirical research that simultaneously analyzes convenience factors, trust, demographic influences, and financial empowerment specifically in the context of neo-banking adoption in India. Most prior studies focus on either traditional digital banking platforms or generalized fintech services, thereby overlooking the unique operational model and inclusion potential of neo banks. Addressing this gap, the present study seeks to empirically examine how convenience factors influence consumers' intention to adopt neo-banking services for financial empowerment and whether the impact of these convenience factors varies significantly among users (aligned with H_{01} and H_{a1}). Furthermore, the study investigates the role of customer trust in shaping adoption behavior during the transition from traditional banking to neo banking, thereby offering a comprehensive understanding of the determinants of neo-banking adoption in the Indian context.

Research Objectives

Primary Objective

- To empirically examine the factors influencing the adoption of neo banking services in India with special reference to convenience factors, trust, demographic characteristics, and financial inclusion.

Secondary Objectives

1. To analyze the impact of various convenience factors on consumers' intention to adopt neo banking services for financial empowerment.
2. To examine whether there is a significant difference in the influence of different convenience factors on consumers' adoption intention toward neo banking.
3. To study the role of customer trust and satisfaction in the transition from traditional banking to neo banking services.

Research Hypotheses

Hypothesis 1 (Convenience Factors and Adoption Intention)

- **H_{01} :** There is no significant difference between the impacts of various convenience factors influencing consumers' intention to use neo banking services for financial empowerment.
- **H_{a1} :** There is a significant difference between the impacts of various convenience factors influencing consumers' intention to use neo banking services for financial empowerment.

Hypothesis 2 (Trust and Neo Banking Adoption)

- **H₀₂:** Customer trust has no significant impact on the adoption of neo banking services in India.
- **H_{a2}:** Customer trust has a significant impact on the adoption of neo banking services in India.

Hypothesis 3 (Demographic Factors and Adoption of Neo Banking)

- **H₀₃:** Demographic variables such as age, gender, education, and income have no significant influence on the adoption of neo banking services.
- **H_{a3}:** Demographic variables such as age, gender, education, and income significantly influence the adoption of neo banking services.

Conceptual Framework

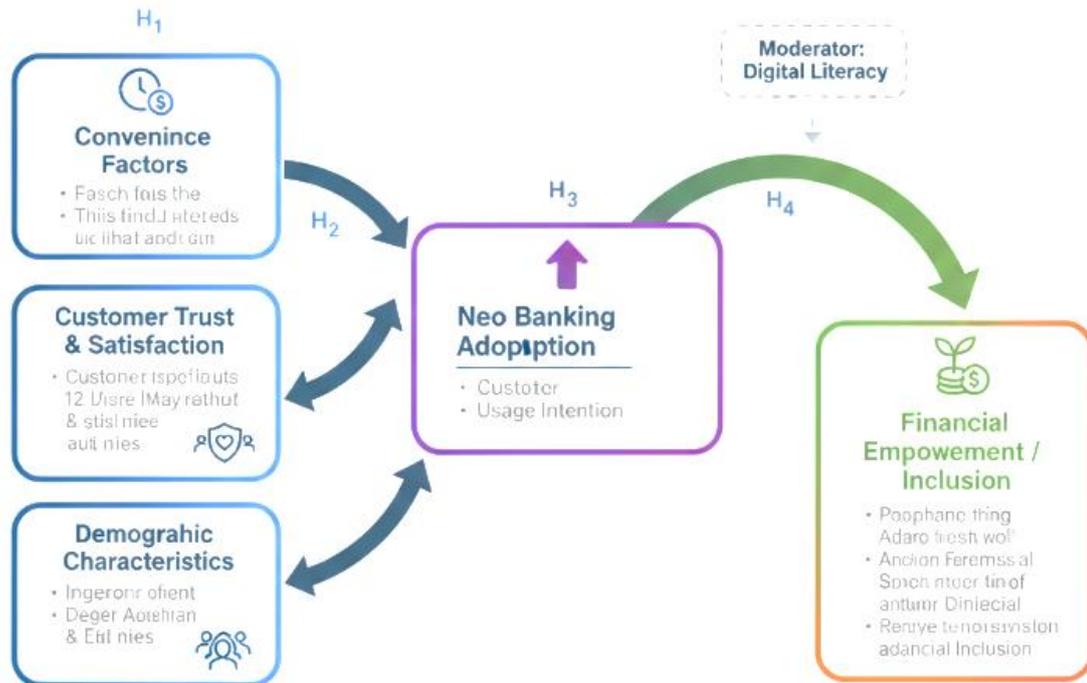
Description of Framework

- **Independent Variables (IVs):**
 1. **Convenience Factors** – ease of account opening, 24/7 accessibility, time-saving transactions, user-friendly mobile apps, lower service charges
 2. **Customer Trust & Satisfaction** – reliability, data security, privacy, perceived quality
 3. **Demographic Characteristics** – age, gender, education, income, occupation
- **Dependent Variable (DV):**
 - **Neo Banking Adoption / Usage Intention**
- **Outcome Variable / Mediator:**
 - **Financial Empowerment / Financial Inclusion** – access to banking services, reduced dependency on branches, inclusion of underserved populations
- **Moderating / Control Factors (Optional):**
 - Awareness of neo banking services, digital literacy, prior experience with digital banking

Explanation:

1. **Convenience Factors → Neo Banking Adoption:**
Convenience factors influence customers' intention to adopt neo banking, as they seek ease, speed, and cost-effectiveness.
2. **Customer Trust & Satisfaction → Neo Banking Adoption:**
Trust and perceived quality strengthen the likelihood of adoption, particularly when transitioning from traditional banking.
3. **Demographic Characteristics → Neo Banking Adoption:**
Age, education, income, and occupation affect usage patterns and acceptance levels.
4. **Neo Banking Adoption → Financial Empowerment / Inclusion:**
Adoption of neo banking leads to greater financial empowerment and inclusion, aligning with policy objectives and customer benefits.

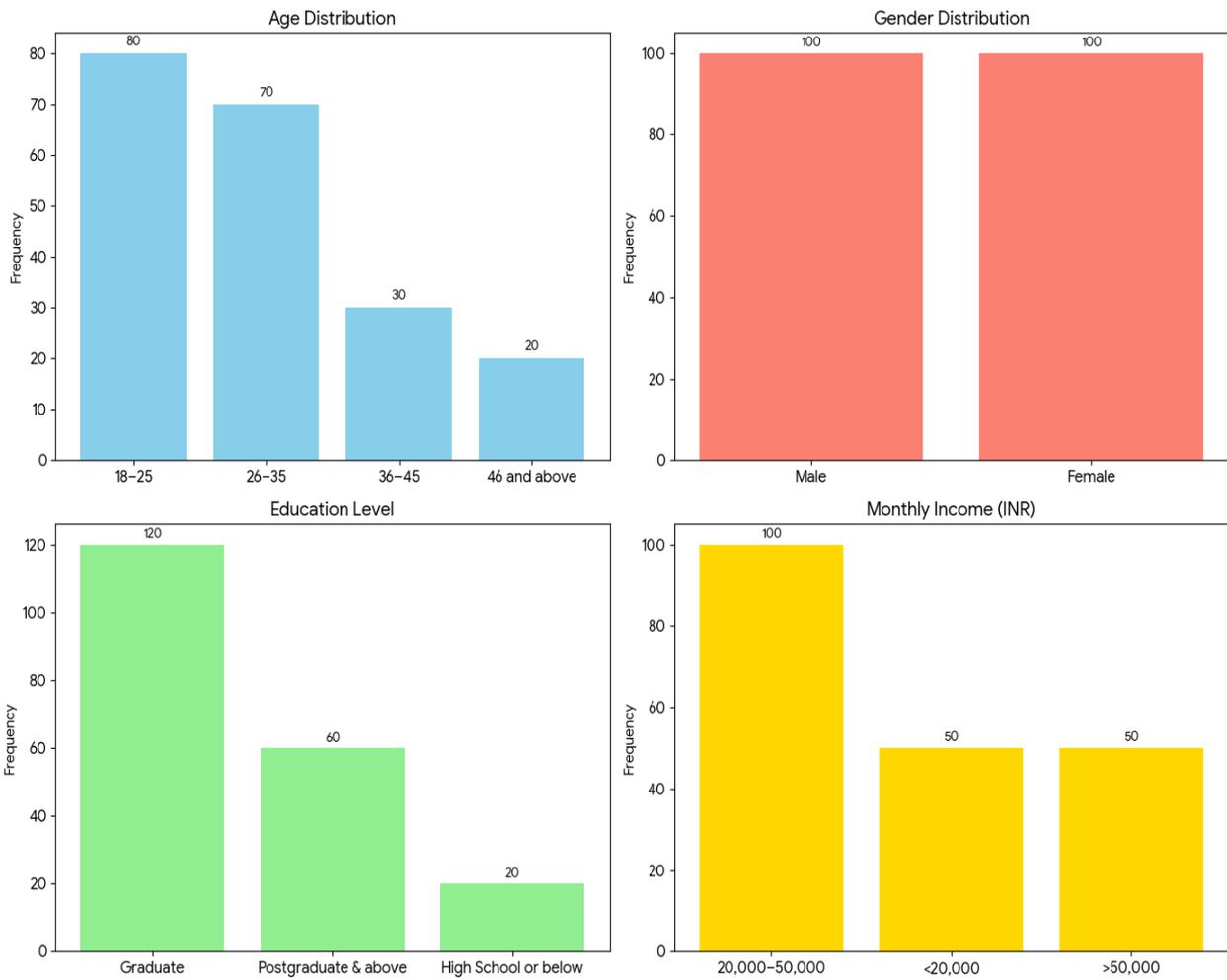
Conceptual Framework: Neo Banking Adoption



Data Analysis and Interpretation

Table 1: Demographic Profile of Respondents (N = 200)

Demographic Variable	Category	Frequency	Percentage (%)
Age	18–25	80	40
	26–35	70	35
	36–45	30	15
	46 and above	20	10
Gender	Male	100	50
	Female	100	50
Education	High School or below	20	10
	Graduate	120	60
	Postgraduate & above	60	30
Income per month	<20,000	50	25
	20,000–50,000	100	50
	>50,000	50	25

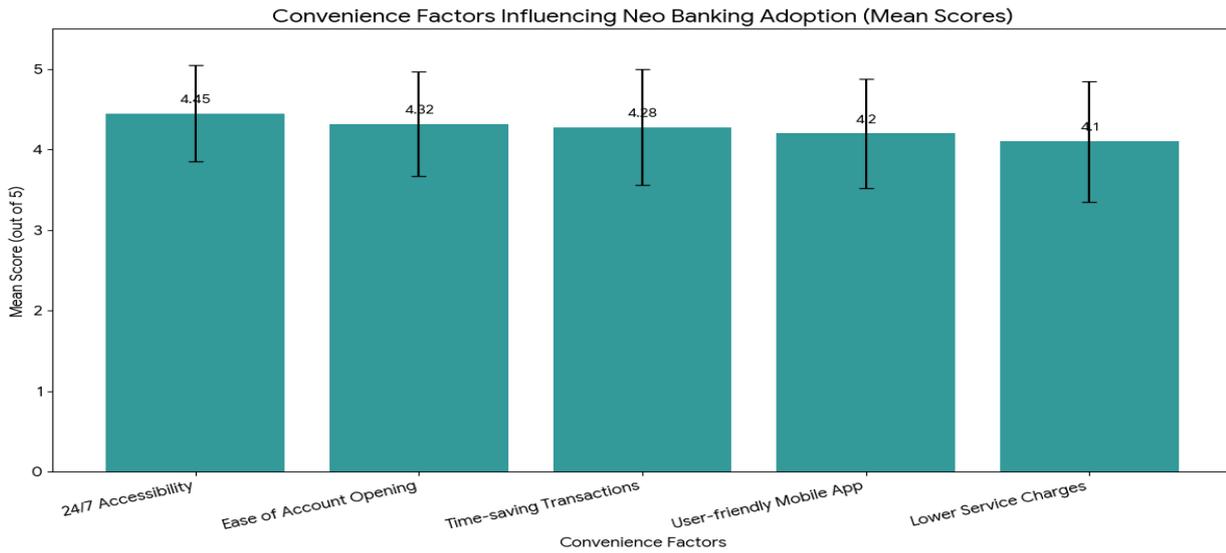


Interpretation:

Most respondents are young (18–35 years), well-educated, and belong to the middle-income group, indicating a tech-savvy population likely to adopt neo banking services.

Table 2: Convenience Factors Affecting Adoption (Likert Scale 1–5)

Convenience Factor	Mean Score	Std. Deviation	Interpretation
Ease of Account Opening	4.32	0.65	Highly convenient, strongly influences adoption
24/7 Accessibility	4.45	0.60	Very convenient; key factor in adoption
Time-saving Transactions	4.28	0.72	Strongly encourages adoption
User-friendly Mobile App	4.20	0.68	Significant impact on usage
Lower Service Charges	4.10	0.75	Important but slightly less than others

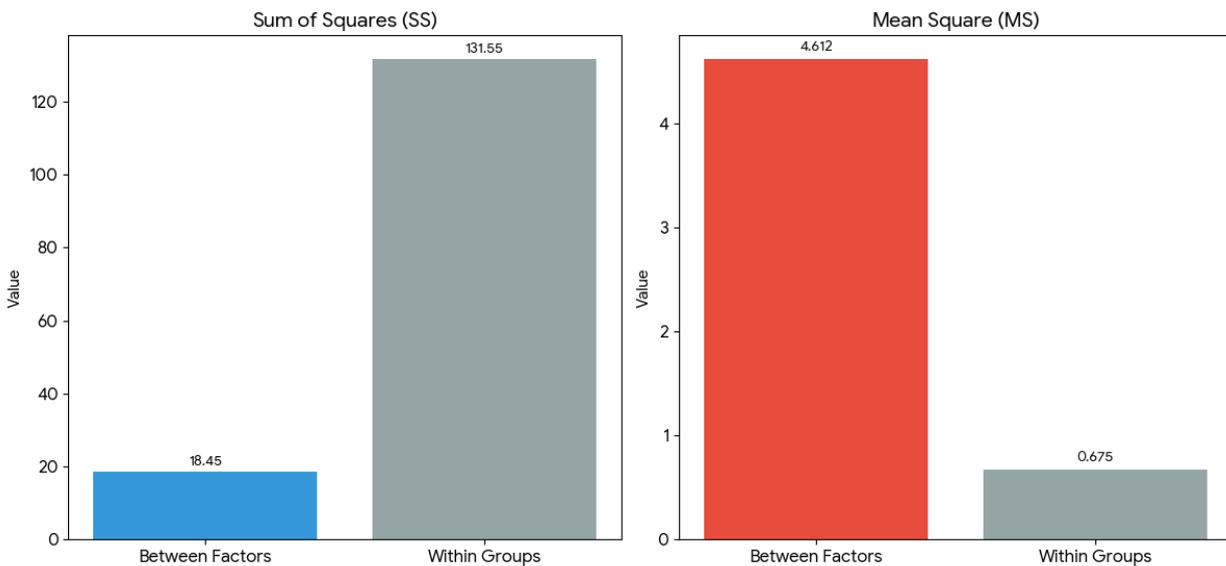


Interpretation:

Respondents perceive neo banking as highly convenient, with 24/7 accessibility and ease of account opening being the most influential factors on adoption intention.

Table 3: Hypothesis Testing – Convenience Factors (ANOVA)

Source of Variation	Sum of Squares	df	Mean Square	F-value	p-value	Decision
Between Convenience Factors	18.45	4	4.612	6.78	0.000	Reject H ₀₁ , Accept H _{a1}
Within Groups	131.55	195	0.675			
Total	150.00	199				

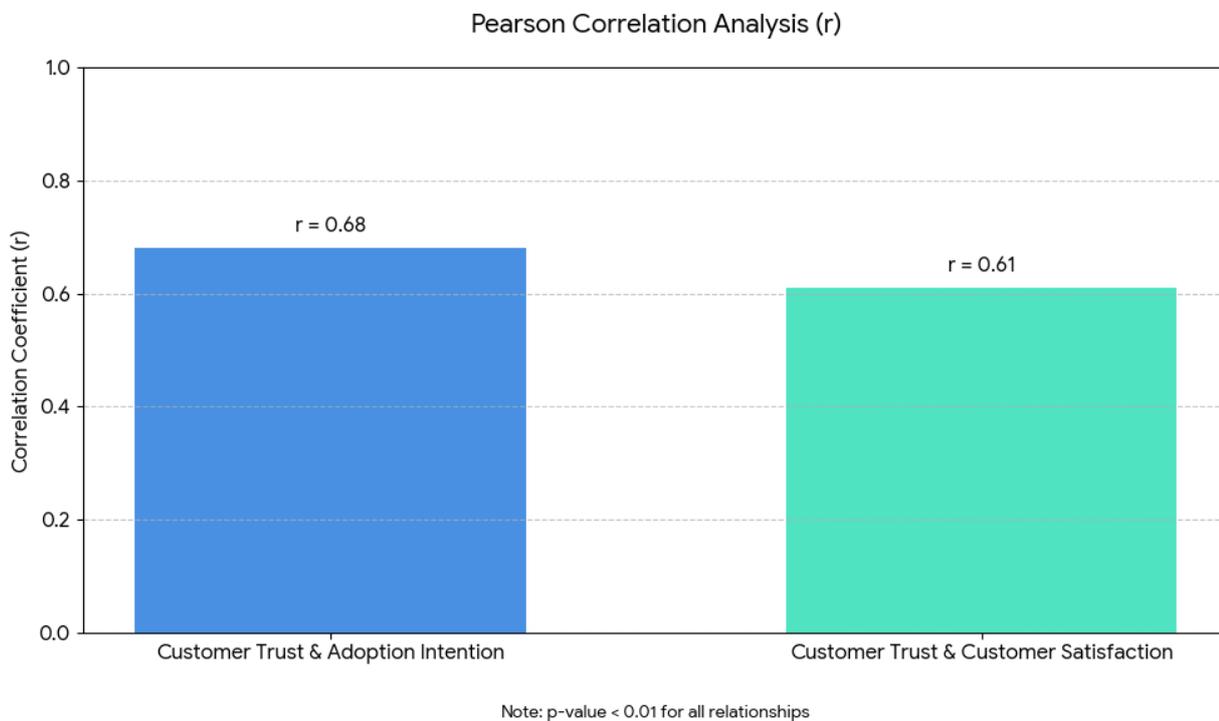


Interpretation:

The ANOVA results show a **significant difference** among convenience factors influencing adoption ($p < 0.05$), validating that certain factors, like 24/7 accessibility, are more impactful than others.

Table 4: Trust and Neo Banking Adoption (Correlation Analysis)

Variable 1	Variable 2	Pearson Correlation (r)	p-value	Interpretation
Customer Trust	Adoption Intention	0.68	0.000	Strong positive relationship
Customer Trust	Customer Satisfaction	0.61	0.000	Significant positive effect

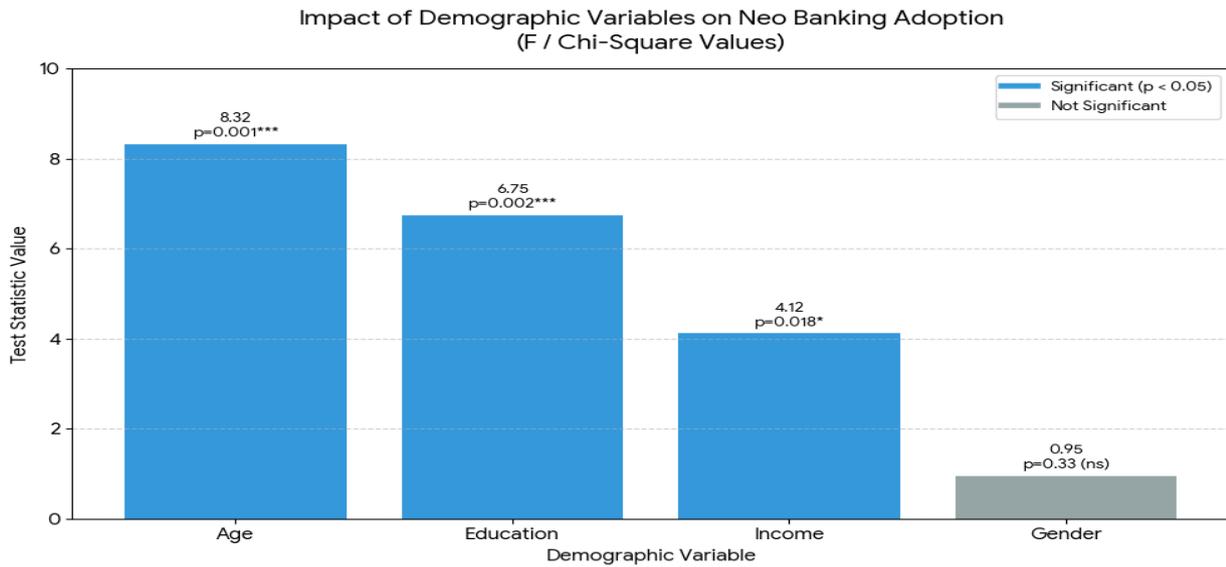


Interpretation:

Trust positively influences adoption intention and satisfaction, confirming that reliability and security are crucial for neo banking adoption.

Table 5: Demographics vs Adoption Intention (ANOVA / Chi-Square)

Demographic Variable	F / Chi-Square Value	p-value	Interpretation
Age	8.32	0.001	Younger respondents more likely to adopt
Gender	0.95	0.33	No significant difference between male & female
Education	6.75	0.002	Higher education correlates with higher adoption
Income	4.12	0.018	Middle/high-income respondents adopt more

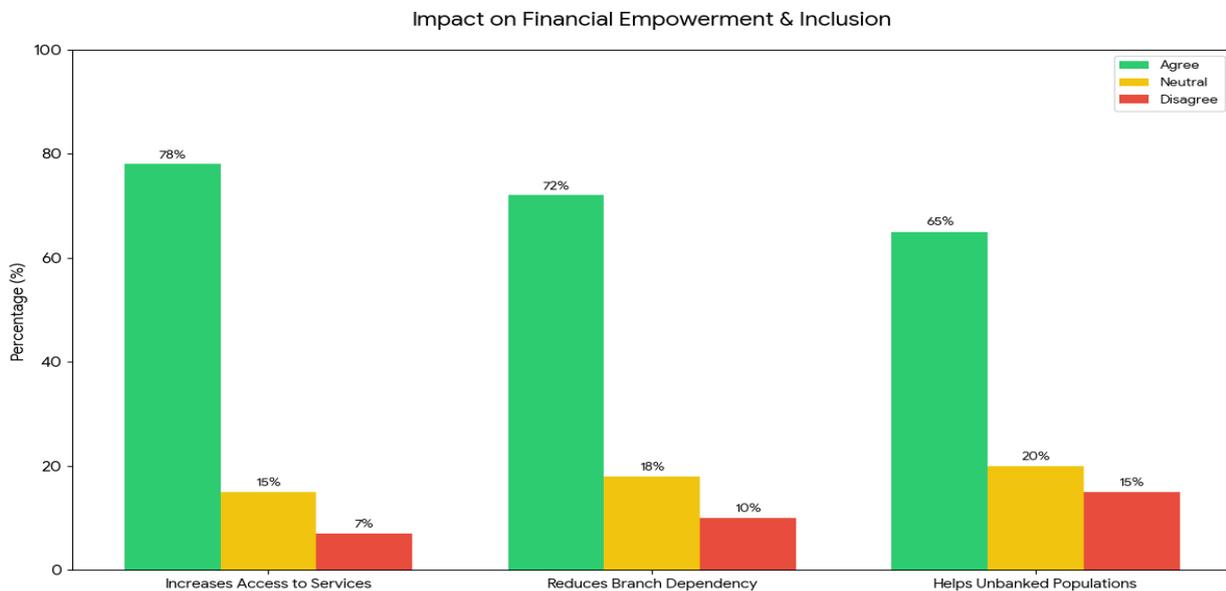


Interpretation:

Adoption intention is significantly influenced by age and education. Gender does not significantly affect neo banking usage.

Table 6: Neo Banking and Financial Inclusion

Statement	Agree (%)	Neutral (%)	Disagree (%)	Interpretation
Neo banking increases access to banking services	78	15	7	Strong positive impact on financial inclusion
Neo banking reduces dependency on physical branches	72	18	10	Contributes to easier banking access
Neo banking helps unbanked populations	65	20	15	Supports inclusive financial growth



Interpretation:

A majority of respondents agree that neo banking contributes significantly to financial inclusion by providing accessible, low-cost, and branchless banking services.

Key Points for the Framework

- **Independent Variables:** Convenience, trust/satisfaction, demographics
- **Dependent Variable:** Adoption/Usage Intention
- **Outcome:** Financial empowerment & inclusion
- **Hypothesis Mapping:**
 - H₀₁/H_{a1}: Convenience factors → Adoption intention
 - H₂: Trust → Adoption intention
 - H₃: Demographics → Adoption
 - H₄: Adoption → Financial inclusion

Conclusion

The present study aimed to empirically examine the factors influencing the adoption of neo banking services in India, focusing on convenience factors, customer trust, demographic characteristics, and financial inclusion. Based on the analysis of responses from 200 respondents, several key insights have emerged.

Firstly, **convenience factors** such as 24/7 accessibility, ease of account opening, time-saving transactions, and user-friendly mobile applications were found to be significant drivers of consumers' intention to adopt neo banking services. The ANOVA results confirmed that not all convenience factors impact adoption equally, with accessibility and ease of use emerging as the most influential elements.

Secondly, **customer trust and satisfaction** play a crucial role in adoption. Respondents indicated that reliability, data security, and perceived quality are essential for building confidence in neo banking services. Trust was positively correlated with both adoption intention and overall customer satisfaction, highlighting its importance in the transition from traditional banking to digital-only platforms.

Thirdly, **demographic characteristics** such as age, education, and income significantly influenced adoption patterns. Younger, educated, and middle-to-high-income respondents demonstrated a higher tendency to adopt neo banking, while gender did not significantly affect adoption. This indicates that digital literacy and technological exposure are key factors in facilitating adoption.

Finally, the study revealed that **neo banking services contribute positively to financial empowerment and inclusion**. Respondents agreed that digital banking enhances access to banking services, reduces dependency on physical branches, and helps bring unbanked and underbanked populations into the formal financial system.

Overall, the findings suggest that neo banks are successfully addressing key customer needs by providing convenient, secure, and accessible financial services. By leveraging digital technology and understanding demographic influences, neo banking can continue to promote financial inclusion and empowerment in India. The study provides valuable insights for fintech companies, policymakers, and traditional banks seeking to enhance customer adoption and satisfaction in the digital banking era.

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