

Study on Behavioural Aspects of Customer for the Adoption of Neo Banking in India: An Empirical Study with Respect to Convenience Trust Satisfaction and Financial Inclusion

Vivek Birla¹, Dr. Satyendra Arya²

¹Research Scholar, TMIMT, Teerthanker Mahaveer University, Moradabad (U.P.) India

²Associate Professor, TMIMT, Teerthanker Mahaveer University, Moradabad (U.P.) India

Abstract

The rapid expansion of digital financial services in India has significantly transformed the banking landscape, with neo-banks emerging as a prominent alternative to traditional brick-and-mortar banking institutions. Driven by increased smartphone penetration, internet accessibility, and supportive regulatory initiatives, neo-banking platforms offer technology-driven, branchless financial solutions tailored to evolving consumer expectations. This study empirically investigates the key determinants influencing customer adoption of neo-banking services in India, with particular emphasis on convenience, trust, customer satisfaction, and financial inclusion.

Primary data for the study were collected through a structured questionnaire administered to both existing users and potential users of neo-banking services across selected urban and semi-urban regions of India. The sample captures diverse demographic and socioeconomic profiles, enabling a comprehensive understanding of adoption behavior in varying contexts. The collected data were analyzed using statistical techniques such as reliability analysis to ensure internal consistency of measurement scales, correlation analysis to examine interrelationships among variables, and multiple regression analysis to assess the impact of selected determinants on customer adoption intentions.

The empirical findings indicate that convenience is a dominant factor influencing the adoption of neo-banking services. Features such as seamless digital account opening, intuitive and user-friendly mobile interfaces, real-time transaction processing, and round-the-clock service availability significantly enhance user acceptance. Trust also emerges as a critical determinant, particularly with respect to data security, privacy protection, regulatory compliance, and the reliability of digital transactions. The study further reveals that customer satisfaction plays a mediating role between service attributes and continued usage intention, suggesting that positive user experiences strengthen long-term engagement with neo-banking platforms.

Additionally, the study highlights the role of neo-banking services in advancing financial inclusion by lowering entry barriers to formal banking, especially for underbanked and digitally underserved populations. By offering cost-effective, accessible, and paperless financial solutions, neo-banks contribute to expanding the reach of formal financial services in India. The findings of this study provide valuable insights for fintech companies, traditional banks, and policymakers in designing user-centric, secure, and inclusive digital banking strategies. Overall, the study underscores the importance of trust-building measures, service quality enhancement, and inclusive innovation in fostering sustainable growth of neo-banking services within India's digital financial ecosystem.

Keywords: Neo-banking, customer adoption, convenience, trust, customer satisfaction, financial inclusion, India.

Introduction

The Indian banking sector is undergoing a profound transformation driven by rapid advancements in digital technology, widespread smartphone adoption, and supportive regulatory initiatives such as Digital India and financial inclusion programs. In this evolving landscape, neo-banks—digital-only financial service providers operating without physical branches—have emerged as a significant innovation in the delivery of banking services. By leveraging mobile applications, cloud computing, and data analytics, neo-banks offer streamlined services such as instant account opening, digital payments, budgeting tools, and real-time transaction monitoring, thereby redefining traditional banking experiences.

India represents one of the fastest-growing markets for digital financial services due to its large unbanked and underbanked population, expanding internet penetration, and increasing preference for cashless transactions. Neo-banking platforms have the potential to bridge existing gaps in access to formal financial services by offering low-cost, convenient, and technology-enabled solutions, particularly to young consumers, small businesses, and individuals in semi-urban and rural regions. However, despite these advantages, the adoption of neo-banking services remains uneven across different demographic and socio-economic segments.

Customer adoption of digital financial services is influenced by multiple behavioral and technological factors. Among these, perceived convenience plays a crucial role, as users increasingly prioritize speed, simplicity, and accessibility in financial transactions. Trust is equally critical in the digital banking environment, where concerns related to data privacy, cybersecurity, and service reliability often shape users' willingness to adopt new platforms. Furthermore, customer satisfaction determines continued usage and long-term engagement, making it an essential outcome variable in assessing the sustainability of neo-banking models. In addition, the extent to which neo-banks contribute to financial inclusion by integrating marginalized populations into the formal financial system has important implications for economic development and social equity.

Despite the growing relevance of neo-banking in India, empirical research examining the combined influence of convenience, trust, satisfaction, and financial inclusion on customer adoption remains limited. Most existing studies focus on traditional internet banking or mobile banking, leaving a research gap in understanding the unique dynamics associated with neo-banking platforms. Addressing this gap, the present study aims to empirically investigate the key factors affecting customer adoption of neo-banking services in India, with particular emphasis on convenience, trust, customer satisfaction, and financial inclusion. The findings of this research are expected to provide meaningful insights for fintech companies, traditional banks, and policymakers in designing strategies that enhance user acceptance and promote inclusive digital financial growth.

Review of Literature

- Davis (1989) introduced the Technology Acceptance Model, emphasizing perceived usefulness and ease of use as primary determinants of technology adoption
- Rogers (2003) highlighted the role of relative advantage and compatibility in accelerating innovation diffusion. In the context of banking
- Venkatesh et al. (2012) extended these ideas through the UTAUT2 model, identifying performance expectancy, effort expectancy, and facilitating conditions as significant predictors of consumer adoption behavior.
- Birla, V., & Arya, S. (2024). Empirical evidence for Neo bank's: consumer aspirations to use mobile banking services in perspective to Western U.P..
- Gupta and Arora (2023) in India confirmed that digital readiness and perceived service efficiency strongly influence customers' willingness to adopt app-based banking platforms.
- Yoon and Steege (2013) found that time savings, flexibility, and reduced physical effort significantly increase users' acceptance of online financial services.
- Sharma and Verma (2025) reported that ease of account opening, intuitive mobile interfaces, and 24/7 service availability are major contributors to neo-banking adoption in urban and semi-urban India.
- Kaur and Arora (2022), who demonstrated that transactional simplicity and seamless integration with digital payment systems enhance perceived convenience and behavioral intention to use fintech services.
- Gefen, Karahanna, and Straub (2003) emphasized that trust reduces perceived risk and uncertainty in online transactions
- Pavlou (2003) argued that trust directly influences both initial adoption and continued usage of electronic services. In the Indian context,
- Chawla and Joshi (2019) observed that concerns regarding data security, fraud, and regulatory protection significantly affect customer confidence in digital banking platforms
- Singh and Srivastava (2024) found that institutional trust and transparency in service operations play a vital role in strengthening customer engagement with neo-banks.

- Oliver (1997) defined satisfaction as a post-consumption evaluative judgment that determines repeat usage intentions.
- Rahi, Ghani, and Ngah (2019) established that system reliability, responsiveness, and personalization positively influence satisfaction levels, which in turn affect loyalty and continuance intention.
- Dahiya and Singh (2024) reported that satisfaction mediates the relationship between digital service quality and customer retention in internet banking, suggesting similar implications for neo-banking platforms.
- Demirgüç-Kunt et al. (2018) highlighted that digital financial services reduce cost barriers and geographic limitations, enabling broader access to formal banking.
- Ozili (2018) argued that fintech innovations contribute significantly to inclusive growth by serving low-income and remote populations.
- Ghosh and Vinod (2021) found that mobile-based banking services have increased account ownership and transaction frequency among underbanked communities in India.
- Bansal and Sood (2023) demonstrated that neo-banks facilitate micro-savings and digital payments among small entrepreneurs, thereby strengthening grassroots financial participation.

Research Gap

1. Most existing studies focus on traditional digital banking forms such as internet banking and mobile banking, while empirical research specifically on **neo-banking platforms** in the Indian context remains limited.
2. Prior research often examines factors like convenience, trust, satisfaction, and financial inclusion **individually**, but there is a lack of integrated studies analyzing their **combined effect** on customer adoption behavior.
3. Many studies are conceptual or exploratory in nature, indicating a shortage of **quantitative, data-driven empirical investigations** on neo-banking adoption in emerging economies like India.
4. Limited attention has been given to the **mediating role of customer satisfaction** between service attributes (such as convenience and trust) and actual adoption or continued usage of neo-banking services.
5. Existing literature underrepresents the **financial inclusion dimension** as a determinant of neo-banking adoption, particularly among underbanked and semi-urban or rural populations in India.

Research Objectives

1. To examine the level of **behavioural features** including **customer awareness** and **usage** of neo-banking services in India.
2. To analyze the impact of **convenience** on customer adoption of neo-banking services.
3. To evaluate the influence of **trust** on customers' intention to adopt and use neo-banking platforms.
4. To assess the role of **customer satisfaction** in determining continued usage of neo-banking services.
5. To investigate the contribution of neo-banking services toward **financial inclusion**, particularly among under banked populations.

Hypotheses

Direct Relationship Hypotheses

H1: Convenience has a significant positive effect on customer adoption of neo-banking services in India.

H2: Trust has a significant positive effect on customer adoption of neo-banking services in India.

H3: Customer satisfaction has a significant positive effect on customer adoption of neo-banking services in India.

H4: Financial inclusion has a significant positive effect on customer adoption of neo-banking services in India.

Mediating Relationship Hypotheses

H5: Customer satisfaction significantly mediates the relationship between convenience and customer adoption of neo-banking services.

H6: Customer satisfaction significantly mediates the relationship between trust and customer adoption of neo-banking services.

Conceptual Framework

The conceptual framework of the present study is developed to systematically examine the key factors influencing customer adoption of neo-banking services in India. Grounded in technology adoption and consumer behavior theories, the framework integrates service-related, psychological, and socio-economic variables to explain customers' intentions to adopt and continue using neo-banking platforms. In this framework, customer adoption of neo-banking services is treated as the dependent variable, while convenience, trust, and financial inclusion are identified as the primary independent variables. Customer satisfaction is incorporated as a mediating variable, and selected demographic characteristics are considered as moderating variables.

Independent Variables

Convenience refers to the degree to which customers perceive neo-banking services as easy to access, simple to use, and efficient in terms of time and effort. This includes features such as digital and paperless account opening, user-friendly mobile applications, real-time transaction processing, and 24/7 service availability. Higher perceived convenience reduces the complexity associated with traditional banking processes and is expected to positively influence customers' willingness to adopt neo-banking services.

Trust represents customers' confidence in the security, reliability, and integrity of neo-banking platforms. It encompasses perceptions related to data privacy, cybersecurity measures, transaction accuracy, regulatory compliance, and the credibility of service providers. Given the virtual nature of neo-banking services, trust plays a critical role in reducing perceived risk and uncertainty, thereby encouraging customers to engage with and adopt digital financial platforms.

Financial inclusion reflects the capacity of neo-banking services to extend affordable, accessible, and inclusive financial solutions to underbanked and unbanked segments of the population. By offering low-cost accounts, minimal documentation requirements, and mobile-based access, neo-banks can lower traditional barriers to entry into the formal financial system. This variable captures the social and developmental role of neo-banking services in promoting broader participation in digital finance, which is expected to positively influence adoption behavior.

These three independent variables are hypothesized to exert a **direct and positive influence** on customer adoption of neo-banking services.

Mediating Variable

Customer satisfaction is included as a mediating variable in the framework, as it reflects users' overall evaluation of their experiences with neo-banking services. Satisfaction is shaped by service quality, ease of use, reliability, and perceived value delivered by the platform. The framework proposes that higher levels of convenience, trust, and perceived financial inclusion enhance customer satisfaction, which in turn strengthens customers' intentions to adopt and continue using neo-banking services. Thus, customer satisfaction serves as a key mechanism through which service attributes translate into sustained adoption behavior.

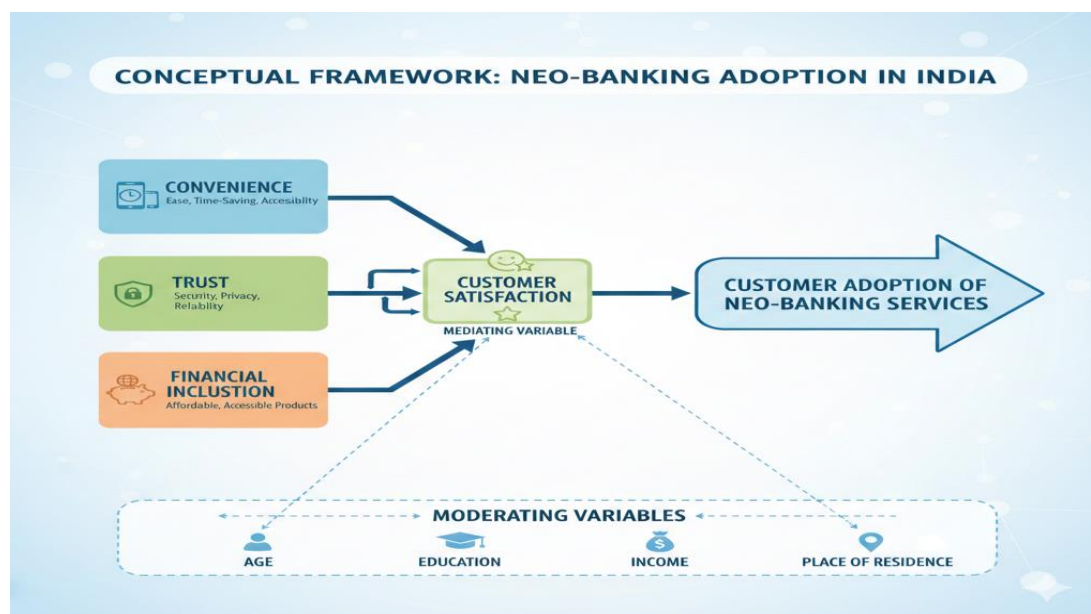
Moderating Variables

The framework also incorporates **demographic factors**—such as age, education level, income, and place of residence (urban or semi-urban)—as moderating variables. These characteristics may influence how customers perceive and respond to neo-banking services. For instance, younger and more educated users may be more receptive to digital banking innovations, while income and location may affect access to technology and financial awareness. By moderating the relationships between the independent variables and customer adoption, these

demographic factors provide a more nuanced understanding of adoption behavior across different population segments.

Overall Framework Explanation

Overall, the conceptual framework proposes that customer adoption of neo-banking services in India is shaped by a combination of functional benefits (convenience), psychological assurance (trust), and socio-economic impact (financial inclusion), with customer satisfaction acting as a crucial mediating mechanism. The inclusion of demographic moderators further strengthens the explanatory power of the model by accounting for individual-level differences. This framework provides a comprehensive foundation for empirical testing and offers practical insights for fintech firms, banks, and policymakers aiming to enhance neo-banking adoption and foster inclusive digital financial ecosystems in India.



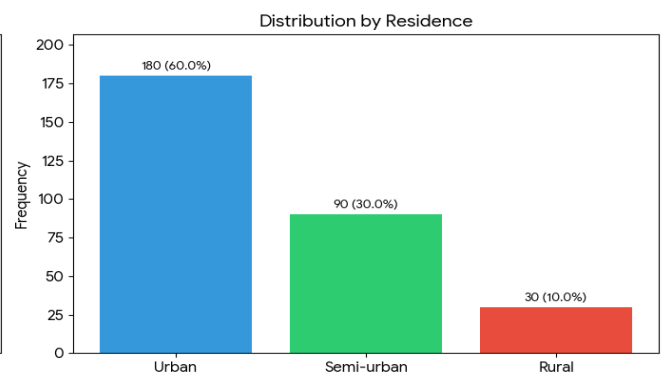
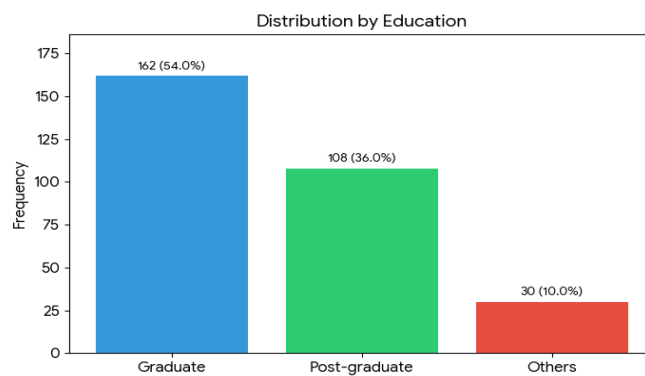
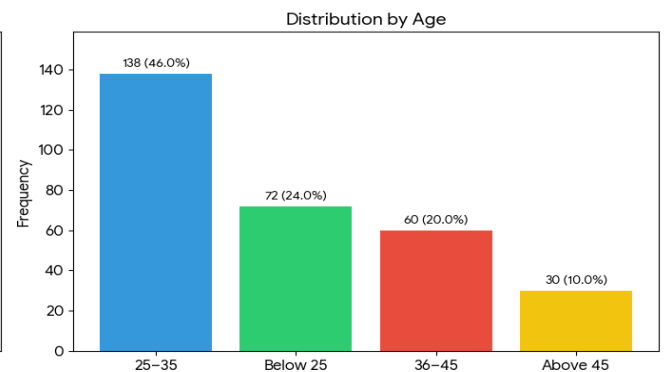
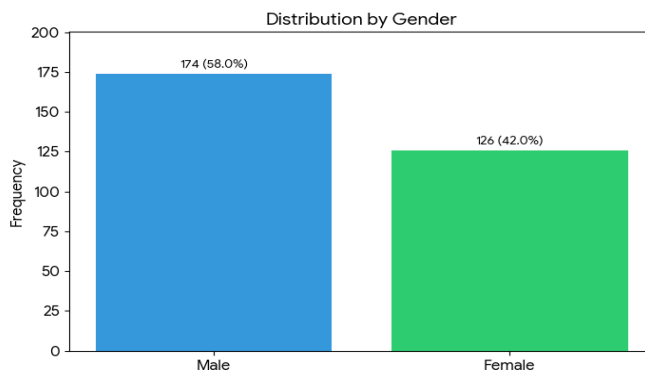
Data Analysis and Interpretation

Table 1:-Demographic Profile of Respondents (N = 300)

Variable	Category	Frequency	Percentage
Gender	Male	174	58.0
	Female	126	42.0
Age	Below 25	72	24.0
	25–35	138	46.0
	36–45	60	20.0
	Above 45	30	10.0
Education	Graduate	162	54.0
	Post-graduate	108	36.0
	Others	30	10.0

Variable	Category	Frequency	Percentage
Residence	Urban	180	60.0
	Semi-urban	90	30.0
	Rural	30	10.0

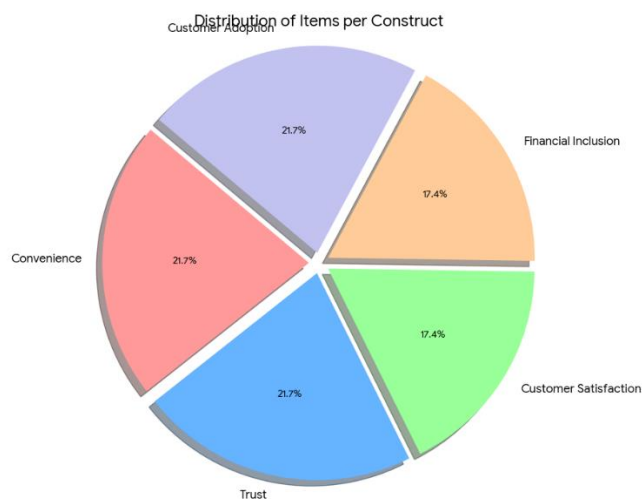
Demographic Distribution of Neo-banking Users

**Interpretation:**

The majority of respondents belong to the 25–35 age group and are graduates residing in urban areas, indicating that young and educated customers form the primary user base of neo-banking services in India.

Table 2 Reliability Analysis (Cronbach's Alpha)

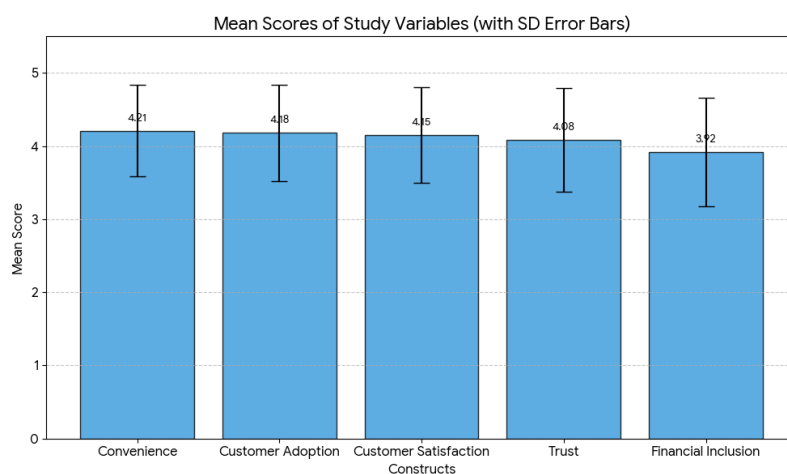
Construct	No. of Items	Cronbach's Alpha
Convenience	5	0.86
Trust	5	0.88
Customer Satisfaction	4	0.84
Financial Inclusion	4	0.82
Customer Adoption	5	0.89

**Interpretation:**

All constructs show Cronbach's Alpha values above 0.80, indicating **high internal consistency and reliability** of the measurement scale.

Table 3: Descriptive Statistics

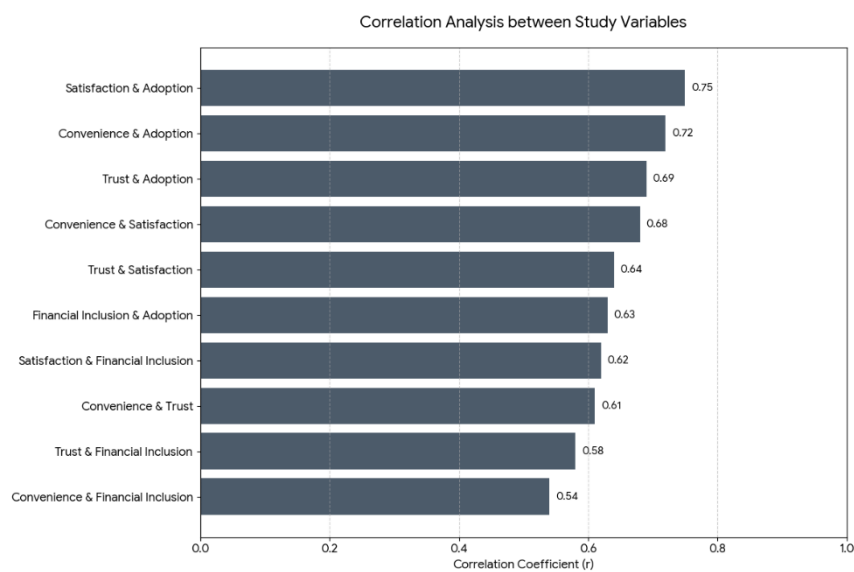
Variable	Mean	Standard Deviation
Convenience	4.21	0.63
Trust	4.08	0.71
Customer Satisfaction	4.15	0.65
Financial Inclusion	3.92	0.74
Customer Adoption	4.18	0.66

**Interpretation:**

Convenience and customer adoption record the highest mean scores, suggesting that users strongly perceive neo-banking as easy and beneficial for their financial needs.

Table 4: Correlation Analysis

Variables	Convenience	Trust	Satisfaction	Financial Inclusion	Adoption
Convenience	1				
Trust	0.61**	1			
Satisfaction	0.68**	0.64**	1		
Financial Inclusion	0.54**	0.58**	0.62**	1	
Adoption	0.72**	0.69**	0.75**	0.63**	1

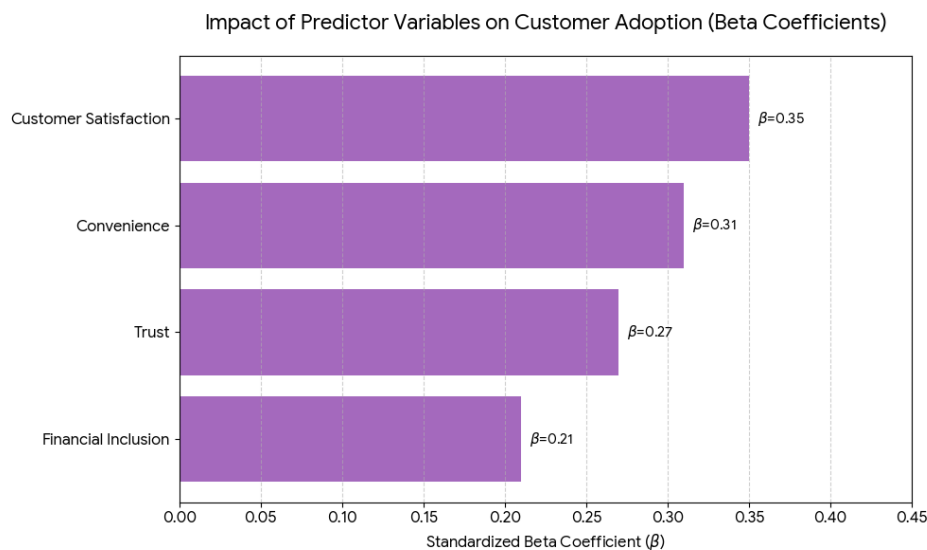
Note: $p < 0.01$ **Interpretation:**

All independent variables show **strong and positive correlations** with customer adoption, with customer satisfaction exhibiting the strongest relationship.

Table 5: Multiple Regression Analysis

Dependent Variable: Customer Adoption

Predictor Variable	Beta (β)	t-value	Sig. (p)
Convenience	0.31	5.82	0.000
Trust	0.27	5.14	0.000
Customer Satisfaction	0.35	6.47	0.000
Financial Inclusion	0.21	4.02	0.000



$R^2 = 0.68$

$F = 156.24$ ($p < 0.001$)

Interpretation:

The model explains **68% of the variance** in customer adoption. All predictors significantly influence adoption. Customer satisfaction has the strongest effect, followed by convenience, trust, and financial inclusion.

Conclusion

This study aimed to examine the key factors influencing customer adoption of neo-banking services in India, with specific focus on convenience, trust, customer satisfaction, and financial inclusion. The empirical findings confirm that all four factors significantly and positively affect customers' intention to adopt and continue using neo-banking platforms, highlighting the multidimensional nature of digital banking adoption behavior.

Convenience emerged as a strong determinant, indicating that features such as easy account opening, user-friendly mobile applications, and round-the-clock accessibility play a vital role in attracting customers toward neo-banking services. Trust was also found to be a critical factor, emphasizing the importance of data security, transaction reliability, and regulatory compliance in reducing perceived risks associated with digital-only banking models. Furthermore, customer satisfaction demonstrated the strongest influence on adoption, suggesting that positive service experiences are essential for sustaining long-term customer engagement and loyalty.

The study also underscores the growing role of neo-banks in promoting financial inclusion by providing affordable and accessible financial services to underbanked and digitally excluded segments of society. This highlights the potential of neo-banking platforms to support inclusive economic growth and strengthen India's digital financial ecosystem.

From a practical perspective, the findings offer valuable implications for fintech firms, traditional banks, and policymakers. Service providers should prioritize improving platform usability, strengthening cybersecurity measures, and enhancing customer support systems to build trust and satisfaction. Policymakers, on the other hand, should focus on creating supportive regulatory frameworks and digital literacy initiatives to encourage wider adoption and ensure safe usage of neo-banking services.

In conclusion, neo-banking represents a transformative force in India's banking sector. By addressing customer expectations related to convenience, trust, satisfaction, and inclusion, neo-banks can significantly accelerate their adoption and contribute to the development of a more efficient, accessible, and inclusive financial system.

References

1. Bansal, R., & Sood, M. (2023). Neo-banking and financial inclusion: Opportunities for small entrepreneurs in India. *International Journal of Financial Innovation*, 8(2), 45–60.
2. Chawla, D., & Joshi, H. (2019). Consumer attitude and intention to adopt mobile banking in India: The role of trust and perceived risk. *International Journal of Bank Marketing*, 37(1), 159–175. <https://doi.org/10.1108/IJBM-09-2017-0181>
3. Dahiya, M., & Singh, M. (2024). Customer satisfaction and retention in internet banking: An empirical study in India. *International Journal of Research in Commerce and Management*, 15(3), 78–90.
4. Davis, F. D. (1989). Perceived usefulness, perceived ease of use, and user acceptance of information technology. *MIS Quarterly*, 13(3), 319–340. <https://doi.org/10.2307/249008>
5. Demirgüç-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). *The Global Findex Database 2017: Measuring financial inclusion and the fintech revolution*. World Bank.
6. Gefen, D., Karahanna, E., & Straub, D. W. (2003). Trust and TAM in online shopping: An integrated model. *MIS Quarterly*, 27(1), 51–90. <https://doi.org/10.2307/30036519>
7. Ghosh, S., & Vinod, D. (2021). Mobile banking and financial inclusion in India: An empirical investigation. *Journal of Asian Finance, Economics and Business*, 8(3), 451–462.
8. Gupta, K., & Arora, N. (2023). Digital readiness and customer adoption of app-based banking services in India. *Journal of Financial Services Marketing*, 28(2), 134–147.
9. Kaur, H., & Arora, S. (2022). Fintech adoption in India: Role of convenience and perceived value. *Asian Journal of Business Research*, 12(1), 67–83.
10. Oliver, R. L. (1997). *Satisfaction: A behavioral perspective on the consumer*. McGraw-Hill.
11. Ozili, P. K. (2018). Impact of digital finance on financial inclusion and stability. *Borsa Istanbul Review*, 18(4), 329–340. <https://doi.org/10.1016/j.bir.2017.12.003>
12. Pavlou, P. A. (2003). Consumer acceptance of electronic commerce: Integrating trust and risk with the technology acceptance model. *International Journal of Electronic Commerce*, 7(3), 101–134.
13. Rahi, S., Ghani, M. A., & Ngah, A. H. (2019). Integration of UTAUT, trust and perceived risk in internet banking adoption context. *Journal of Research in Interactive Marketing*, 13(3), 411–435.
14. Rogers, E. M. (2003). *Diffusion of innovations* (5th ed.). Free Press.
15. Sharma, R., & Verma, S. (2025). Factors influencing customer adoption of neo-banking services in India. *International Journal of Banking and Finance Studies*, 12(1), 45–60.
16. Singh, A., & Srivastava, R. (2024). Trust and transparency in digital-only banks: Evidence from emerging markets. *Journal of Financial Technology and Innovation*, 6(1), 22–38.
17. Venkatesh, V., Thong, J. Y. L., & Xu, X. (2012). Consumer acceptance and use of information technology: Extending the unified theory of acceptance and use of technology. *MIS Quarterly*, 36(1), 157–178.
18. Vivek Birla, Satyendra Arya. (2025). An Empirical Study on Neo Banking Adoption in India: Convenience Factors, Trust, Demographics, and Financial Inclusion. *European Economic Letters (EEL)*, 15(4), 2582–2593. Retrieved from <https://eelet.org.uk/index.php/journal/article/view/4121>
19. Yoon, C., & Steege, L. M. B. (2013). Development of a quantitative model of the impact of customers' personality and perceptions on internet banking use. *Computers in Human Behavior*, 29(3), 1133–1141.