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A STUDY ON CONSUMER AWARENESS AND ACCEPTANCE OF NEOBANK SERVICE

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ABSTRACT

India is undergoing a digital revolution with UPI and high smartphone penetration, but the move to 'digital-only' or Neo banks is still in a transition phase. This gaps remain because trust is low and knowledge of the branchless banking model is limited. The main aim of this research is to measure the awareness level of Neo banking services among different consumer segments and to examine the relationship between demographic variables and level of awareness. The research also investigated the perceived benefits and barriers that influence consumers' decisions to adopt these services. The research design of this study is descriptive and analytical. The primary data is collected through structured questionnaire with the help of convenience sampling method. Awareness, acceptance level, perceived benefits and barriers of neobank services are measured using a 5-point Likert scale. Secondary data has been collected from Reserve Bank of India reports, fintech industry publications and existing academic literature. Data analyzes are performed using appropriate statistical tools. Results indicate that awareness of Neobank services is relatively high and income is the only demographic variable significantly related to awareness, while levels of acceptance do not vary significantly across demographic groups. The benefits of speed, convenience and digital experience were strongly perceived by respondents, however security concerns and the lack of physical presence remain key barriers. The study suggests Neobanks should emphasize on security communication developing brand trust and awareness among lower income groups for better adoption and long-term expansion.

Keywords: Neo Banking, Fintech, Consumer Awareness, Digital India, Branchless Banking, Financial Inclusion.

INTRODUCTION

The Indian banking sector is undergoing rapid transition with the development of digital banking systems and fintech developments. The National Payments Corporation of India's Unified Payments Interface (UPI) is an initiative that has increased the use of digital payments and created a better infrastructure for branchless banking services. There has been a huge boom in digital transactions in India which highlights the increased propensity of consumers toward technology based financial services (Reserve Bank of India, 2023).

Neobanks are fully digital, and have no physical branches. Sometimes they are called branchless banks or purely digital banks. These companies often work with regulated financial institutions (Deloitte, 2022) to ensure a smooth digital interface and authorized financial offerings. Neo banks have attracted a global audience of younger, technologically

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savvy consumers with their easy-to-use interfaces, instantaneous transactions, and lower operational costs (Ernst & Young, 2021).

While India's robust digital ecosystem under the Digital India project, the adoption of neo financial services is still in a transitional phase. Research shows that understanding and trust by consumers are important factors in the adoption of digital financial services (Davis, 1989). Adoption intention is positively impacted by perceived utility and ease of use while security, regulatory control and physical presence concerns act as barriers (PwC, 2022).

Furthermore, research has shown that demographic factors such as age, income and education influence the adoption and understanding of digital banking (RBI, 2023). However, the lack of trust in branchless banking institutions affects consumer decisions especially among older and risk-averse segments. Thus, the assessment of the readiness of Indian customers to adopt neobanking services is a review of the current awareness levels, benefits, and barriers.

The objective of this study is to assess the consumer awareness and acceptability of neo banking services in India, to study the impact of demographic characteristics and to analyze the perceived benefits and barriers determining the adoption choices in the fast-changing fintech market.

REVIEW OF LITERATURE

Modi, Sharma et al. (2025) investigated users' knowledge and perceptions of neo banking. The authors collected primary data through a systematic questionnaire to find that the respondents' understanding of neo banks, it was found that understanding was not uniform, and many admitted that they provide convenience and technological advantages. The research found that raising awareness among the public could help in improving the acceptance and use of neobank services. It also revealed the perceived benefits and drawbacks of the users.

(Pirinen's 2022) According to the study on consumers' opinions, many customers knew about neobanks but their knowledge was limited, and they trusted traditional banks more. "The study shows that there is a need to educate consumers on the benefits of neobanking and to increase awareness of the benefits of digital-only financial services to stimulate interest and adoption.

(Nithyakirrthy, Shanthi et al., 2024) investigated the effect of knowledge and awareness on the risk factors of neobank adoption and preparedness for neobank adoption. The results of their study revealed awareness and social risk were significantly associated with consumers' willingness to use neobanking services while knowledge was not significantly associated with financial and security concern. The authors suggested broad information campaigns and intensive media contacts to increase consumer understanding and future acceptance.

Schmidt-Jessa and Stradomski (2023) statistically confirmed a positive association between expertise, innovativeness and intention to use neobank services and consumer awareness and acceptance of digital only banks. The study showed that the greater the level of consumer awareness and innovation, the more likely they were to accept and adopt digital-only banks. This means the marketing strategies must be based on the benefits of innovation in neobank services.

RESEARCH GAP

Previous studies have been conducted on awareness and readiness for adoption in various locations but there is not enough empirical evidence linking demographic variables such as age, income and education with awareness and acceptability in a holistic manner. Furthermore, the literature has highlighted the issues of perceived risk and innovativeness,

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but the Indian context has not explored the issue of persistent "trust deficit", security concerns, regulatory credibility and lack of physical branches. There is a lack of localized descriptive-analytic research that simultaneously evaluates awareness, perceived benefits and limitations using structured Likert-scale analysis among different categories of customers. Thus, a significant research gap exists in systematically evaluating consumer knowledge and acceptability of neobank services in India by integrating demographic influence, trust-related concerns and perceived benefits in the current banking transition phase.

OBJECTIVES

1. To assess consumer awareness of Neobank services in India.
2. To examine the impact of demographic factors on awareness and acceptance of Neobank services.
3. To identify the key benefits and barriers influencing consumer acceptance of Neobank services.

RESEARCH METHODOLOGY

This study is a descriptive and analytical research design on the level of customer knowledge and acceptance of Neobank services in India. The descriptive study is used to measure the level of awareness among the consumers. The analytical approach evaluates the Difference between the demographic factors such as age, income and education and the awareness and acceptance and the identification of the perceived benefits and barriers influencing adoption decisions. The research is based on primary and secondary data sources. The primary data will be collected from the respondents with the help of convenience sampling by using a standardized questionnaire. The questionnaire will include demographic characteristics and statements to measure awareness, acceptability, perceived benefits and perceived limitations. Responses will be measured on a 5-point Likert scale ranging from Strongly Disagree to Strongly Agree. The theoretical support would be derived from secondary data from reports of Reserve Bank of India, publications of fintech industry, research journals and current academic literature. The data thus obtained will be analyzed using relevant statistical techniques such as percentage analysis, mean, standard deviation, chi-square test, independent sample t test and ANOVA analysis wherever applicable.

DATA ANALYSIS AND INTERPRETATION

Objective 1: To assess consumer awareness of Neobank services in India.

Are you aware of Neo banks operating in India

Awareness	Frequency	Percentage
No	19	23.2
Yes	63	76.8
Total	82	100

Source: Primary Data

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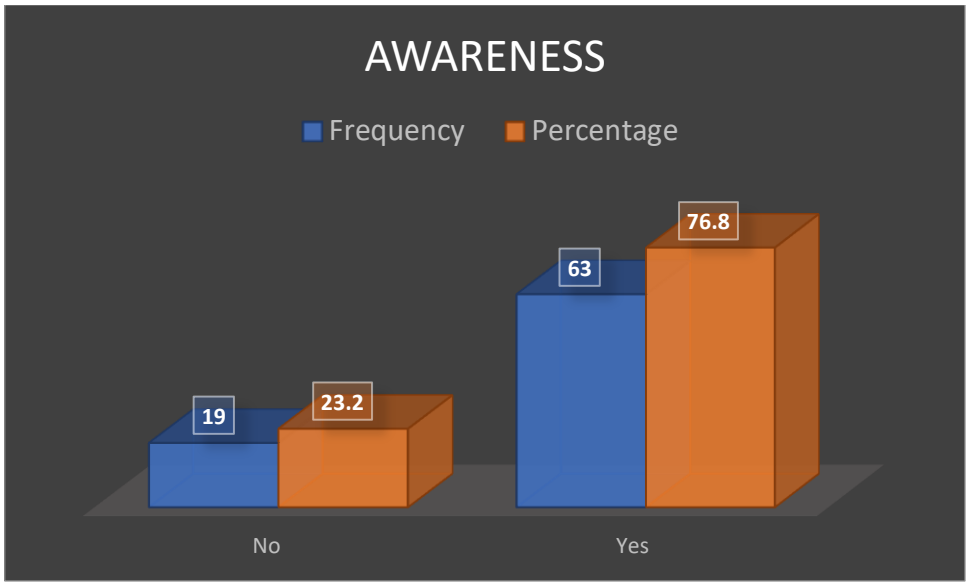

The analysis of awareness regarding Neobank services indicates that out of the total 82 respondents, 63 respondents (76.8%) reported that they are aware of Neobank services, whereas 19 respondents (23.2%) stated that they are not aware of such services. The percentage analysis clearly shows that most of the respondents are aware of the Neobank services. This indicates a slow but steady rise in the concept of Neobanks among consumers, probably spurred by India's fast digitalization, soaring smartphone penetration and ubiquitous online financial platforms. However, almost one-fourth of the respondents are still unaware, indicating that the market has not been fully penetrated. The findings hint at a considerable level of awareness but still a segment of the population remains unaware of the branchless banking model.

Objective 2: To examine the impact of demographic factors on awareness and acceptance of Neobank services.

1) H0 There is no significant association between Demographic factors like Gender, Age, Education, Occupation, Income, Residence and Awareness

   H1 There is a significant association between Demographic factors like Gender, Age, Education, Occupation, Income, Residence and Awareness

		Awareness		
Gender		**No**	**Yes**	**Total**
	Female	10	42	52
	Male	9	21	30
	Total	19	63	82
		Value	**df**	**Sig.**
	Pearson Chi-Square	**1.239[a]**	**1**	**.266**
Age	20-25	9	24	33
	25-30	10	30	40
	30-35	0	3	3
	35-40	0	3	3
	40-45	0	3	3
	Total	19	63	82
		Value	**df**	**Sig.**

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	Pearson Chi-Square	**3.101[a]**	**4**	**.541**
Education	Postgraduate	19	57	76
	Doctoral Degree	0	6	6
	Total	19	63	82
		Value	**df**	**Sig.**
	Pearson Chi-Square	**1.952[a]**	**1**	**.162**
Occupation	Home Maker	0	3	3
	Student	3	6	9
	Private Employee	15	42	57
	Government Employee	1	6	7
	Others	0	6	6
	Total	19	63	82
		Value	**df**	**Sig.**
	Pearson Chi-Square	**3.864[a]**	**4**	**.425**
Income	No Income	3	12	15
	Less than 300000	15	27	42
	300000-500000	0	18	18
	500000-700000	1	6	7
	Total	19	63	82
		Value	**df**	**Sig.**
	Pearson Chi-Square	**9.536[a]**	**3**	**.023**
Residence	Urban	12	39	51
	Rural	7	24	31
	Total	19	63	82
		Value	**df**	**Sig.**
	Pearson Chi-Square	**.010[a]**	**1**	**.921**

From the above table the P value for demographic profile like Gender is 0.266, Age 0.541, Education 0.162, Occupation 0.425, Residence 0.921which is > than Sig. Value 0.05 the null hypothesis is accepted with regard to these 5 demographic factor i.e. gender, age, education, occupation & residence, Therefore there is no significant association between Demographic factors like Gender, Age, Education, Occupation, Residence and Awareness. This means awareness does not significantly differ based on gender, age, education, occupation & residence.

However, the p-value for Income is 0.023 < than 0.05. the null hypothesis is rejected in this case. Hence, there is a significant association between income and awareness towards

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Neobank services. This indicates that awareness levels vary depending on the income group of the respondents. Higher or lower income groups may show different levels of awareness regarding Neobank services.

2) H0 There is no significant difference between Demographic factors like Gender, Age, Education, Occupation, Income, Residence and Acceptance

   H1 There is a significant association between Demographic factors like Gender, Age, Education, Occupation, Income, Residence and Acceptance

Independent Sample T test (Gender)					
	Gender	**N**	**Mean**	**Sig.**	**Accept/ Reject H0**
Acceptance Mean	**Female**	42	4.0179	.513	Accept
	Male	21	3.8929		

ANOVA(Occupation)							
		Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**	**Accept/ Reject H0**
Acceptance Mean	**Between Groups**	4.210	4	1.052	2.271	.072	
	Within Groups	26.879	58	.463			
	Total	31.089	62				Accept

ANOVA (Annual Income)							
		Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**	**Accept/ Reject H0**
Acceptance Mean	**Between Groups**	1.699	3	.566	1.137	.342	
	Within Groups	29.391	59	.498			
	Total	31.089	62				Accept

Independent Sample T test (Residence)					
Residence		**N**	**Mean**	**Sig.**	**Accept/ Reject H0**
Acceptance Mean	**Urban**	39	4.0000	.737	Accept
	Rural	24	3.9375		

Independent Sample T test (Education)					
Education		**N**	**Mean**	**Sig.**	**Accept/ Reject H0**
Acceptance Mean	**Postgraduate**	57	3.9737	.932	Accept
	Doctoral Degree	6	4.0000		

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To examine whether acceptance level towards Neobank services differs across demographic factors, ANOVA and Independent Sample t-tests were applied.

The p-value of ANOVA table conducted to check Acceptance difference level among occupation is 0.072 and annual income 0.342 which is > Sig. Value 0.05 and the p-value of Independent sample t test relating to check differences in acceptance level among gender is 0.513, education0.932 and residence 0.737 also > Sig. Value 0.05 hence accept the null hypothesis stating there is no significant difference between in acceptance level among Demographic factors like Gender, Age, Education, Occupation, Income, Residence.

This means that acceptance of Neobank services is uniform across different demographic groups. In other words, demographic characteristics do not significantly influence the acceptance level of respondents.

Even though occupation (0.072) is relatively close to 0.05, it is still greater than the significance level, hence it is not statistically significant.

Objective 3: To identify the key benefits and barriers influencing consumer acceptance of Neobank services

Descriptive Statistics Perceived Benefits			
Perceived Benefits	**N**	**Mean**	**Std. Deviation**
Neo banks provide faster services and transactions	63	4.33	.718
Neo banks often greater convenience compared to traditional banks	63	4.29	.705
Neo banks offer better digital user experience	63	4.19	.965
Neo banks offer innovative features that attract me	63	4.05	1.007
Neo banks provide cost-effective banking services	63	4.00	1.078

Source: Primary Data

All statements were above 4.00 on a 5-point Likert scale indicating a high degree of agreement among responders.

The standard deviation values (0.705–1.078) indicate the responses vary moderately. The results indicate that the respondents have positive perceptions of the benefits offered by Neobanks. The highest mean score (4.33) is for faster services and transactions, which means that users appreciate speed the most. Also, convenience (4.29) is highly valued, especially in comparison to conventional banking procedures. The digital user experience (4.19) is positively rated, although there is a large variation in replies. Furthermore, cost-effectiveness (4.00) and innovative features (4.05) are also preferred by respondents, although opinions on these factors are somewhat more divergent. Overall, the results indicate that the benefits of Neobank services are perceived strongly and positively.

Descriptive Statistics of Barriers			
Perceived Barriers	N	Mean	Std. Deviation
I am concerned about the security of Neo banking platforms	63	3.90	.979
Lack of physical branches reduces my trust in Neo banks	63	3.81	1.060
I prefer traditional banks due to established brand reputation	63	3.76	.979
I have doubts about regulatory protection in Neo banks	63	3.57	1.011

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Source: Primary Data

Mean values indicate moderate agreement among respondents on barriers, between 3.57 and 3.90. The standard deviation numbers are approximately 1 and show a moderate amount of opinion variety.

The findings indicate that respondents have particular concerns and challenges in using Neobank services. Security concerns have the highest mean score (3.90), indicating that the major obstacle to uptake is the security of digital transactions. The absence of physical branches (3.81) influences customer trust as well, as it is observed that many respondents prefer to have a sense of greater security through physical presence of banking. Consumer preference is also still affected by traditional banks' well-established brand image (3.76). Uncertainty regarding legal protections in Neobanking is further reflected in doubts about regulatory protection (3.57). Despite the advantages of Neobanks, acknowledged by respondents, these moderate mean ratings show that security and trust-related concerns represent a major psychological barrier.

FINDINGS

- Most of the respondents are aware of the Neobank services, showing an increase in digital financial literacy.
- Only income is significantly associated with awareness among all demographic variables. Income groups on the higher side are more aware about Neobank services.
- Acceptance level on the basis of gender, age, education, occupation, income and residence is not significant. Acceptance is similar across demographic groups.
- Respondents strongly agree that neobanks offer faster services, more convenience, better digital experience, innovative features and cost-effective services.
- Faster transactions and convenience scored the highest out of all of the benefits, on average, suggesting they are key drivers of positive perception.
- The main worry of the respondents was the security of the Neobanking platforms.
- Moderate barriers to adoption are a lack of physical branches, preference for traditional banks, and concerns about regulatory protection.

SUGGESTION

- Neobanks should run tailored awareness campaigns for the low-income communities, using social media outreach, specialized advertising, and financial literacy initiatives, as awareness is significantly connected with income.
- The main challenge is security difficulties, hence neobanks need to develop cybersecurity systems and make sure clients are aware of safety features, fraud protection rules and data privacy processes.
- The reputation of traditional institutions still appeals to respondents. Neobanks have to concentrate on growing their brand through client testimonials, influencer marketing, relationships with well-known financial institutions and transparent communication.
- To attract and retain consumers, the speed and convenience of the transaction should be a part of the marketing mix.

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- To alleviate worries of regulatory protection and absence of physical branches, neobanks should provide effective 24/7 customer service, grievance redressal procedures and simple access to help.
- Continuous adjustments to the mobile app interfaces, new features and procedures will improve the user acceptability and satisfaction.
- Webinars, workshops and awareness sessions on safety of digital banking and regulatory support can help overcome psychological barriers.

CONCLUSION

The study says, awareness of the Neobank services is relatively high among respondents and the only demographic factor that has a strong correlation with awareness is income. Nevertheless, levels of acceptability are consistent across demographic groups and do not significantly vary by gender, age, education, occupation, income, or place of residence. The benefits valued by the respondents include faster transactions, greater convenience, a better digital experience and cost savings. The two most desirable benefits are speed and convenience.

Notwithstanding the favorable impression, security issues, lack of physical branches and uncertainties over regulatory protection remain the main obstacles. Neobanks are generally well received and widely embraced, but further growth will depend on establishing confidence, enhancing security communication and increasing awareness among lower-income populations.

SCOPE FOR FURTHER RESEARCH

- Future studies can include larger and more diverse samples across different regions to improve generalizability of the results.
- Researchers can examine the influence of psychological and behavioural factors such as trust, perceived risk, and technological readiness on acceptance of Neobank services.
- A comparative study between Neobanks and traditional banks can be conducted to analyse differences in customer satisfaction, loyalty, and long-term usage behaviour.

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