



## Exploring Awareness and Possibility of adoption of Neo Banking Services in Udupi District

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### ARTICLE DETAILS

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### ABSTRACT

The rapid evolution of financial technology has given rise to neo banks—digital-only banks that operate without traditional physical branches. Neo banks provide customer-centric, cost-efficient, and technology-driven services. In India, the rise of digital payment systems, smartphone penetration, and fintech start-ups has created a favourable environment for neo banks. This transformation has disrupted conventional banking systems worldwide. While global literature highlights the rise and acceptance of neo banks, there exists limited research on their awareness and adoption in the Indian context. This study aims to assess the level of awareness among banking consumers in Udupi district and analyse the possibility of acceptance of neo banks. The findings reveal that while digital adoption is steadily increasing, consumer awareness of neo banks remains moderate. Acceptance is closely tied to perceptions of trust, security, convenience, and regulatory backing

### Introduction

Banking has undergone significant changes with the integration of technology into financial services. Neo banks, also referred to as digital only banks, offer end-to-end banking solutions through mobile applications and online platforms without physical branches. Unlike traditional banks, neo banks focus on user-friendly interfaces, lower costs, and personalized financial services.



In India, digital banking is gaining momentum due to increasing internet penetration, smartphone usage, and government initiatives such as Digital India and UPI-based payment systems. However, the extent to which consumers in Karnataka, particularly in Udupi district, are aware of and willing to adopt neo banks remains unexplored.

## Review of Literature

According to Sabbani, G. (2024), Customers choose digital-only banks because of their clear-cut, affordable, easy-to-use, and uncomplicated services. 61% of those surveyed in US said they would be interested in switching to digital-only providers for their main account.

Based on the correlation analysis conducted by Ray, A. (2023), a moderate positive correlation was observed between the respondents' trust in online banking or net banking and their likelihood to consider using neo banks for their future banking needs. The study indicates that as the level of trust in online banking increases, there tends to be a corresponding increase in the likelihood of considering neo banks in the future. According to Ernst & Young (2020), neo banks have gained popularity in developed countries due to ease of access and low-cost services. Nel, J & Boshoff, C(2021), conclude that traditional-bank customers may not only postpone or reject the use of digital-only banks, but can also engage in actively attacking digital only banks and so impede the success of these banks. Therefore, digital only banks should prioritize the management of opposition behaviour. The study found five key factors - bank's popularity, services offered, ease and accessibility, fee structure, and banking experience and security as significant drivers of customer choice. In addition, results show that customers are unwilling to permanently shift their banking relationship to neo-banks and would like to retain their accounts with traditional banks.

Banga et al(2023) research on Growth and future of neo banks show that customers are unwilling to permanently shift their banking relationship to neo-banks and would like to retain their accounts with traditional banks. Nagy, Molnar(2023) found that intention to use neo bank is directly influenced by attitude towards use, which in turn is positively influenced by trust, perceived usefulness and perceived ease of use. Therefore neobanks should focus on building positive attitudes towards their services by emphasising trust, reliability, ease of use and usefulness of their services. Garg, Nitin(2024) thesis highlights that Digital Literacy, Social Influence, Ubiquity are the factors influencing customers switching from traditional banks to neo banks. A Deloitte (2021) report highlights that Indian customers, especially younger demographics, show increasing interest in mobile-based banking solutions. Studies by Singh & Gupta (2022) suggest that awareness of neo banks in tier-2 and tier-3 cities in India is still at a nascent stage, with security concerns and lack of trust being major barriers.

**Research Gap:**

Global literature highlights the rise and acceptance of neo banks but there exists limited research on their awareness and adoption in the Indian context. In addition there is limited research focusing on smaller districts such as Udupi, which has a unique mix of rural, semi-urban, and urban populations. This study aims to assess the level of awareness among banking consumers in Udupi district and analyse the possibility of acceptance of neo banks considering the factors like convenience, cost, trust, security concerns etc.

**Statement of the Problem**

Despite the rapid growth of neo-banking in India, research remains largely focused on metropolitan regions, leaving smaller districts like Udupi underexplored. The district's dependence on traditional and cooperative banks, along with variations in digital literacy and trust, raises questions about people's readiness to adopt neo-banking. At present, there is little evidence on how aware the population is of these services and what factors influence their adoption. This study therefore seeks to address the gap by examining the awareness and possibility of adoption of neo-banking services in Udupi District.

**Objectives of the Study**

1. To assess the level of awareness among banking consumers of Udupi district.
2. To analyse the possibility of acceptance of neo banks.

**Research Methodology:**

The present study was conducted in Udupi district, Karnataka, to understand the perception towards neo banks. An exploratory research design was adopted to gain insights into the awareness and adoption levels of consumers. The study covered a sample size of 59 respondents, representing diverse age groups, occupations, and income levels.

A convenience sampling technique was employed to select the respondents. Data was collected using both primary and secondary sources. Primary data was gathered through structured questionnaire and Google Form, while secondary data was obtained from journals, research articles, reports, and reliable websites. For the purpose of analysis, percentage analysis was used to interpret the responses, providing a clear understanding of the trends and perceptions among consumers regarding neo banks.

**Data Analysis :**

The tables and charts presented below illustrate the survey results from a total of 59 respondents. The data includes all banking consumers, irrespective of their familiarity with neo banks. Analysing this comprehensive dataset provides insights into public awareness and attitudes toward the neo banking system.

**Table 1 Customers awareness about neo banks**

Levels	No of Response	Percentage of customers
Aware	49	83.1%
Not Aware	10	16.9%
Total	59	100%

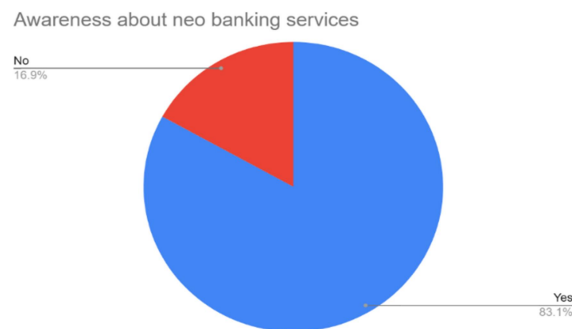


Figure 1 : Level of Awareness about neo banks

Around 83.1% of respondents had heard of the concept of neo banks. 16.9% of the respondents are not at all aware of what neo bank is.

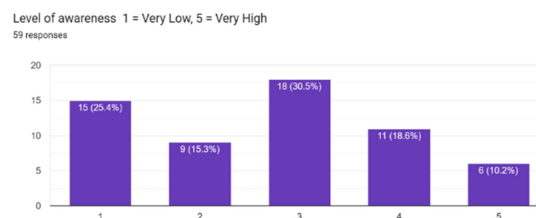


Figure 2 : Level of Awareness

Above graph shows that awareness about neo banks is very high among 10.2% of the respondents where as 25.4% of the respondents say that they don't have any idea about functioning of neo banks. But level of awareness of most of the customers i.e. 30.5% is average.

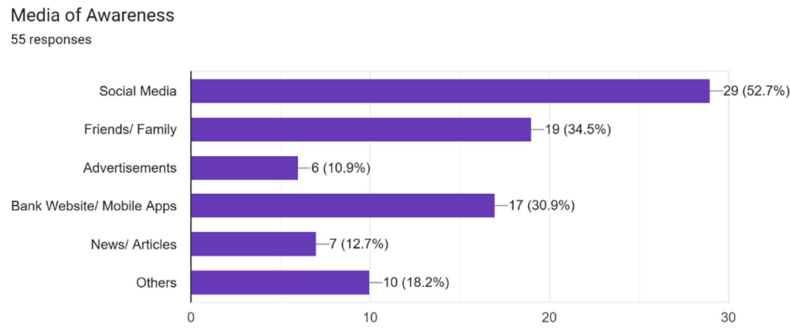


Figure 3: Medium of awareness about neo banks

About 52.7% of respondents learned about neo-banks through social media, making it the leading source of awareness, followed by family/friends and mobile apps.

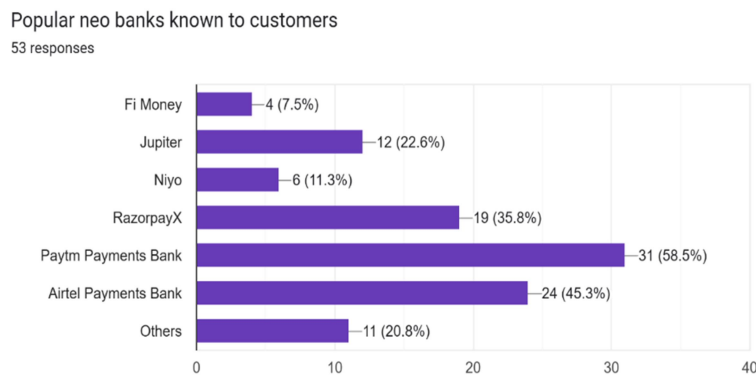


Figure 4 : Popular neo Banks known to customers

The survey found Paytm Payments Bank to be the most recognized neo-bank (58.5%), followed by Airtel Payments Bank and RazorpayX.

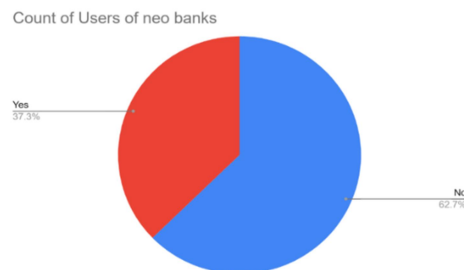


Figure 5 : Number of users of neo banks

The analysis shows that 62.7% of respondents do not use neo-banking services, while 37.3% are current users.

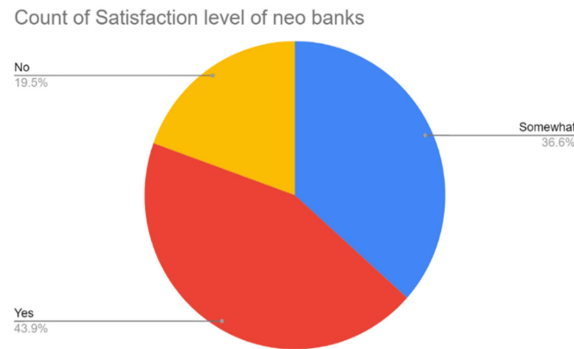


Figure 6 : Customers satisfaction regarding neo banking services

Survey results show that 43.9% of respondents are satisfied with neo-banking services, 19.5% are dissatisfied, and 36.6% are somewhat satisfied, indicating moderate overall satisfaction with room for improvement.

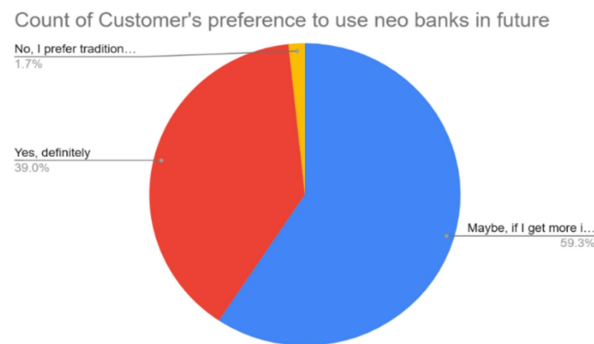


Figure 7 : Customer's preference to use neo banks in future

Among non-users, 39% intend to adopt neo-banking in the future, while 59.3% may consider it with more information, indicating the need for greater awareness and trust-building.

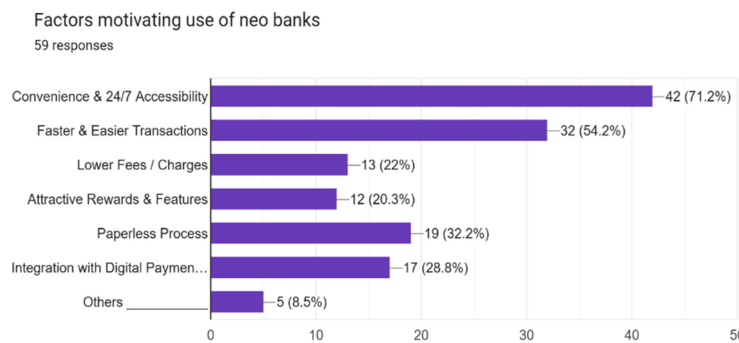


Figure 8 : Factors motivating use of neo banks

The chart shows that 24×7 accessibility (71.2%), faster transactions (54.2%), and paperless processes are the key features driving preference for neo-banks over traditional banks.

Factors discouraging use of neo banks  
59 responses

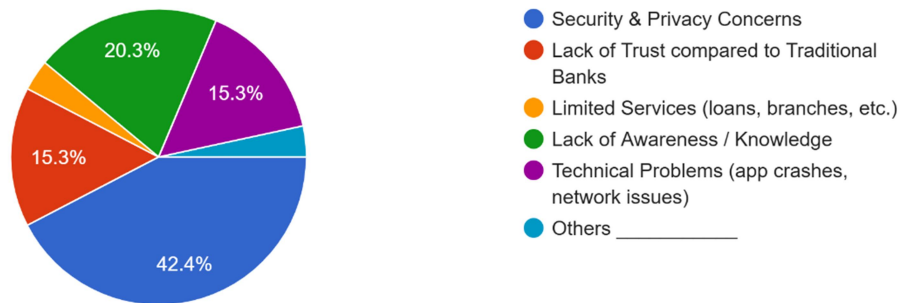


Figure 9: Factors discouraging the use of neo banks

The study shows that security concerns (42.4%) are the main barrier to neo-banking, followed by limited awareness (20.3%) and lack of trust or technical issues (15.3%), indicating a need to improve security, confidence, and awareness.

Customers opinion to recommend neo banks to others  
59 responses

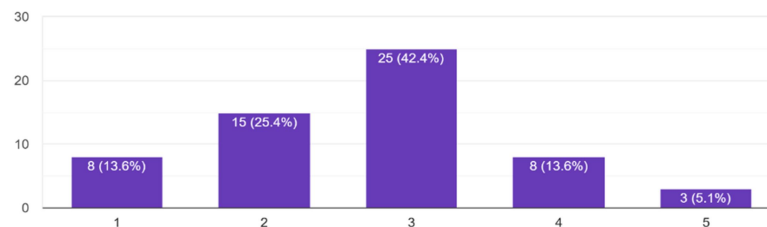


Figure 10 : Customers opinion to recommend neo banks to others

The survey shows that 42.4% of respondents are neutral about recommending neo-banks, 13.6% would recommend, and 5.1% would not, indicating limited advocacy among users.

Customers opinion whether neo banks replaces traditional banks in future

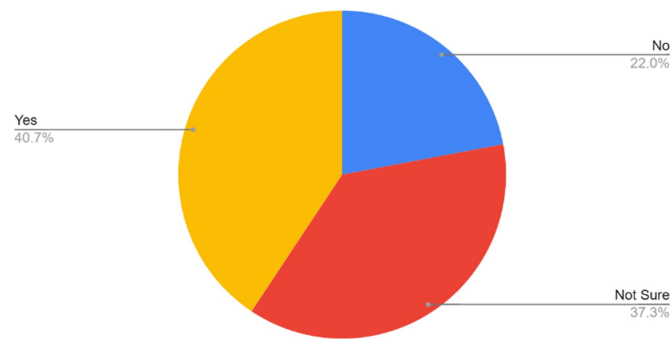


Figure 11 : Customers opinion that whether neo banks replaces traditional banks

The findings indicate that although the majority of users hold a positive or moderately positive perception of neo banks, addressing the concerns of dissatisfied customers and enhancing service quality could further strengthen customer trust and adoption.

#### Findings of the study:

1. Among the 59 respondents, 83.1% were aware of neo-banking services, with awareness being higher among the younger age group (21–40 years). In contrast, 16.9% had no awareness of neo-banks. Overall, awareness in Udupi District can be considered moderate, with greater familiarity among tech-savvy youth.
2. According to the research survey, social media is the most popular medium for creating awareness about neo banks. Approximately 52.7% of the respondents reported that they became aware of neo banks through social media. Family and friends, followed by mobile apps, emerged as the next most common sources of information about neo banks.
3. The survey shows that Paytm payment bank is the most popular among neo banks known to the respondents. Around 58.5% of the respondents are aware of Paytm payment bank. Airtel payment bank and Razorpay X are the next two popular neo banks as the survey.
4. The analysis reveals that a majority of respondents, around 62.7%, are not using neo banking services. This indicates that despite the growing presence of digital-only banks, a large section of consumers still relies on traditional banking systems or has yet to adopt these new platforms.. On the other hand, 37.3% of respondents reported that they are currently using neo banking services. This section of users reflects



an emerging group of consumers who are more open to technology-driven financial solutions, likely valuing the convenience, efficiency, and innovative features provided by neo banks.

5. The survey results reveal varying levels of customer satisfaction with the use of neo banks. A significant proportion, 43.9% of respondents, expressed satisfaction with the services offered by neo banks. However, 19.5% reported dissatisfaction, highlighting certain challenges or unmet expectations in their experience. Meanwhile, 36.6% of respondents indicated they were somewhat satisfied, suggesting that while they recognize the benefits of neo banks, there is still scope for improvement.

6. Among the non-users of neo banking, 39% indicated a strong intention to adopt these services in the future, reflecting a clear readiness to shift towards digital banking. In contrast, 59.3% of the non-user group stated that they might consider using neo banks provided they receive more information and clarity about their features, benefits, and security. This suggests that while a portion of consumers are already convinced of the value of neo banks, a larger segment remains cautious and requires greater awareness and trust-building before adoption.

7. The survey highlights that certain features of neo banks play a significant role in influencing consumer usage compared to traditional banks. 71.2% of the respondents prefer neo banks for the advantage of 24x7 accessibility, without being restricted by branch hours. Additionally, 54.2% respondents feel that faster and more convenient transaction processes are also one of the strengths of neo banks. Paperless process is considered as the third criteria to prefer neo banks.

8. The study reveals that 42.4% of respondents opine that security concerns are the primary factor restraining consumers from using neo banking services. In addition to this, 20.3% of respondents feel issues such as limited awareness is another reason for not using neo banks and 15.3% of respondents say that lack of trust and technical problems are the other two factors that contribute to the hesitation among potential users. These challenges highlight the need for neo banks to enhance security measures, build consumer confidence, and increase awareness to encourage wider adoption.

9. The survey highlights mixed opinions regarding the recommendation of neo banks. About 42.4% of respondents remained neutral, indicating neither strong support nor opposition toward suggesting neo banks to others. Only 13.6% stated that they would recommend neo banks, reflecting a limited level of advocacy among users. On the other hand, 5.1% of respondents expressed that they would not recommend neo banks, pointing to certain reservations or dissatisfaction.



10. The survey indicates that 40.7% believe neo-banks may replace traditional banks, 22% disagree, and 37.3% are uncertain, reflecting mixed opinions on the future of digital banking.

11. The survey results indicate diverse opinions on whether neo banks could replace traditional banks in the future. About 40.7% of respondents believe that neo banks will eventually replace traditional banks, reflecting growing confidence in digital banking solutions. However, 22% disagreed with this view, showing a preference for the continued relevance of traditional banking. Meanwhile, 37.3% of respondents were uncertain, suggesting that many customers are still observing how neo banks evolve before forming a clear opinion.

### **Suggestions:**

#### 1. Enhance Awareness through Financial Literacy Programs

As the studies reveal that the awareness and adoption rate of neo banks are moderate, financial literacy programs should be conducted to educate the customers regarding usage and benefits of neo banks. Awareness in regional languages can help to reach rural and semi urban populations effectively.

#### 2. Build Trust and Transparency :

The trust and security issues are the main barriers to acceptance. Therefore, neo banks should clearly communicate their security features, regulatory compliance, and customer protection policies to build trust. Policymakers like RBI can introduce supportive regulations and certification systems to assure customers that neo banking services are safe, reliable, and well-monitored.

#### 3. Strengthen Digital Infrastructure:

Neo banks should develop user-friendly apps and websites that work well even in low-connectivity areas, while ensuring regular updates and prompt technical support to enhance user adoption.

#### 4. Continuous Feedback and Improvement :

Conducting periodic surveys and collecting user feedback will help neo banks identify problems early and adapt services according to customer expectations. The significant gap between users and non-users suggests that while neo banking is gaining traction, there remains considerable scope for increasing adoption through awareness-building, trust enhancement, and improved digital literacy.

### **Conclusion**

Neo banks are redefining the future of banking in India by offering flexible, digital-first solutions. In Karnataka, particularly in Udupi district, awareness is growing but remains limited to younger,



digitally active consumers. While acceptance is possible, it depends on addressing trust and security concerns, strengthening regulatory frameworks, and enhancing awareness campaigns. The study concludes that neo banks have significant potential in Karnataka, provided they combine innovation with trust-building measures.

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