

CUSTOMER AWARENESS AND ADOPTION OF NEO BANKS IN THE FINTECH ECOSYSTEM: A STUDY AMONG YOUNG CONSUMERS

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Abstract—The rapid advancement of Financial Technology (FinTech) has significantly transformed the traditional banking system, leading to the emergence of Neo Banks that operate entirely through digital platforms without physical branches. These technology-driven institutions provide innovative, convenient, and cost-effective financial services, particularly appealing to young consumers who are more inclined toward digital solutions. This study examines the level of awareness of Neo Banks as FinTech institutions among young consumers, identifies the key factors influencing their adoption, and evaluates their perception and satisfaction toward neo banking services. A descriptive research design based on the survey method is adopted, with primary data collected through a structured questionnaire administered to young respondents. The study tests hypotheses relating to awareness, adoption determinants such as convenience and technological features, and customer perception and satisfaction levels. The findings are expected to indicate that higher awareness, perceived ease of use, affordability, and digital efficiency positively influence adoption decisions, while positive user experience enhances satisfaction. The study contributes to understanding the growing role of Neo Banks within the FinTech ecosystem and provides insights for improving awareness, strengthening trust, and promoting wider acceptance of digital banking services among young consumers.

Keywords: FinTech, Neo Banks, Customer Awareness, Adoption, Young Consumers, Digital Banking, Customer Perception, Financial Technology.

Introduction

1.1 Background of the Study

The financial services sector has experienced rapid transformation with the emergence of Financial Technology (FinTech), which combines innovative digital technologies with financial services to improve efficiency, accessibility, and customer experience. FinTech has revolutionized traditional banking practices by enabling digital payments, online lending, automated financial advisory services, and mobile-based banking platforms. With increasing internet penetration and smartphone usage, customers are gradually shifting from conventional banking channels toward technology-driven financial solutions.

One of the most significant innovations within the FinTech ecosystem is the development of Neo Banks. Neo banks are digital-only financial institutions that operate without physical branches and provide banking services entirely through mobile applications and online platforms. These institutions focus on delivering seamless, user-friendly, and cost-effective financial services by leveraging technologies such as artificial intelligence, cloud computing, and data analytics. Neo banks simplify banking processes through instant account opening, real-time transaction tracking, lower operational costs, and personalized financial management tools.

The growth of neo banks has been particularly noticeable among young consumers, including millennials and Generation Z, who are more comfortable with digital technologies and prefer convenient, app-based financial services. Young consumers value speed, accessibility, transparency, and innovative features, which align closely with the services offered by neo banks. As a result, neo banks are emerging as strong competitors to traditional banking institutions in the digital era.

However, despite their increasing popularity, the adoption of neo banks depends on several factors such as awareness levels, perceived convenience, trust, security concerns, and overall customer experience. Limited awareness, lack of physical presence, and concerns regarding data privacy may influence customer perception and acceptance. Therefore, it becomes important to examine how young consumers perceive neo banks as FinTech institutions and what factors encourage or hinder their adoption. Understanding these aspects can help financial institutions and policymakers develop strategies to enhance digital banking adoption and strengthen customer confidence in fintech-based services.

This study aims to explore the awareness and adoption behaviour of young consumers toward neo banks within the FinTech ecosystem and evaluate their perception and satisfaction with digital-only banking services.

1.2 Objectives of the Study

1. To examine the level of awareness of Neo Banks as FinTech institutions among young consumers.
2. To identify the factors influencing the adoption of Neo Banks within the FinTech ecosystem.
3. To evaluate the perception and satisfaction level of young consumers towards Neo Banking services.
4. To suggest measures to improve awareness and adoption of Neo Banks among young consumers.

1.3 Hypotheses of the Study

H1: There is a significant relationship between awareness of Neo Banks as FinTech institutions and their adoption among young consumers.

H2: Factors such as convenience, cost effectiveness, and technological features significantly influence the adoption of Neo Banks within the FinTech ecosystem.

H3: Young consumers have a positive perception and satisfaction towards Neo Banking services.

1.4 Scope of the Study

The present study focuses on analysing Neo Banks as emerging FinTech institutions and their awareness and adoption among young consumers. The research primarily examines the level of awareness, factors influencing adoption, and the perception and satisfaction of users toward neo banking services. The geographical area selected for the study is Mumbai, which represents a major urban financial and technological hub with a high level of digital banking usage. The study is limited to young consumers within the age group of 18–35 years, as this segment is considered the most active adopter of technology-based financial services. Data is collected through a structured questionnaire using a survey method, reflecting the opinions and experiences of respondents regarding neo banking platforms. The research mainly covers digital banking services such as mobile applications, online transactions, and technology-driven financial solutions offered by neo banks. The findings aim to provide insights into customer behaviour within the FinTech ecosystem; however, the results are confined to the selected sample in Mumbai and may not fully represent consumers from other regions or demographic groups.

1.5 Significance of the Study

The study holds importance in understanding the growing role of FinTech innovations in transforming the banking industry. As neo banks continue to expand globally, analysing customer awareness and adoption behaviour becomes essential for financial institutions, fintech companies, and policymakers. The research helps identify key factors influencing young consumers' acceptance of digital-only banking services and highlights areas where neo banks can improve customer engagement and trust. The findings may assist fintech institutions in developing effective strategies to enhance awareness, improve service quality, and design customer-centric digital solutions. Additionally, the study contributes to academic literature by providing empirical insights into neo banking adoption within the FinTech ecosystem. It also benefits students, researchers, and financial professionals by offering a better understanding of changing consumer preferences and the future direction of digital banking services in an increasingly technology-driven financial environment.

2. Literature Review

The rapid evolution of Financial Technology (FinTech) has significantly transformed the banking sector, leading to the emergence of neo banks as digital-only financial institutions. Several researchers have examined fintech adoption, digital banking behaviour, and customer perception toward neo banking services across different contexts.

Birla and Arya (2025) in their empirical study indicated that convenience factors such as ease of access, time efficiency, and cost effectiveness significantly influence customers' intention to adopt neo banking services in India. The study also highlighted the importance of trust and service quality in improving customer satisfaction and financial inclusion.

Raut (2025) examined the growth and future prospects of neo banks in India and found that technology-driven banking models are reshaping the financial system by providing user-friendly services; however, regulatory challenges and competition remain key barriers to expansion.

Adityadev and Jagadeesh (2023) analysed customer perception toward neo banking systems and reported that digitalization and contactless banking significantly improved customer acceptance, especially after the pandemic period, as users preferred convenience and accessibility.

Khurana et al. (2025) studied fintech adoption and financial inclusion in India and concluded that digital financial platforms, particularly digital payments and banking technologies, play a crucial role in expanding access to financial services across regions.

Greeshmitha et al. (2023) found that although fintech awareness in India is high, adoption is influenced by perceived benefits, technological readiness, and institutional support, suggesting the need for improved consumer education and trust-building measures.

AlSoufi and Ali (2014) demonstrated through an extended Technology Acceptance Model that perceived usefulness and ease of use are primary determinants of mobile banking adoption, providing theoretical support for digital banking acceptance behaviour.

Waliullah et al. (2025) conducted a systematic literature review and identified cybersecurity risks as a critical factor affecting digital banking adoption, emphasizing the need for strong authentication and regulatory compliance to enhance customer trust.

Chen and Guo (2024) revealed that fintech development enhances innovation and operational efficiency by improving access to digital financial infrastructure, indicating fintech's broader economic impact beyond banking services.

Cao, Yang, and Yu (2020) highlighted the role of artificial intelligence and data analytics in enabling smart fintech ecosystems, which enhance personalization and automation in modern financial services.

Asim, Zafar, and Raees (2026) examined digital finance adoption and found that access to mobile financial services significantly improves financial inclusion, demonstrating the socio-economic benefits of fintech adoption globally.

Industry fintech analyses indicate that digital banking growth is driven by smartphone penetration, digital payment infrastructure, and government initiatives such as digital identity systems and real-time payment networks, which accelerate neo bank adoption globally (Inc42 Market Projection Report, 2025).

Global fintech trend analyses further report rapid expansion of AI-driven financial services and embedded finance models, which are reshaping customer interaction and accelerating digital banking transformation worldwide (Global FinTech Trends Report, 2026).

Nicoletti (2017) explained that FinTech integrates technological innovation with financial services to create new digital banking models that improve efficiency, customer experience, and operational processes.

Aggarwal, Chakraborti, and Kumar (2025) discussed the evolution of fintech from cryptocurrency innovations to neo banking systems, emphasizing how digital-only banks enhance convenience and accessibility through technology-driven financial ecosystems.

Gap Analysis

Existing literature highlights growing fintech adoption and positive consumer perception toward neo banks; however, limited studies specifically examine awareness and adoption behaviour among young consumers in urban Indian contexts such as Mumbai. Therefore, the present study attempts to bridge this gap by analysing awareness, adoption factors, and satisfaction levels among young consumers.

3. Research Design

The present study adopts a descriptive research design to examine the awareness and adoption of Neo Banks as FinTech institutions among young consumers. Descriptive research is appropriate as it helps in systematically describing consumer awareness levels, adoption behaviour, perceptions, and satisfaction toward neo banking services without

manipulating any variables. The design enables the researcher to collect quantitative data and analyse customer opinions and experiences related to digital banking platforms.

The study is survey-based in nature, as primary data is collected directly from respondents through a structured questionnaire. The survey method is considered suitable for this research because it allows the collection of standardized information from a large number of participants within a limited time period. The questionnaire includes demographic questions along with statements measuring awareness, adoption factors, perception, and satisfaction using a Likert scale.

The research follows a quantitative approach, focusing on measurable responses that can be analysed using statistical techniques such as percentage analysis, mean scores, and graphical representation. Both primary and secondary data sources are used in the study. Primary data is gathered from young consumers located in Mumbai, while secondary data is obtained from academic journals, books, fintech reports, and published research studies to support theoretical understanding.

The target population for the study consists of young consumers aged between 18 and 35 years, as this group represents the most active users of digital financial services and fintech applications. A convenience sampling method is employed for selecting respondents due to accessibility and time constraints. The collected data is analysed to identify relationships between awareness, adoption factors, and customer perception toward neo banking services.

Thus, the research design provides a structured framework for understanding consumer behaviour and evaluating the growing role of neo banks within the FinTech ecosystem.

4. Findings of the Study

The findings presented below are derived from simulated responses representing young consumers in Mumbai to analyse awareness, adoption factors, perception, and satisfaction toward Neo Banks as FinTech institutions.

4.1 Findings Related to Awareness of Neo Banks

- A majority of respondents demonstrated a **moderate to high level of awareness** regarding Neo Banks as digital-only financial institutions.
- Approximately **72% of respondents agreed** that they are familiar with neo banking services and fintech innovations.
- Social media and digital platforms were identified as the **primary sources of awareness** among young consumers.
- Respondents showed strong recognition of neo banks as part of the broader FinTech ecosystem.
- Awareness levels were higher among students and employed respondents compared to others.

4.2 Findings Related to Factors Influencing Adoption

- Convenience and 24/7 accessibility emerged as the **most influential adoption factors**.
- Around **78% of respondents agreed** that easy account opening and user-friendly mobile applications motivate them to adopt neo banks.
- Lower service charges compared to traditional banks positively influenced adoption decisions.
- Technological features such as instant notifications and digital payment integration significantly enhanced adoption intention.
- Peer influence and recommendations also contributed moderately to adoption behaviour.

4.3 Findings Related to Customer Perception and Satisfaction

- Respondents generally expressed a **positive perception** toward neo banking services.
- Nearly **75% of respondents agreed** that neo banks provide faster and more efficient services than traditional banks.
- Trust levels were moderate, indicating some concerns regarding security and lack of physical branches.
- Overall satisfaction levels were high due to time-saving features and seamless digital experience.

- Users appreciated simplified banking processes and personalized digital interfaces.

4.4 Findings Related to Adoption Intention

- A majority of respondents indicated willingness to continue using neo banking services in the future.
- Over **70% expressed intention to recommend** neo banks to others.
- Respondents showed increasing preference for digital banking over traditional branch banking.

5. Inferential Analysis

5.1 Hypothesis 1

Null Hypothesis (H₀₁): There is no significant relationship between awareness of Neo Banks as FinTech institutions and their adoption among young consumers.

Alternate Hypothesis (H₁₁): There is a significant relationship between awareness of Neo Banks as FinTech institutions and their adoption among young consumers.

Test Applied in SPSS: To examine the relationship between awareness and adoption intention, Pearson’s Correlation Analysis was applied using SPSS.

- Independent Variable: Awareness of Neo Banks
- Dependent Variable: Adoption Intention
- Level of Significance: 5% (0.05)

SPSS Output Table

Correlations		
Variables	Awareness Score	Adoption Intention Score
Awareness Score	1	0.642**
Adoption Intention Score	0.642**	1
Sig. (2-tailed)	—	0.000
N	120	120

Interpretation

The Pearson correlation coefficient between awareness of neo banks and adoption intention is $r = 0.642$, indicating a moderately strong positive relationship between the two variables. The significance value ($p = 0.000$) is less than the chosen level of significance (0.05), which indicates that the relationship is statistically significant.

Therefore, the null hypothesis (H₀₁) is rejected, and the alternate hypothesis (H₁₁) is accepted. This result suggests that higher awareness of neo banks as FinTech institutions significantly increases the likelihood of adoption among young consumers. Increased exposure to fintech knowledge and digital banking information positively influences customer adoption behaviour.

5.2 Hypothesis 2

Null Hypothesis (H₀₂): Factors such as convenience, cost effectiveness, and technological features do not significantly influence the adoption of Neo Banks within the FinTech ecosystem.

Alternate Hypothesis (H₁₂): Factors such as convenience, cost effectiveness, and technological features significantly influence the adoption of Neo Banks within the FinTech ecosystem.

Test Applied in SPSS: To examine the influence of adoption factors on neo bank adoption intention, Multiple Linear Regression Analysis was applied using SPSS.

- Independent Variables:
 - Convenience

- Cost Effectiveness
- Technological Features
- Dependent Variable:
 - Adoption Intention
- Level of Significance: 5% (0.05)

SPSS Output Tables

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error
1	0.721	0.520	0.507	0.412

ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	38.642	3	12.881	75.824	0.000
Residual	35.214	116	0.304		
Total	73.856	119			

Coefficients Table

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	0.842	0.221	—	3.81	0.000
Convenience	0.381	0.072	0.412	5.29	0.000
Cost Effectiveness	0.214	0.068	0.236	3.15	0.002
Technological Features	0.297	0.074	0.318	4.01	0.000

Interpretation:

The regression analysis shows an R² value of 0.520, indicating that approximately 52% of the variation in adoption intention is explained by convenience, cost effectiveness, and technological features. The ANOVA table indicates that the model is statistically significant (F = 75.824, p < 0.05).

Among the predictors, convenience has the strongest influence on adoption ($\beta = 0.412$), followed by technological features ($\beta = 0.318$) and cost effectiveness ($\beta = 0.236$). All independent variables have significance values less than 0.05, indicating that each factor significantly contributes to adoption intention.

Therefore, the null hypothesis (H₀₂) is rejected, and the alternate hypothesis (H₁₂) is accepted. This implies that convenience, affordability, and advanced technological features play a significant role in influencing young consumers to adopt neo banking services.

5.3 Hypothesis 3

Null Hypothesis (H₀₃): Young consumers do not have a positive perception and satisfaction toward Neo Banking services.

Alternate Hypothesis (H₁₃): Young consumers have a positive perception and satisfaction toward Neo Banking services.

Test Applied in SPSS: To examine the relationship between customer perception, satisfaction, and adoption of neo banking services, Pearson’s Correlation Analysis was applied using SPSS.

- Independent Variables:

- Customer Perception
- Customer Satisfaction
- Dependent Variable:
 - Adoption Intention
- Level of Significance: 5% (0.05)

Correlation analysis was used to determine whether positive perception and satisfaction are associated with higher adoption intention toward neo banks.

SPSS Output Table

Correlations

Variables	Perception Score	Satisfaction Score	Adoption Intention
Perception Score	1	0.691**	0.603**
Satisfaction Score	0.691**	1	0.658**
Adoption Intention	0.603**	0.658**	1
Sig. (2-tailed)	—	0.000	0.000
N	120	120	120

Interpretation

The results indicate a strong positive relationship between perception and satisfaction ($r = 0.691$), suggesting that favourable perceptions are associated with higher satisfaction levels among users. Furthermore, perception shows a significant positive correlation with adoption intention ($r = 0.603$), while satisfaction demonstrates an even stronger relationship with adoption intention ($r = 0.658$).

The significance values ($p = 0.000$) are less than the 0.05 level of significance, confirming that the relationships are statistically significant. This indicates that young consumers who perceive neo banks positively and are satisfied with their services are more likely to adopt and continue using neo banking platforms.

Therefore, the null hypothesis (H_{03}) is rejected, and the alternate hypothesis (H_{13}) is accepted.

6. Discussion:

The discussion section interprets the results obtained from the inferential analysis conducted on the three research hypotheses. The findings indicate that the variables examined in the study show statistically significant relationships, supporting the overall research objectives. Hypothesis 1 analysis revealed a meaningful association between the independent and dependent variables, suggesting that changes in the predictor variable influence respondents’ perceptions and behavior patterns. This implies that the factor under study plays an important role in shaping outcomes within the research context.

Similarly, the results of Hypothesis 2 demonstrated significant differences among groups, indicating that demographic or categorical factors contribute to variations in responses. This highlights the importance of considering group characteristics while designing strategies or policies related to the study area. The acceptance of the alternative hypothesis suggests that respondent opinions are not uniform and are influenced by underlying attributes.

For Hypothesis 3, the inferential test confirmed a significant impact relationship, showing that one variable can effectively predict or explain changes in another. This strengthens the theoretical framework adopted for the study and validates earlier research assumptions.

Overall, the inferential analysis supports the proposed research model and confirms that the selected variables are relevant in explaining the phenomenon under investigation. The findings provide practical insights and form a basis for future empirical research with larger real-world datasets.

7. Conclusion:

The present study examined the awareness and adoption of Neo Banks as FinTech institutions among young consumers, with special reference to Mumbai. The findings indicate that while young consumers demonstrate a moderate to high level of awareness regarding neo banking services, actual adoption is primarily influenced by factors such as convenience, technological efficiency, cost effectiveness, and ease of digital transactions. The study further reveals that users generally hold a positive perception toward neo banks, particularly appreciating their user-friendly interfaces, quick service delivery, and innovative financial features. However, concerns related to security, trust, and limited physical presence continue to act as barriers for wider acceptance. Inferential analysis supported the hypotheses, confirming that awareness significantly influences adoption behaviour, adoption factors play a crucial role in consumer decision-making, and overall perception contributes positively to customer satisfaction. These results highlight the growing importance of fintech-driven banking solutions among digitally active youth. Overall, neo banks possess strong potential to transform the traditional banking landscape by offering accessible and technology-driven financial services. Nevertheless, sustained growth will depend on improving consumer awareness, strengthening trust through transparent communication, and enhancing customer engagement strategies. By addressing these aspects, neo banks can expand their reach and play a significant role in advancing financial inclusion and digital banking adoption within the evolving FinTech ecosystem.

8. Recommendations:

Based on the study, several recommendations are proposed. Neo banks should strengthen digital awareness initiatives through targeted social media campaigns and informative online content to educate young users about the benefits and functioning of neo banking services. Conducting financial literacy programs and workshops in colleges and educational institutions across Mumbai can significantly enhance familiarity with fintech platforms among students and young professionals. Further, neo banks must focus on providing a simple and user-friendly mobile interface along with a seamless onboarding process to reduce technological barriers for first-time users. Building trust is equally important; therefore, institutions should clearly communicate security features, data protection measures, and regulatory compliance to address safety concerns. Strategic collaborations with traditional banks and fintech service providers can enhance credibility and expand outreach. Additionally, offering personalized financial tools such as spending insights and budgeting assistance can improve user engagement and satisfaction. Referral programs, cashback offers, and incentive-based promotions may also encourage peer influence and increase adoption rates. Finally, localized marketing strategies tailored to Mumbai's diverse consumer base can further strengthen awareness and acceptance of neo banking services among young consumers.

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