CUSTOMER ACCEPTANCE AND SATISFACTION IN NEO-BANKING SERVICES

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ABSTRACT

The rapid digitalisation of financial services has accelerated the emergence of neo-banking as a technology-driven alternative to conventional banking. This study examines customer awareness, perceived benefits, acceptance, satisfaction and continuance intention toward neo-banking services among users in Kottayam District, Kerala. Primary data were collected from 80 respondents through a structured questionnaire using convenience sampling and analysed using descriptive statistics. The findings indicate that respondents had a moderate level of awareness, while acceptance, satisfaction and continuance intention were comparatively high. Convenience emerged as the most important perceived benefit, whereas the absence of a physical branch network was the major limitation. Payments constituted the most frequently used neo-banking service, while investment and lending services recorded relatively lower usage. Overall, the findings indicate favourable customer perceptions and continued engagement with neo-banking, although concerns relating to branch accessibility, service coverage and security remain. The study provides context-specific evidence on customer engagement with neo-banking and highlights the importance of convenience, usability and customer support in strengthening continued use of digital banking services.

Keywords: Neo-banking, FinTech, Customer Acceptance, Customer Satisfaction, Continuance Intention, Digital Banking, India

1. INTRODUCTION

Rapid digitalisation has transformed the banking sector by changing how financial services are delivered and consumed. The expansion of digital technologies, mobile payments and technology-enabled banking has reshaped banking operations and increased customer expectations for faster, more convenient and accessible services (Sardana & Singhania, 2018).

Neo-banking refers to a digital-first model of banking in which banking and related financial services are accessed predominantly through mobile applications and online platforms rather than conventional branch networks. In India, neo-banking platforms typically operate in partnership with licensed banks to provide customers with digitally enabled financial services. For example, FI Money and Jupiter provide customers with app-based services such as payments, account management and other financial services. This model represents a shift from branch-centred banking towards technology-driven and customer-oriented financial service delivery (Hopkinson et al., 2019).

The attractiveness of neo-banking lies in features such as digital accessibility, convenience, simplified account opening, faster transactions and user-friendly interfaces. These characteristics enable neo-banks to offer banking services through digital platforms while reducing their dependence on traditional physical infrastructure. Recent research on neo-banking adoption also identifies convenience, trust and customer satisfaction as important factors influencing customers' willingness to adopt and continue using neo-banking services (Birla & Arya, 2025).

Despite these advantages, the branchless nature of neo-banking creates challenges relating to security, trust, customer support and the absence of face-to-face interaction. Concerns regarding security and regulatory uncertainty can influence customers' willingness to adopt digital-only banking services, particularly when customers remain accustomed to conventional banking relationships.

Against this background, the present study adopts a customer-centric perspective to examine neo-banking services in Kerala. The study focuses on five key dimensions—customer awareness, perceived benefits, acceptance, satisfaction and continuance intention—to understand how customers perceive and experience neo-banking services. By examining these dimensions together, the study seeks to provide empirical evidence on the factors shaping customers' current and future engagement with neo-banking services.

2. REVIEW OF LITERATURE

Earlier literature has identified digital transformation as a major force reshaping the banking industry. Sardana and Singhania (2018) examined the impact of digital technology on Indian banking and highlighted the disruptive potential of digital business models. Gudova (2018) examined the distinction between digital banks and neo-banks and discussed the increasing role of artificial intelligence and online services.

Rajitha and Sivakumar (2019) examined neo-banking in India from the customer perspective and identified both opportunities and challenges associated with digital banking services. Hopkinson et al. (2019) highlighted transparency, low-cost structures, continuous customer support and financial management tools as important features contributing to the disruptive potential of neo-banks. Subsequent studies have also focused on regulation, technology, customer expectations and the changing structure of banking (Gupta & Srivastava, 2026; Khan et al., 2024). Research reviewed in the original study indicates that neo-banks can compete with traditional banks through reduced costs, advanced technological features, user-friendly interfaces and customised services.

The existing literature, however, provides relatively limited empirical evidence concerning customer awareness, acceptance, satisfaction and continuance intention toward neo-banking services in Kerala, particularly in the Meenachil Taluk region of Kottayam District. This geographical and customer-level gap provided the basis for the present study.

3. OBJECTIVES OF THE STUDY

The study was undertaken with the following objectives:

a. To examine the level of customer awareness and acceptance of neo-banking services.

b. To analyse the usage pattern of neo-banking applications.

c. To assess the satisfaction level of neo-banking customers.

d. To examine customers' intention to continue using neo-banking services.

4. RESEARCH METHODOLOGY

4.1 Research Design

The study adopted a descriptive and analytical research design. The population comprised neo-banking customers residing in Kottayam District, Kerala.

4.2 Sample and Data Collection

Primary data were collected from 80 respondents using a structured questionnaire administered through Google Forms. Convenience sampling was used. Secondary information was obtained from journals, magazines, reports and websites. The study was conducted during the period from September 2022 to March 2023.

4.3 Data Analysis

The collected data were analysed using percentage analysis and mean-score analysis. The results were presented through tables and graphical representations, with Microsoft Excel used for analysis. For the Likert-scale variables, the study used a five-point scale and interpreted the resulting mean scores according to predefined intervals.

5. RESULTS AND DISCUSSION

5.1 Profile of Respondents

Table 1 shows that the respondents were predominantly young, male and educated. Males constituted 70.0% of the sample, while 47.5% belonged to the 21–23 age group. Postgraduates (57.5%) and students (62.5%) formed the largest groups. Nearly half of the respondents (47.5%) reported an annual income below ₹50,000. Among the neo-banking platforms, FI Money was the most widely used (45.0%), followed by Jupiter (20.0%). Overall, the sample reflects a predominantly young and student-oriented customer base.

Table 1. Socio-Demographic and Banking Profile of Respondents

Variable	Category	Frequency	Percentage
Gender	Male	56	70.0
	Female	24	30.0
Age	21–23 years	38	47.5
	24–26 years	16	20.0
	27–29 years	13	16.3
	30 years and above	13	16.2
Educational Qualification	Up to Higher Secondary	11	13.75
	Graduate/Diploma	23	33.8
	Postgraduate & above	46	57.5
Occupation	Employed	16	20.0
	Professional	10	12.5
	Student	50	62.5

Variable	Category	Frequency	Percentage
	Business	4	5.0
Annual Income	₹0–50,000	38	47.5
	₹50,001–1,00,000	16	20.0
	₹1,00,001–1,50,000	12	15.0
	₹1,50,001–2,50,000	6	7.5
	₹2,50,001–3,00,000	3	3.8
	₹3,00,001–3,50,000	2	2.5
	Above ₹3,50,000	3	3.8
Traditional Bank Account	Federal Bank	28	35.0
	SBI	18	22.5
	South Indian Bank	11	13.8
	Canara Bank	8	10.0
	Other banks	15	18.7
Neo-Bank Used	FI Money	36	45.0
	Jupiter	16	20.0
	Razorpay	8	10.0
	Niyo	7	8.8
	OneCard	5	6.3
	Others	8	10.0

Source: Primary Data

This profile suggests that neo-banking adoption in the study area was particularly prominent among younger and digitally oriented customers.

5.2 Awareness of Neo-Banking

Table 2 indicates that respondents had a moderate overall level of awareness of neo-banking, with an overall mean score of 4.20. Awareness was highest regarding the different types of neo-banking platforms (4.36) and the concept of neo-banking (4.35), while awareness of the technical aspects of neo-banking applications (4.06) was comparatively lower. Overall, the findings suggest that respondents were familiar with the basic features and platforms of neo-banking, but had relatively less awareness of its technical aspects.

Table 2. Awareness of neo-banking

Awareness Dimension	Mean Score	Interpretation
Concept of neo-banking	4.35	Extremely aware

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Awareness Dimension	Mean Score	Interpretation
Different types of neo-banking platforms	4.36	Extremely aware
Cost of availing neo-banking	4.27	Extremely aware
Benefits and limitations	4.14	Moderately aware
Functions of neo-banking apps	4.25	Extremely aware
Use and technical aspects	4.06	Moderately aware
Overall Mean	4.20	Moderately aware

5.3 Perceived Benefits

Table 3 shows that convenience ranked first among the perceived benefits of neo-banking, with a mean score of 4.36, followed by a simple and user-friendly interface (4.27) and quick account opening (4.25). Cost saving ranked last with a mean score of 3.16. The overall mean of 4.04 indicates that respondents perceived the benefits of neo-banking favourably.

Table 3. Perceived Benefits of Neo-Banking

Benefit	Mean Score	Rank
Convenience	4.36	I
Simple, user-friendly interface	4.27	II
Quick account opening	4.25	III
Speed of transaction	4.14	IV
Cost saving	3.16	V
Overall Mean	4.04	

5.4 Customer Acceptance

Table 4 indicates a high level of customer acceptance, with an overall mean of 4.33. Ease of use ranked first (4.39), followed by better customer service and usefulness of application information (4.35 each). Overall usefulness ranked fifth (4.24), although it still recorded a high mean score.

Table 4. Customer Acceptance of Neo-Banking

Acceptance Dimension	Mean Score	Rank
Neo-banking is easy to use	4.39	I
Better customer service	4.35	II
Information provided by the application is useful	4.35	II
Trust in neo-banking services	4.31	IV
Neo-banking is very useful	4.24	V
Overall Mean	4.33	

5.5 Limitations Perceived by Customers

Table 5 shows that the absence of a branch banking network ranked first as the major limitation of neo-banking, with a mean score of 4.35. This was followed by fewer services than traditional banks (4.24) and security issues (4.16). Lack of confidence ranked last (3.04). Thus, branch accessibility, service coverage and security were the major concerns identified by respondents.

Table 5. Perceived Limitations of Neo-Banking

Limitation	Mean Score	Rank
No branch banking network	4.35	I
Fewer services than traditional banking	4.24	II
Security issues	4.16	III
Lack of face-to-face contact and support	3.66	IV
Lack of confidence	3.04	V
Overall Mean	3.89	

5.6 Customer Satisfaction

Table 6 reveals a high level of customer satisfaction, with an overall mean score of 4.03. Speed of transactions and cost of availing bank accounts jointly ranked first, with a mean score of 4.16 each. Neo-banking products ranked third (4.14), while customer-care support ranked last (3.66).

Table 6. Customer Satisfaction with Neo-Banking

Satisfaction Dimension	Mean Score	Rank
Speed of transactions	4.16	I
Cost of availing bank accounts	4.16	I
Neo-banking products	4.14	III
Use of banking applications	4.07	IV
Security of applications	4.02	V
Customer-care support	3.66	VI
Overall Mean	4.03	

5.7 Usage Pattern

Table 7 indicates that payments were the most frequently used neo-banking service, with a mean score of 4.00, followed by debit and credit cards (3.99) and fund transfers (3.92). Small loans ranked last (2.16), preceded by mutual fund investments (2.69). The findings suggest that respondents primarily use neo-banking for payments and routine banking transactions rather than investment and lending services.

Table 7. Usage Pattern of Neo-Banking Services

Service	Mean Score	Rank
Payments	4.00	I
Debit and credit cards	3.99	II
Fund transfer	3.92	III
Smart deposits	2.93	IV
Investment in mutual funds	2.69	V
Small loans	2.16	VI

5.8 Continuance Intention

Table 8 shows a favourable continuance intention, with an overall mean score of 4.14. The intention to continue using the neo-bank account ranked first (4.36), followed by considering neo-banking in the choice set (4.35) and recommending it to others (4.24). Habit formation ranked last (3.76). Overall, the findings indicate a strong intention among respondents to continue using neo-banking services.

Table 8. Continuance Intention towards Neo-Banking

Statement	Mean Score	Rank
I intend to continue using the neo-bank account	4.36	I
I would positively consider neo-banking in my choice set	4.35	II
I will recommend neo-banking to others	4.24	III
I will use neo-banking services frequently	4.09	IV
I will use neo-banking services in my daily life	4.02	V
Neo-banking has become a habit for me	3.76	VI
Overall Mean	4.14	

6. KEY FINDINGS

The major findings of the study can be summarised as follows:

- The respondent group was predominantly young, male, postgraduate and student-oriented.
- FI Money was the most commonly reported neo-bank account among the respondents, followed by Jupiter.
- Quick account opening with fewer formalities was the most frequently identified reason for accepting neo-banking.
- Family and friends were an important source of awareness.
- Overall awareness of neo-banking was moderate, with a mean score of 4.20.
- Convenience, user-friendly interface and quick account opening were the strongest perceived benefits.

- Customer acceptance was high, with an overall mean score of 4.33.
- Absence of physical branches was the most important perceived limitation.
- Customers were highly satisfied with neo-banking services, with an overall mean score of 4.03.
- Payments were the most frequently used service.
- Customers demonstrated a strong intention to continue using neo-banking services, with a mean score of 4.14.

7. MANAGERIAL AND POLICY IMPLICATIONS

The findings have several implications for neo-banking platforms and other stakeholders.

First, neo-banks should focus on improving customer education. Although overall awareness is reasonably favourable, technical awareness remains comparatively weaker. Simple educational videos, demonstrations and digital awareness campaigns could help customers understand the full range of services.

Second, the absence of physical branches remains the strongest limitation. Neo-banks may therefore benefit from limited physical touchpoints, assisted onboarding or strategically located customer-support facilities without abandoning their digital-first business model.

Third, security should remain a central strategic priority. The relatively high score assigned to security issues demonstrates that customer confidence depends not only on convenience but also on perceived protection of financial information and transactions.

Fourth, neo-banks should broaden their product ecosystem. The relatively low use of investment and lending services indicates scope for greater customer engagement beyond payments and routine transactions.

Finally, stronger customer relationship management can help convert initial acceptance into long-term loyalty. Personalised communication, referral programmes, responsive customer support and transparent service information could strengthen continuance intention.

8. LIMITATIONS AND SCOPE FOR FUTURE RESEARCH

The findings should be interpreted in light of the study's methodological limitations. The study relied on convenience sampling, which restricts the generalisability of the findings. Respondents were also reluctant to share certain personal information, while the limited period available for the study restricted the possibility of conducting a more extensive investigation.

Future research could employ larger probability-based samples covering multiple districts or states in Kerala. Comparative studies between neo-bank users and conventional-bank users could also provide deeper insights. Future researchers may further examine the relationships among perceived usefulness, trust, perceived security, satisfaction and continuance intention using inferential statistical techniques such as correlation, regression or structural equation modelling.

CONCLUSION

Neo-banking represents an important development in the digital transformation of financial services. The findings of this customer-centric study demonstrate that respondents in Kerala show a favourable attitude toward neo-banking despite only a moderate overall level of awareness.The strongest customer advantages are convenience, ease of use, simplified account opening and transaction speed. At the same time, the absence of physical branches, relatively fewer services than traditional banks and security concerns remain significant challenges. Most importantly, the study reveals a positive customer trajectory: moderate awareness is accompanied by high acceptance, high satisfaction and strong continuance intention. This suggests that the future growth of neo-banking will depend not merely on attracting customers but on converting technological convenience into sustained trust and broader financial engagement.

Neo-banks therefore need to move beyond being primarily transaction-oriented digital platforms and develop into comprehensive customer-centric financial ecosystems. Improving security, expanding product offerings, strengthening customer support and increasing digital financial awareness can contribute to sustainable adoption of neo-banking services.

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