

Neo-Banking Revolution in Selected Southern Districts of Karnataka- A Study on Customer Trust, Usage Patterns and Challenges

Dr. Girish V¹, Mr. Prakash H V², Mr. Kiran A S³, Mr. Rakesh N⁴

¹Assistant Professor, Department of Commerce, P.E.S College of Science, Arts and Commerce, Mandya, Karnataka- 571 401.

Email ID: dr.girishv6@gmail.com

²Assistant Professor, Department of Commerce, BGS First Grade College, BG Nagara, Adichunchanagiri University, Mandya, Karnataka- 571 448.

Email ID: prakashhv@acu.ac.in

³Assistant Professor, Department of Commerce, Dr.K Shivarama Karantha Government First Grade College, Bellare, Sullia, Karnataka- 574 212.

Email ID: kiruaskiran@gmail.com

⁴Assistant Professor, Department of Commerce, MLA Academy of Higher Learning, Malleshwaram, Bengaluru, Karnataka- 560 003.

Email ID: sairakeshnrao@gmail.com

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KEYWORDS

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ABSTRACT

The rise of neo-banking in India has redefined the financial services landscape by offering fully digital, technology-driven and customer-centric solutions. This study examines the neo-banking revolution in selected southern districts of Karnataka with a focus on customer trust, usage patterns and challenges. Using a descriptive and analytical design, primary data was collected from 121 respondents across Bengaluru Urban, Mysuru, Tumakuru, Mandya and Hassan through structured questionnaires. Statistical tools such as ANOVA, regression analysis and post-hoc tests were applied to examine the role of demographic factors such as age, income, education, and place of residence on customer perceptions and behaviours. Empirical results indicate that age, income and residence are not significant variables on the awareness and adoption levels and trust, whereas educational qualification is core variable impacting future adoption. Trust is raised as a critical element when it comes to continued engagement; however, there remain concerns regarding cybersecurity, data privacy and difficulty of use. The findings support the notion that adopting neo-banking is non-discriminatory and embraced more by factors such as convenience and penetration into digital technology than socio-economic positions. The paper would help policymakers and finance institutions understand the digital trend and shape policies to support their agenda when it comes to digital trust, usability and financial inclusion in semi urban and rural districts of Karnataka.

1. INTRODUCTION

The Indian banking market has experienced a new paradigm over the last decade that has been a result of multiple swift digitization, financial inclusion, and customer-focused innovations. Neo-banking has also become more prominent as a disrupter since it has a digital-only platform with no physical branches of any kind, and it provides customized financial services that include real-time payments, expense management, and AI-based customer service (Deloitte, 2022). As opposed to conventional banks, neo-banks use modern technologies to improve the processes, making them highly appealing to highly technological populations (EY, 2021).



The neo-banks have momentum in the Indian context because of the government programs, such as the Digital India campaign, and widespread smart phone penetration which have enhanced access to online financial services (KPMG, 2022). Yet, in spite of such an increase, customer trust is an essential issue. Cybersecurity threats, data privacy concerns, and lack of direct regulatory framework are some issues that make the potential user develop the sense of skepticism (PwC, 2021). Besides, regional trends in digital literacy and internet accessibility also influence adoption trends, particularly, in semi-urban and rural areas of southern India (RBI, 2022).

The customer trust and usage patterns in neo-banking also varies with the demography variables age, income, and place of residence. Mostly, younger clients tend to embrace innovations in the banking systems, whereas older reaches are less inspired by it as they are afraid of security and lack technical knowledge (Accenture, 2022). On a parallel note, the degree of knowledge of neo-banking services and its acceptance is higher in urban areas than in smaller towns and rural, owing to infrastructural and knowledge-related obstacles (World Bank, 2022).

Irrespective of such tendencies, there is a small amount of scholarly research devoted to the issue of neo-banking adoption in the southern parts of Karnataka. The current body of research is focusing much more on the national patterns of digital banking and paying less attention to the regional peculiarities; therefore, a gap is observed. Filling this gap will be critical in helping to intensify policymakers, financial institutions, and technology providers to understand the value of these insights in strengthening trust, address barriers to adoption, and optimize usage patterns in the neo-banking revolution.

2. STATEMENT OF THE PROBLEM

The sudden rise of neo-banking in India has transformed the manner in which people can interact with financial services with an emphasis on frictionless technology, personalized banking and digital services. Although there is a steady growth in the use of neo-banks in metropolitan cities, the situation is not the same in the southern districts of Karnataka as far as customer trust, awareness levels, and usage patterns are concerned; they vary widely across demographic segments. The need to innovate and ease has not translated to the domain because problems like the lack of security, low digital literacy levels, lack of clarity in regulation and a lack of trust toward the technology prevent the mass adoption of FinTech elements. In addition, the study lacks empirical evidence that reflects the influence of demographical characteristics, such as age, income and location of residents on the perceptions and behaviours of customers toward neo-banking in this region. This is a gap in research to understand trust, usage patterns, and challenges faced by customers in the southern districts of Karnataka hence they can provide inputs that can help guide other policy scholars, financial institutions and technology companies make the neo-banking ecosystem stronger.

3. REVIEW OF LITERATURE

The neo-banking landscape in India has gained impetus with policy and regulatory frameworks shaping customer experiences and expectations. The **NITI Aayog (2022)** proposal for permitting digital banks provided a structural foundation for the growth of neobanks, highlighting the need for a strong regulatory framework to build consumer trust. Complementing this, the **Reserve Bank of India (2023)** issued comprehensive digital lending guidelines, strengthening consumer protection around consent, data privacy and grievance redressal. These regulatory actions laid the foundation for enhancing trust, a crucial element for customer adoption of neo-banks in regions like Southern Karnataka.

At the adoption level, models such as the **UTAUT-3 and perceived risk integration** (South Asian Journal of Marketing, 2024) highlighted that performance expectancy, effort expectancy, and perceived risks significantly affect customer adoption, usage and commendations of neo-banking platforms. This model has been extended in the **Kerala-based TAM + Trust study (SAGE, 2025)**, which incorporated demographics such as age and gender to begin that trust remains a key determinant of sustained usage among young customers. Given the demographic similarity between Kerala and Southern Karnataka, these findings provide useful insights for the present study.

Global referring reports also contextualize these acceptance patterns. **Boston Consulting Group (2023, 2024)** noted that neo-banking adoption is skewed toward younger and affluent cohorts who prioritize convenience and cost benefits, with such customers showing higher loyalty than those of traditional banks. However, **BCG (2020, 2021)** also emphasized rural trust gaps and persistent reliance on cash in India, underlining tasks for extending neo-banking beyond urban centers like Bengaluru and Mysuru into smaller districts of Karnataka.

At the state level, **Finance India (2024)** studied digital financial services adoption in Karnataka and recognized convenience, speed, and affordability as the strongest motivators, while safety and trust influenced long-term usage. Similarly, a **2025 study on working women in North Karnataka** demonstrated that digital banking significantly contributed to women's empowerment, with trust and perceived control shaping their continued engagement with digital platforms. These state-focused insights extend naturally into Southern districts where digital inclusion and empowerment agendas remain important.

Customer awareness and readiness for neo-banking are also significant themes. A **2024 study on neobank readiness** confirmed that awareness alone is insufficient; adoption is strengthened only when risks such as fraud and data misuse are transparently mitigated. Relatedly, research on **technology readiness and channel choice (2023–24)** exposed that



simplicity, user-friendly interfaces, and low cognitive effort are essential for customers to shift to fully digital channels. In Southern Karnataka, where digital literacy levels vary, these factors become critical in determining adoption rates.

Usage pattern studies also bring into line with these findings. A **multi-city survey (2024)** including Bengaluru reported that low cost (70%) and convenience (65%) were the most influential factors for choosing neo-banks, particularly among young professionals—a demographic highly concentrated in Southern Karnataka's IT hubs. Yet challenges persist: a **Karnataka-specific consumer study (2025)** concentrating on SBI digital banking customers found that complex transaction processes remain a major obstacle, indicating that even when awareness exists, usability issues can undermine trust and discourage sustained use.

At a broader ecosystem level, **syntheses of Indian neo banking evolution (2025, SSRN/IJPREMS)** highlighted the sector's transition from focusing on user experience to addressing compliance, regulation, and SME/gig workforce needs. This is particularly relevant for Southern Karnataka, where SME clusters and gig workers form a vital economic base. Comparative perspectives, such as **studies contrasting India and the UK (2023–24)**, further reveal that licensing models and compliance frameworks play a decisive role in building long-term trust.

4. RESEARCH GAP

Although prior studies in India and abroad have examined regulatory frameworks, adoption models, and demographic influences on digital banking, there remains a limited body of empirical work focusing specifically on the neo-banking revolution in the southern districts of Karnataka. Most existing research has concentrated on broader national trends (NITI Aayog, 2022; RBI, 2023), adoption frameworks like UTAUT and TAM applied to Indian or neighbouring contexts (South Asian Journal of Marketing, 2024; SAGE, 2025), or state-level studies that largely reflect experiences in urban centers (Finance India, 2024). While these contributions shed light on factors such as trust, awareness, and convenience, they do not adequately capture localized variations in customer behaviour across urban, semi-urban, and rural districts of Southern Karnataka. Further, gaps persist in understanding how demographic dimensions—particularly age, income, residence, and educational qualifications—interact with customer trust, usage patterns, and perceptions of challenges in neo-banking adoption. Thus, there is a clear need for district-level empirical investigations that integrate these demographic factors to provide context-specific insights, bridge the knowledge gap on regional adoption dynamics, and inform tailored strategies for enhancing customer trust and addressing challenges in neo-banking services.

5. OBJECTIVES

- 1) To examine the influence of demographic factor age on the awareness and adoption of Neo-Banks in Karnataka.
- 2) To study the relationship between monthly income of respondents with the usage patterns of Neo-Banks.
- 3) To analyse the effect of place of residence of respondents on customer trust and perceived benefits of Neo-Banks.
- 4) To evaluate the role of educational qualification of respondents in shaping customer perceptions of challenges and future adoption of Neo-Banks.

6. HYPOTHESES

H₁: “There is a significant difference among age of respondents in their awareness and adoption of Neo-Banks”

H₂: “Monthly income significantly influences the usage patterns of Neo-Banks”

H₃: “Customer trust and perceived benefits of Neo-Banks differ significantly across place of residence of respondents”

H₄: “Educational background of respondents has a significant effect on perceptions of challenges and future adoption of Neo-Banks”

7. RESEARCH METHODOLOGY

Research Design:

The research employed a descriptive and analytical research design to discuss the awareness, adoption, trust, limitations and future adoption plans of Neo-Banks by customers in the south of Karnataka. The descriptive design will assist in recording the demographic and usage trends whereas the analytical method will assist in testing the impact of demographic information (age, income, education, residence) on customer perceptions and behaviours. This will enable an all-round comprehension of customer attitudes and statistically validated views that will influence the adoption of Neo-Bank.

Sampling Design:

The study is mainly anchored at primary data, which has been gathered using the means of structured questionnaire (39 items). The questions asked in the questionnaire capture the aspects of the demographic factors, the awareness and adoption, trust, perceived benefits, usage pattern, obstacles, and future adoption prospects. A **convenience sampling method** was employed to reach respondents from urban, semi-urban, and rural areas across selected southern districts of Karnataka, such



as Bengaluru Urban, Mysuru, Tumakuru, Mandya and Hassan. A total of **121 respondents** were surveyed, providing adequate data for statistical analysis though not exhaustive of the entire population.

Data Collection:

Data was collected through both **online and offline surveys** to ensure wider reach and inclusivity. Respondents included salaried employees, business professionals, students, homemakers, and self-employed individuals, representing both current and potential users of Neo-Banking services. Care was taken to include respondents with basic familiarity with digital financial services to ensure the reliability and relevance of the responses in alignment with the study objectives.

Tools for Analysis:

The collected data was **coded, tabulated, and analysed using SPSS software**. Statistical techniques were selected to match the study objectives, and included the following:

- Descriptive Statistics** (percentages, means, and standard deviations) to profile respondents and identify general usage patterns.
- One-Way ANOVA** to examine differences in awareness, adoption, customer trust, and perceived benefits across demographic variables such as age, education, and residence.
- Regression Analysis** to assess the influence of income and other demographic factors on Neo-Bank usage and adoption.
- Post-hoc Tukey Tests** to determine group-wise differences where ANOVA indicated significance.

These analytical tools enabled both descriptive insights and rigorous hypothesis testing.

Scope and Coverage:

The scope of the study is limited to **selected southern districts of Karnataka**, covering respondents from Bengaluru Urban, Mysuru, Tumakuru, Mandya, and Hassan. The study encompasses variations in demographics such as gender, age, educational qualifications, occupation, income, and place of residence. By doing so, it provides a localized yet comprehensive understanding of customer perceptions, opportunities, and challenges in Neo-Bank adoption.

Demographic Variables of Respondents

Table 1: Showing Demographic Variables		
Variable	Categories	Percentage (%)
Gender	Male	53.7
	Female	44.6
	Other	01.7
Age Group	Below 25	27.3
	25–35	41.3
	36–45	13.2
	46–55	09.1
	Above 55	09.1
Educational Qualification	Below Graduation	14.9
	Graduate	37.2
	Postgraduate	32.2
	Professional	15.7
Occupation	Students	19.8
	Salaried Employee	47.1
	Self-employed	21.5
	Retired	10.7
	Others	00.8
Monthly Income	Below 25,000	32.2
	25,001–50,000	30.6
	50,001–1,00,000	23.1
	Above 1,00,000	14.0
Place of Residence	Urban	54.8
	Semi-Urban	26.9
	Rural	18.3

Source: Data through structured questionnaire



The demographic profile of the respondents reveals a balanced representation across different categories. In terms of gender, a majority of 53.7 percent are male, followed closely by 44.6 percent female, while a small fraction of 1.7 percent identified as other. The age distribution shows that younger individuals are more represented, with 41.3 percent belonging to the 25–35 age group, followed by 27.3 percent below 25 years, indicating that a large portion of the sample is youth and early working professionals. Educational qualifications highlight that most respondents are well-educated, with 37.2 percent graduates and 32.2 percent postgraduates, while 15.7 percent possess professional degrees. Occupation-wise, salaried employees dominate the sample at 47.1 percent, followed by self-employed individuals (21.5%) and students (19.8%), suggesting the study largely represents the working population. Regarding income, 32.2 percent earn below ₹25,000 and 30.6 percent fall in the ₹25,001–50,000 range, indicating that a majority belong to lower to middle-income groups. Finally, in terms of residence, over half (54.8%) of the respondents reside in urban areas, followed by 26.9 percent in semi-urban regions and 18.3 percent in rural areas, reflecting a predominantly urban-centered sample.

Reliability Statistics:

Table 2: Showing Reliability Statistics	
Cronbach's Alpha	N of Items
.726	39

Source: Data through structured questionnaire

The reliability statistics show that the Cronbach's Alpha value for the 39 items in the questionnaire is **0.726**. Since the alpha value is above the acceptable threshold of 0.70, it indicates that the scale used in the study has **good internal consistency and reliability**. This means the items in the questionnaire are measuring the construct of interest in a stable and consistent manner, and the data can be considered dependable for further analysis.

Testing of Hypotheses:

Objective 1

To examine the influence of demographic factor age on the **awareness and adoption** of Neo-Banks in Karnataka.

Hypotheses:

H₀: “There is no significant difference among age of respondents in their awareness and adoption of Neo-Banks”

H₁: “There is a significant difference among age of respondents in their awareness and adoption of Neo-Banks”

The purpose of this analysis of variance (ANOVA) is to determine if there is a statistically significant variation in the level of Neo-Bank knowledge and adoption across respondent ages.

Table 3: Showing ANOVA					
A A Score					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.474	4	.118	1.068	.375
Within Groups	12.856	116	.111		
Total	13.330	120			

Source: Data through structured questionnaire

The ANOVA table shows the comparison of awareness and adoption of Neo-Banks across different age groups. The computed significance value (Sig. = 0.375) is higher than the 0.05 threshold, suggesting that there is no statistically significant difference among the mean scores of different age groups. This suggests that respondents' levels of Neo-Bank knowledge and acceptance are not significantly impacted by their age. Therefore, we accept the null hypothesis (H₀) and reject the alternative hypothesis (H₁).



Table 4: Showing Awareness and Adoption Score		
Tukey B		
Age_Group	N	Subset for alpha = 0.05
		1
Below 25	33	3.6162
36-45	16	3.6250
25-35	50	3.7167
46-55	11	3.7576
Above 55	11	3.8030
Means for groups in homogeneous subsets are displayed.		
a. Uses Harmonic Mean Sample Size = 16.971.		
b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.		

Source: Data through structured questionnaire

The Tukey B post-hoc test further supports this interpretation. The mean scores of different age groups such as Below 25 (3.6162), 25–35 (3.7167), 36–45 (3.6250), 46–55 (3.7576), and Above 55 (3.8030) fall within the same homogeneous subset, meaning that these groups do not differ in any statistically meaningful ways. Although respondents above 55 years reported slightly higher mean awareness and adoption levels compared to younger groups, the differences are too small to be considered significant.

In conclusion, the findings suggest that awareness and adoption of Neo-Banks in Karnataka are relatively uniform across age groups, and age as a demographic factor does not significantly influence respondents' perceptions in this study.

Objective 2:

To study the relationship between monthly income of respondents with the **usage patterns** of Neo-Banks.

Hypotheses:

H₀: "Monthly income does not significantly influence the usage patterns of Neo-Banks"

H₁: "Monthly income significantly influences the usage patterns of Neo-Banks"

The purpose of the regression study is to determine if there is a correlation between the respondents' monthly income and their Neo-Bank use habits.

Table 5: Showing Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.150 ^a	.022	.014	.32891
a. Predictors: (Constant), Monthly_Income				

Source: Data through structured questionnaire

An R-value of 0.150 indicates a weakly positive association between Neo-Bank use habits and monthly income, according to the model summary. Only around 2.2% of the variance in consumption patterns can be accounted for by monthly income, as shown by the R Square value of 0.022. This indicates that income level has a very limited explanatory power on usage patterns of Neo-Banks.

Table 6: Showing ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.295	1	.295	2.725	.101 ^b
	Residual	12.873	119	.108		
	Total	13.168	120			
a. Dependent Variable: UP_Score						
b. Predictors: (Constant), Monthly_Income						

Source: Data through structured questionnaire

The regression model's significance test is provided by the ANOVA table. A significance level (Sig.) of 0.101 is larger than 0.05, and the F-value is 2.725. Because of this, we cannot conclude that the regression model is statistically significant and



so must accept the null hypothesis. That being said, the research found no significant relationship between monthly income and Neo-Bank use trends.

Table 7: Showing Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.781	.070		54.208	.000
	Monthly Income	.048	.029	.150	1.651	.101
a. Dependent Variable: UP Score						

The coefficients table shows the regression equation. The constant value is **3.781**, which indicates the baseline score of Neo-Bank usage patterns when income is not considered. The unstandardized coefficient (B) for monthly income is **0.048**, suggesting that as monthly income increases by one unit, the usage score is expected to increase slightly by 0.048. Nevertheless, this impact is not statistically significant, since the p-value for monthly income is 0.101, which is more than 0.05. Thus, income does not significantly predict usage patterns of Neo-Banks.

Objective 3:

To analyse the effect of place of residence of respondents on **customer trust and perceived benefits** of Neo-Banks.

Hypotheses:

H₀: “Customer trust and perceived benefits of Neo-Banks do not differ significantly across place of residence of respondents”

H₁: “Customer trust and perceived benefits of Neo-Banks differ significantly across place of residence of respondents”

One way ANOVA test is conducted to test the customer trust and perceived benefits of Neo-Banks do not differ significantly across place of residence of respondents.

Table 8: Showing ANOVA					
Customer Trust and Security Score					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.286	3	.095	1.565	.202
Within Groups	7.123	117	.061		
Total	7.408	120			

Source: Data through structured questionnaire

The one-way ANOVA was conducted to examine whether **customer trust towards Neo-Banks (CTS_B_Score)** differs significantly across respondents' place of residence. The results indicate that there is **no statesmen** in customer trust among the different residence groups, $F(3,117) = 1.565$, $p = .202$. Based on the significant value ($p > 0.05$), we may accept the null hypothesis (H_0). There seems to be no substantial relationship between respondents' faith in Neo-Banks and their location of residence..

In other words, customers from different residential backgrounds (urban, semi-urban, rural, etc.) demonstrate relatively similar levels of trust towards Neo-Banks, and variations observed are due to chance rather than meaningful differences.

Objective 4:

To evaluate the role of educational qualification of respondents in shaping customer perceptions of **challenges and future adoption** of Neo-Banks.

Hypotheses:

H₀: “Educational background of respondents has no significant effect on perceptions of challenges and future adoption of Neo-Banks”

H₁: “Educational background of respondents has a significant effect on perceptions of challenges and future adoption of Neo-Banks”

One way ANOVA test is conducted to test the significant effect of educational qualification on perceptions of challenges and future adoption of Neo-Banks.

**Table 9: Showing Descriptives**

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Challenges and barriers Score	Below Graduation	18	3.1905	.22983	.05417	3.0762	3.3048	2.86	3.71
	Graduate	45	3.1587	.44265	.06599	3.0257	3.2917	2.00	4.00
	Postgraduate	39	3.1685	.36623	.05864	3.0498	3.2872	2.43	3.86
	Professional	19	3.2782	.31397	.07203	3.1269	3.4295	2.71	4.00
	Total	121	3.1854	.37191	.03381	3.1184	3.2523	2.00	4.00
Future Adoption and Recommendation Score	Below Graduation	18	3.7593	.41311	.09737	3.5538	3.9647	3.17	4.50
	Graduate	45	3.8370	.35264	.05257	3.7311	3.9430	3.00	4.50
	Postgraduate	39	3.5940	.40247	.06445	3.4636	3.7245	3.00	4.67
	Professional	19	3.8860	.30958	.07102	3.7368	4.0352	3.50	4.67
	Total	121	3.7548	.38615	.03510	3.6853	3.8243	3.00	4.67

Source: Data through structured questionnaire

The descriptive statistics table shows the mean scores of **customer perception of challenges (CB_Score)** and **future adoption of Neo-Banks (FAR_Score)** across respondents' educational qualifications. For **CB_Score**, the mean values are quite close across groups: Below Graduation (3.19), Graduate (3.16), Postgraduate (3.17), and Professional (3.28). This indicates that perceived challenges are relatively consistent across different education levels, with only marginal variation. For **FAR_Score**, some differences emerge: Graduates (3.84) and Professionals (3.89) report higher mean values compared to Postgraduates (3.59). This suggests that individuals with higher professional education may perceive greater potential in future adoption of Neo-Banks compared to those with only postgraduate education.

Table 10: Showing ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Challenges and Barriers Score	Between Groups	.207	3	.069	.493	.688
	Within Groups	16.391	117	.140		
	Total	16.598	120			
Future Adoption and Recommendation Score	Between Groups	1.640	3	.547	3.935	.010
	Within Groups	16.253	117	.139		
	Total	17.893	120			

Source: Data through structured questionnaire

An F-value of 0.493 and a significance level of 0.688 are shown in the ANOVA results for CB Score, which is significantly higher than the 0.05 threshold. This suggests that respondents' perceptions of the obstacles posed by Neo-Banks do not vary much across educational levels. Therefore, the null hypothesis (H_0) cannot be rejected for customer challenges, suggesting that education does not influence perceptions of the difficulties associated with Neo-Banks.

The analysis of variance (ANOVA) for FAR Score is 3.935, with a significance level of 0.010 (less than 0.05). This demonstrates that the difference is statistically significant.

Education level does **not** significantly impact how challenges of Neo-Banks are perceived, but it does play a significant role in shaping perceptions of **future adoption and recommendation**.

Major Findings:

1. Age and Awareness/Adoption

- The study found no significant differences across age groups regarding awareness and adoption of Neo-Banks.
- Although respondents above 55 years showed slightly higher mean scores of awareness and adoption, the differences were not statistically meaningful.



- c) This suggests that Neo-Bank awareness is widespread across generations, driven more by digital penetration than by age.

2. Monthly Income and Usage Patterns

- a) The regression analysis indicated that monthly income has no significant effect on usage patterns of Neo-Banks.
- b) Income accounted for only 2.2% of variation in usage behaviour, showing that adoption is not limited to higher-income groups.
- c) Digital convenience rather than economic capacity seems to be the primary motivator for usage.

3. Place of Residence and Customer Trust

- a) ANOVA results revealed that customer trust and perceived benefits did not significantly differ across urban, semi-urban, or rural respondents.
- b) This highlights that trust in Neo-Banks is geographically inclusive, aided by digital platforms offering uniform services regardless of residence.

4. Educational Qualification and Future Adoption

- a) Educational background showed no significant effect on perceived challenges, but a significant effect on future adoption.
- b) Graduates and professionals expressed stronger willingness to adopt Neo-Banks compared to postgraduates.
- c) This indicates that higher professional education correlates with greater optimism about the potential of Neo-Banks.

5. Demographic Insights

- a) Respondents were predominantly urban (54.8%), young (41.3% in 25–35 age group), and salaried employees (47.1%).
- b) A majority belonged to middle-income groups (₹25,000–50,000), showing that Neo-Bank adoption is not exclusive to elite segments.

Suggestions:

1. **Expand Awareness Across All Age Groups:** Since awareness levels are uniform across ages, Neo-Banks should design campaigns inclusive of older populations to encourage active usage, not just awareness.
2. **Strengthen Trust Through Regional Outreach:** Even though residence didn't affect trust, customized local-language campaigns in semi-urban and rural districts could deepen customer confidence.
3. **Focus on Value, Not Income:** As income is not a significant driver, banks should emphasize usability, low transaction costs, and convenience, making services equally attractive to lower-income groups.
4. **Leverage Professional & Graduate Segments for Advocacy:** Since professionals and graduates show stronger intent for future adoption, Neo-Banks can target them as early adopters and digital ambassadors to promote wider acceptance.
5. **Address Perceived Challenges Through Education:** Challenges such as cybersecurity concerns, lack of personal touch, and regulatory doubts should be tackled through digital literacy workshops and transparent communication.
6. **Product Diversification for Rural Penetration:** Offer simplified mobile-first products and integrate with UPI-based services to ensure rural populations find Neo-Banks more relatable and trustworthy.

8. CONCLUSION

The paper on the Neo-Banking Revolution in the chosen southern districts of the state of Karnataka sheds light on the manner in which customer trust, adoption and perception is influenced. The findings indicate that age, income and residence are not significant distinguishing factors and hence the Neo-Banks have an inclusive demographic attraction. Education is however very important in future adoption intentions whereby the professionally qualified respondents are the most optimistic.

These observations indicate that the future of Neo-Banks in Karnataka is not attached to demographic variables but the extent to which they measure the trust, usability, and challenges. As the digitalisation continues to expand, Neo-Banks may become a widely accessible alternative to traditional banking, especially should they rely on more locally-oriented trust-promoting mechanisms, accessible financial literacy, and more innovation-driven customer-crafted solutions.



The eponymous revolution in Neo-Banks in Karnataka is nothing short of being the secret of successful banking using digital revolution involving otherwise unreached customers based on trust and education.

9. LIMITATIONS OF THE STUDY

Although the study has contributed, it has some limitations. The respondents sample size 121 might not sufficiently represent the full heterogeneity of Neo-Bank customers in all the southern districts because of its limited generalizability. Convenience sampling can create a sampling bias in that it is unlikely to have the voices of the broader population. Overly reliance on self-report data presents a risk of biasing the results, through extreme reporting or underreporting. Moreover, the study has a cross-sectional design, therefore there is no such a variable as the changing process of Neo-Bank adoption over time.

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