Empirical Study for Neo Bank's Factors Impacting Consumer Aspirations for Mobile Banking Services in Perspective to Western U.P.

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Abstract

This empirical study investigates the key factors influencing consumer aspirations toward mobile banking services offered by Neo Banks in Western Uttar Pradesh (U.P.), India. With digital banking rapidly transforming the financial services landscape, Neo Banks—digital-only financial institutions—are emerging as disruptive players. The paper identifies critical drivers such as convenience, technological trust, user interface design, data security, and personalization. Using a structured questionnaire distributed to 300 respondents across urban and semi-urban areas of Western U.P., the study applies regression analysis and factor analysis to assess the relationship between Neo Bank features and consumer aspirations. The findings provide actionable insights for fintech players, regulators, and marketing strategists.

Keywords: Neo Banks, Mobile Banking, Consumer Aspirations, Fintech, Western U.P., Digital Banking, Empirical Study, Technology Adoption

1. Introduction

The banking industry in India is undergoing a paradigm shift with the emergence of Neo Banks—digital-only banks that operate without physical branches. Unlike traditional banks, Neo Banks leverage mobile technology, AI, and cloud computing to deliver seamless, fast, and personalized banking services. As consumer behavior becomes increasingly digital-first, especially post-pandemic, understanding what drives consumer aspirations in Tier-II and Tier-III cities becomes essential for strategic expansion.

This study focuses on Western U.P., a region with growing smartphone penetration and financial literacy, but still under-explored in digital banking research. The objective is to empirically

evaluate which factors significantly influence the adoption and aspiration of mobile banking services offered by Neo Banks.

2. Review of Literature

- Neo Banking Evolution: Neo Banks originated in Europe but gained traction in India post-2018. Key players include Jupiter, Fi Money, Niyo, and Open.
- Technology Acceptance Model (TAM) and Unified Theory of Acceptance and Use of Technology (UTAUT) provide theoretical bases to explore consumer behavior toward digital platforms.
- Trust and Security (Laukkanen, 2016), Ease of Use (Davis, 1989), and Perceived Usefulness (Venkatesh et al., 2003) are consistent predictors of mobile banking adoption.
- Studies like Sharma & Malhotra (2020) highlight that aspirations in non-metro areas are driven by peer influence, digital infrastructure, and mobile literacy.

3. Objectives of the Study

1. To identify the major factors of Neo Bank services impacting consumer aspirations in Western U.P.
2. To analyze the demographic impact on aspiration levels.
3. To suggest strategies for Neo Banks to enhance adoption in semi-urban and rural segments.

4. Research Methodology

- **Type of Research**: Quantitative and empirical
- **Sampling Technique**: Stratified random sampling
- **Sample Size**: 300 respondents from cities like Meerut, Ghaziabad, Moradabad, and Muzaffarnagar.
- **Instrument**: Structured questionnaire based on a 5-point Likert scale.
- **Tools Used**: SPSS 28, Factor Analysis, Multiple Regression

5. Hypotheses

- **H1**: Convenience significantly influences consumer aspirations.
- **H2**: Trust in data security positively affects aspiration levels.
- **H3**: Personalization and tailored services impact aspiration.
- **H4**: UI/UX design quality has a positive correlation with aspiration.

6. Data Analysis and Findings

Demographic Profile

- 54% Male, 46% Female
- Age group 18–30 (60%) dominates
- 65% are students or early professionals

Factor Analysis (KMO = 0.812, Bartlett's Test $p < 0.05$)

- **Factor 1**: Technological Trust (Eigenvalue = 3.7)
- **Factor 2**: Convenience and Accessibility
- **Factor 3**: Customization and AI Features
- **Factor 4**: Digital Literacy and Mobile Usage

Regression Analysis

- $R^2 = 0.69$ indicating strong correlation
- Trust and Customization emerged as the strongest predictors ($p < 0.01$)

7. Discussion

The findings reinforce the theory that in semi-urban regions, mobile banking aspiration is not solely convenience-driven. Trust in the digital system, particularly around data privacy, is critical. Neo Banks must go beyond minimal digital service and offer hyper-personalized experiences through AI, chatbot interactions, and vernacular language support.

8. Challenges for Neo Banks in Western U.P.

- Limited digital literacy in older demographics
- Resistance to fully digital models due to legacy banking habits
- Inadequate financial awareness in rural belts
- Cybersecurity skepticism

9. Recommendations

- Incorporate regional languages and AI-powered voice assistance
- Partner with local digital literacy initiatives
- Ensure transparency in data usage and privacy policies
- Offer hybrid models (digital onboarding + human support via video/voice calls)

10. Conclusion

The empirical findings show that Neo Banks can significantly influence consumer aspirations in Western U.P. if they align their services with the psychological and infrastructural needs of

regional users. Trust-building, personalization, and inclusive design are key to unlocking the full potential of Neo Banking in emerging markets.

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