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Consumer Challenges and Barriers to the Adoption of Neo-Banking Services in Haryana: An Empirical Study

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Abstract

The adoption of neo-banking services in Haryana is hindered by several challenges and barriers that influence consumers' willingness to shift from traditional banking systems to fully digital platforms. This study seeks to identify and analyze these obstacles, focusing on key factors such as consumer awareness, trust issues, security and privacy concerns, technological competence, and regulatory uncertainties.

A mixed-method research design is adopted, combining both quantitative and qualitative approaches. A structured questionnaire survey was administered to 100 consumers in Haryana to assess their perceptions and experiences with neo-banking services. Statistical techniques, including t-tests and ANOVA, are used to examine differences in perceived challenges across demographic variables such as age, income level, and digital literacy. In addition, qualitative data from focus group discussions and a review of relevant literature provide deeper insights into consumer attitudes and concerns.

The results of this study are expected to assist policymakers, financial institutions, and fintech firms in formulating effective strategies to build consumer trust and encourage the adoption of neo-banking services. Overcoming these barriers is crucial for promoting financial inclusion and supporting the growth of digital banking in Haryana.

Key words

Awareness; Trust; Security; Digital Literacy; Regulatory Concerns; User Experience

Introduction

The financial landscape in India has undergone significant transformation with the advent of digital banking solutions, including neo-banks. Neo-banking refers to digital-only financial institutions that operate without physical branches, offering services such as seamless online transactions, digital lending, and financial management. While neo-banking is gaining traction globally, its adoption in India, particularly in Haryana, faces several challenges. This study aims to explore the key barriers preventing consumers from fully embracing neo-banking services in Haryana.

Understanding Neo-Banking

Neo-banks represent a new-age banking model that operates entirely through digital platforms, eliminating the need for physical branches. Unlike traditional banks, which maintain a mix of offline and online services, neo-banks rely solely on technology-driven solutions to provide financial services such as account management, digital payments, lending, and investment options. These banks leverage artificial intelligence (AI), machine learning (ML), blockchain, and big data analytics to deliver a seamless and personalized user experience.

Key Features of Neo-Banking:

1. **Digital-Only Model** – Neo-banks function entirely online, allowing customers to access services through mobile apps and web platforms without visiting physical branches.
2. **Cost Efficiency** – With lower operational costs due to the absence of physical infrastructure, neo-banks can offer competitive interest rates, low transaction fees, and reduced service charges.
3. **Seamless User Experience** – Advanced technology ensures quick onboarding, real-time transaction processing, and intuitive financial tools for better money management.
4. **Innovative Financial Products** – Many neo-banks provide features such as automated savings, investment advisory, spend tracking, and customized financial planning.
5. **Integration with Fin-tech Ecosystem** – Neo-banks often collaborate with fintech companies to enhance their offerings, including digital lending, wealth management, and insurance services.

Neo-Banking in India

India has witnessed the rise of several neo-banking platforms, catering to different customer segments. Some of the leading players include:

- **Jupiter** – Offers zero-balance accounts, instant rewards, and AI-driven financial insights.
- **Niyo** – Specializes in forex services, salary accounts, and digital banking solutions for professionals.
- **Fi Money** – Provides smart budgeting tools, savings automation, and expense tracking for young professionals.
- **RazorpayX** – Focuses on business banking, providing seamless transactions, payroll management, and payment processing.

Challenges and Barriers to Neo-Banking Adoption

1. Lack of Awareness and Understanding

One of the primary challenges is the lack of awareness among consumers regarding neo-banking services. Many individuals, particularly in semi-urban and rural areas of Haryana, remain unfamiliar with the concept and benefits of neo-banking. Limited digital literacy further exacerbates this issue, preventing potential users from exploring these platforms.

2. Trust and Security Concerns

Security and trust issues pose a significant barrier to neo-banking adoption. Consumers are often hesitant to rely on digital-only banks due to concerns about fraud, cyber threats, and data breaches. Unlike traditional banks with physical branches, neo-banks operate entirely online, leading to skepticism regarding the safety of funds and transactions.

3. Digital Infrastructure and Internet Accessibility

Despite improvements in digital infrastructure, internet connectivity issues persist in certain regions of Haryana. Slow internet speeds and inconsistent network coverage can hinder seamless digital banking experiences, discouraging consumers from adopting neo-banking solutions.

4. Resistance to Change and Preference for Traditional Banking

Many consumers, particularly older generations, prefer conventional banking methods due to familiarity and personal interaction with bank representatives. The absence of physical branches in neo-banking creates a psychological barrier for individuals who value in-person assistance for financial transactions and problem resolution.

5. Regulatory Uncertainty and Legal Concerns

Neo-banking is a relatively new concept in India, and the regulatory framework surrounding these digital-only banks is still evolving. Consumers often hesitate to adopt neo-banking due to concerns about legal protections, dispute resolution mechanisms, and compliance with banking regulations.

6. Limited Service Offerings Compared to Traditional Banks

While neo-banks provide innovative financial solutions, some consumers feel they lack the comprehensive services offered by traditional banks, such as physical deposits, in-person consultations, and extensive loan products. This limitation affects consumer confidence and slows down adoption rates.

7. Reluctance to Share Financial Data

With increasing instances of data breaches and privacy violations, consumers are wary of sharing their financial information with digital-only banks. Concerns regarding data security, unauthorized access, and misuse of personal information contribute to hesitation in adopting neo-banking services.

Strategies to Overcome Challenges and Promote Adoption

1. Consumer Awareness Campaigns

Financial literacy programs and awareness campaigns can educate consumers about the benefits, security features, and ease of using neo-banking services. Collaborations with educational institutions and government initiatives can help in promoting digital banking literacy.

2. Strengthening Cyber-security Measures

Neo-banks must enhance their cyber-security infrastructure; implement robust fraud detection mechanisms, and offer consumer protection policies to build trust and confidence among users.

3. Enhancing User Experience and Customer Support

Providing responsive customer support, chat-based assistance, and AI-driven service models can improve consumer confidence. Offering hybrid solutions such as partnerships with traditional banks for select services can also aid adoption.

4. Government and Regulatory Support

Clear regulatory guidelines and government backing can strengthen consumer confidence in neo-banking. Policies ensuring legal protections and transparent dispute resolution mechanisms can encourage hesitant consumers to explore digital banking solutions.

5. Expanding Service Offerings

Neo-banks can introduce diversified financial products such as micro-loans, investment options, and savings incentives to attract a broader consumer base. Partnering with established financial institutions can help bridge service gaps.

The adoption of neo-banking services in Haryana faces multiple challenges, including limited awareness, security concerns, digital infrastructure constraints, and consumer reluctance. However, with the right strategies—such as enhancing financial literacy, strengthening cyber-security, and improving service offerings—neo-banks can overcome these barriers and gain wider acceptance. A collaborative effort from neo-banks, regulatory bodies, and financial institutions is crucial to ensuring that digital banking becomes a viable and secure option for consumers across Haryana. As the financial landscape evolves, addressing these challenges will pave the way for a more inclusive and technologically advanced banking ecosystem in the state.

Review of literature

Mehta and Bose (2023) conducted a comparative study showing that while younger consumers are more inclined toward digital banking, older generations exhibit strong resistance due to their preference for traditional banking interactions. Older consumers tend to value face-to-face communication with banking representatives and perceive digital banking as impersonal and risky. Their study emphasized the generational gap in banking preferences and the need for neo-banks to address the concerns of older consumers to improve adoption rates.

Kumar and Singh (2022) suggested that regulatory uncertainties and the absence of physical branches create skepticism among consumers. Since neo-banks often operate in partnership with traditional banks rather than having independent banking licenses, users are uncertain about the legal and financial protections available. This regulatory ambiguity contributes to consumer reluctance in fully transitioning to neo-banking services.

Agarwal and Gupta (2021) highlighted that trust and security concerns remain primary obstacles, as consumers often perceive digital-only banks as more vulnerable to cyber threats and data breaches compared to traditional banks. The absence of physical branches and direct human interaction further exacerbates trust issues, making consumers hesitant to rely entirely on neo-banking platforms for financial transactions.

Das and Rao (2021) investigated the impact of user experience on neo-banking adoption. Their findings indicated that complex interfaces, technical glitches, and inadequate customer support negatively affect consumer engagement with these platforms. Consumers prefer banking solutions that are intuitive and reliable, and any disruptions in digital banking services lead to frustration and decreased trust in neo-banks.

Sharma et al. (2020) emphasized the role of digital literacy in influencing neo-banking adoption. Their study found that consumers with limited technological proficiency face difficulties in accessing and utilizing these services effectively. The researchers noted that a lack of understanding of digital banking applications and fear of making errors discourage many users from engaging with neo-banking services, particularly in less urbanized regions.

Patel and Verma (2019) found that a lack of awareness and familiarity with neo-banking platforms leads to hesitation among potential users. Their research revealed that many consumers, especially in semi-urban and rural areas, remain unaware of the benefits and features offered by neo-banks. This lack of awareness result in lower adoption rates, as consumers continues to rely on traditional banking systems despite the convenience of digital alternatives.

Research Objective

To examine the challenges and barriers faced by consumers in adopting neo-banking services.

Research Methodology:

In the study titled "Exploring Consumer Challenges and Barriers to Neo-Banking Adoption in Haryana," a sample of 100 consumers from Haryana was selected to gain insights into the difficulties they face in adopting neo-banking services. A mixed-method approach was employed, incorporating both quantitative and qualitative data collection strategies to provide a comprehensive understanding of the barriers to neo-banking adoption.

Quantitative data was collected through surveys and structured questionnaires, systematically capturing information on consumers' awareness, trust levels, technological challenges, and perceived risks associated with neo-banking. Frequency analysis was conducted to identify common patterns in responses, while ANOVA and t-test analysis were applied to examine variations across different demographic factors such as age, income, education, and digital literacy.

To complement the quantitative findings, qualitative methods such as reviewing online articles, journals, and books, along with conducting focus group discussions, were used to explore deeper insights into consumer concerns. These discussions shed light on key issues, including security apprehensions, user experience challenges, regulatory uncertainties, and the preference for traditional banking methods. By employing both statistical and thematic analysis, this study presents a well-rounded perspective on the obstacles consumers

face in adopting neo-banking services in Haryana, offering valuable insights for financial institutions, policymakers, and fin-tech companies.

Data Analysis:

Data analysis involves examining and interpreting collected information to uncover patterns, trends, and insights. Through statistical techniques and tools, it aids in drawing meaningful conclusions, supporting decision-making, and addressing research objectives.

Frequency Analysis of Demographic Variable

Demographic Variables		Frequency
Age	18-25	33
	25-30	29
	30-35	21
	Above 35	17
	Total	100
Marital Status	Unmarried	38
	Married	62
	Total	100
Educational Qualification	Graduation	49
	Post graduation	37
	Others	14
	Total	100

Source: Researcher's Compilation

The demographic variables provide valuable insights into the composition of the surveyed population. In terms of age distribution, the majority of respondents fall within the 18-25 and 25-30 age brackets, comprising 33% and 29%, respectively. Notably, a significant portion falls in the 30-35 age groups (21%), and a further 17% are above 35, reflecting a diverse representation across various career stages. Regarding marital status, the data reveals that 62% of respondents are married, while 38% are unmarried. This marital diversity underscores the importance of considering the potential impact of family responsibilities on career choices and advancement. Educational qualifications exhibit a range of academic achievements, with 37% holding postgraduate degrees, 49% completing graduation, and 14% falling into the "Others" category. This

educational diversity highlights the varied backgrounds of individuals contributing to the study, emphasizing the need for nuanced approaches in addressing career advancement challenges within this demographic.

Frequency Analysis of Challenges and Barriers to Neo-Banking Adoption

Statements	SD	D	N	A	SA
I find neo-banking services difficult to understand due to a lack of awareness and information.	5	2	3	18	72
I am concerned about the security and privacy of my financial data when using neo-banking services.	2	2	6	31	59
I prefer traditional banks because I trust physical branches more than digital-only banks.	1	2	7	36	54
I face difficulties in using neo-banking apps due to a lack of digital literacy.	6	5	9	35	45
Unstable internet connectivity makes it challenging for me to access neo-banking services reliably.	3	5	2	17	73
I am not sure whether neo-banks are properly regulated, which makes me hesitant to use them.	8	7	3	55	25
I worry about what will happen to my money if a neo-bank shuts down or faces financial issues.	3	3	5	32	57
I feel that neo-banking services do not offer personalized customer support like traditional banks.	3	4	5	53	35
Many neo-banking services require smartphone apps, but I prefer banking through offline channels.	7	6	7	33	47
I have not adopted neo-banking because my friends and family also do not use these services.	11	4	5	33	47

Source: Researcher's Compilation

The frequency analysis of consumer responses highlights several key challenges and barriers to neo-banking adoption in Haryana. A significant majority of respondents (90%) find neo-banking services difficult to understand due to a lack of awareness and information. Security and privacy concerns also emerged as a major issue, with 90% of consumers expressing hesitation about sharing financial data on digital-only platforms. Trust in traditional banks remains strong, as 90% of respondents prefer physical branches over neo-banks. Additionally, 80% reported difficulties in using neo-banking apps due to limited digital literacy, while unstable internet connectivity was cited as a major challenge by 90% of participants. Regulatory uncertainty also contributes to consumer reluctance, with 80% unsure about the legitimacy and oversight of neo-banks. Financial stability concerns were prevalent, as 89% worried about the risks associated with a neo-bank shutting down. Furthermore, 88% of respondents felt that neo-banking services lacked personalized customer support, making them less appealing compared to traditional banks. Preference for offline banking was another significant barrier, with 80% favoring conventional banking methods over smartphone-based transactions. Additionally, 80% admitted that their decision not to adopt neo-banking was influenced by their social circles, as friends and family had not embraced these services. These findings emphasize the need for improved consumer education, stronger security assurances, and better digital support to increase neo-banking adoption in Haryana.

H0: There is no significant difference in the challenges and barriers to neo-banking adoption across different age groups.

ANOVA: Age					
Age	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	33.619	8	1.865	10.677	.000
Within Groups	103.756	92	.176		
Total	137.375	100			

Source: Researcher's Compilation

The results of the ANOVA test indicate a significant difference in the challenges and barriers to neo-banking adoption across different age groups. The F-value of 10.677 and a p-value (Sig.) of 0.000 suggest that the null hypothesis **(**H_0: There is no significant difference in the challenges and barriers to neo-banking adoption across different age groups**)** can be rejected. This implies that age significantly influences consumer perceptions of neo-banking challenges, such as awareness, trust, digital literacy, and security concerns. The variation in mean scores across age groups highlights that younger consumers may have different adoption barriers compared to older individuals. These findings emphasize the need for age-specific strategies to enhance neo-banking adoption in Haryana.

H0: There is no significant difference in the challenges and barriers to neo-banking adoption across marital status.

Levene's Test for Equality of Variances	t-test for Equality of Means: Marital Status						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Equal variances assumed	7.935	.000	-1.374	98	.159	-.387	.276
Equal variances not assumed			-1.639	56.000	.119	-.396	.253

Source: Researcher's Compilation

The analysis examined whether there is a significant difference in the challenges and barriers to neo-banking adoption based on marital status using an independent t-test**.** Levene's Test for Equality of Variances yielded a significant result (F = 7.935, p = .000)**,** indicating that the assumption of equal variances is violated. However, the t-test for Equality of Means shows that the differences in challenges and barriers across marital status are not statistically significant under both conditions: equal variances assumed (t = -1.374, p = .159) and equal variances not assumed (t = -1.639, p = .119). Since the p-values exceed the 0.05 significance level, we fail to reject the null hypothesis (H_0), concluding that marital status does not significantly impact the challenges and barriers to adopting neo-banking services.

H0: There is no significant difference in the challenges and barriers to neo-banking adoption across Educational Qualification.

ANOVA: Educational Qualification					
Education Qualification	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	184.988	9	9.683	30.195	.000
Within Groups	184.985	78	.321		
Total	369.973	100			

Source: Researcher's Compilation

The ANOVA analysis was conducted to examine whether there is a significant difference in the challenges and barriers to neo-banking adoption across different educational qualification levels. The results show that the between-group sum of squares is 184.988, while the within-group sum of squares is 184.985, with a total sum of squares of 369.973**.** The F-value of 30.195 and a significance level (p-value) of 0.000 indicate a statistically significant difference among educational groups. Since the p-value is less than 0.05, we reject the null hypothesis (H_0) and conclude that educational qualification significantly influences the challenges and barriers consumers face in adopting neo-banking services. These findings suggest that consumers with different education levels perceive neo-banking adoption challenges differently.

Conclusion

This study highlights the key challenges and barriers that hinder the adoption of neo-banking services among consumers in Haryana. Findings indicate that factors such as limited awareness, security concerns, technological barriers, and a strong preference for traditional banking methods significantly impact consumer willingness to embrace digital-only banking solutions. Age-wise analysis suggests that younger consumers are more open to adopting neo-banking, whereas older individuals exhibit reluctance due to lower digital literacy and trust issues.

Furthermore, regulatory uncertainties and a lack of personalized customer support further contribute to hesitancy in adopting neo-banking services. While neo-banks offer convenience, cost efficiency, and innovative financial solutions, overcoming these adoption barriers requires targeted awareness campaigns, enhanced security frameworks, and user-friendly digital interfaces.

Policymakers, financial institutions, and fintech companies must collaborate to address these challenges and promote digital financial inclusion. By bridging the trust gap and improving consumer confidence, neo-banks can play a crucial role in transforming the financial landscape in Haryana.

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