

Assessing the Impact of Neo-Banking on Financial Empowerment

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Abstract: The advent of digital technology has reshaped the banking landscape, giving rise to neo-banking—digital-only banking platforms that operate without physical branches. These platforms offer seamless, convenient, and cost-effective financial services, fundamentally altering the way individuals access, manage, and perceive financial resources. This study investigates the impact of neo-banking on financial empowerment, with a focus on users' access to financial services, control over personal finances, financial decision-making, literacy, and behavioral outcomes. Financial empowerment, in this context, refers not only to inclusion in formal financial systems but also to the ability to make informed financial choices, adopt disciplined financial practices, and improve overall financial well-being.

The research adopted a quantitative survey approach, targeting 200 neo-banking users across urban areas. Data were collected using a structured questionnaire comprising Likert-scale items covering dimensions of financial empowerment, literacy, and behavior. Statistical tools such as descriptive statistics, reliability analysis (Cronbach's Alpha), correlation analysis, and multiple regression were employed using SPSS software to assess the relationships between neo-banking usage and financial empowerment outcomes.

The findings reveal a high level of financial empowerment among neo-banking users. Additionally, neo-banking was found to improve financial literacy and responsible financial behavior, including budgeting, saving, and informed spending. Regression analysis confirmed that features such as digital tools, cost transparency, and access convenience are significant predictors of financial empowerment, explaining over 50% of the variance.

Despite these positive outcomes, challenges related to data security, trust, and regulatory compliance were identified, highlighting the need for robust policies and safeguards. Overall, the study concludes that neo-banking is a transformative force in modern finance, promoting financial literacy, inclusion, and behavioral discipline, thereby empowering users to achieve greater financial autonomy. The findings offer valuable insights for policymakers, financial institutions, and digital banking innovators to enhance user-centric, secure, and inclusive digital financial services..

Keywords: Neo-Banking, Financial Empowerment, Digital Finance, Financial Literacy, Financial Behavior

I. INTRODUCTION

The rapid digitalization of financial services has fundamentally transformed the global banking landscape, giving rise to innovative models such as neo-banking. Neo-banks, also referred to as digital-only banks, operate primarily through mobile and web-based platforms without the need for physical branch networks. By leveraging advanced technologies such as artificial intelligence, big data analytics, cloud computing, and application programming interfaces (APIs), neo-banks offer streamlined, customer-centric financial services. This transformation has become particularly significant in the context of financial empowerment, which emphasizes individuals' ability to access, understand, and effectively use financial services to improve their economic well-being.

Financial empowerment goes beyond mere financial inclusion; it encompasses financial literacy, informed decision-making, control over personal finances, and the capacity to plan for long-term financial security. Traditional banking



systems, characterized by rigid procedures, high operational costs, and limited outreach, have often failed to fully serve underserved and digitally savvy populations. Neo-banking has emerged as a viable alternative by providing accessible, transparent, and low-cost financial solutions. Features such as zero-balance accounts, instant account opening, real-time transaction tracking, budgeting tools, and personalized financial insights enable users to manage their finances more efficiently and independently.

The relevance of neo-banking is particularly pronounced in emerging economies like India, where a large segment of the population consists of young adults, first-time banking users, gig workers, and micro-entrepreneurs. With widespread smartphone penetration and increased internet connectivity, neo-banks are well-positioned to bridge gaps in the formal financial system. By offering seamless digital onboarding, simplified compliance processes, and user-friendly interfaces, neo-banks contribute to expanding access to financial services for individuals who were previously excluded or underserved by conventional banks.

Moreover, neo-banking platforms play a crucial role in enhancing financial literacy and awareness. Through in-app educational content, spending analytics, automated savings features, and goal-based financial planning tools, users gain greater insight into their financial behavior. This data-driven approach empowers individuals to make informed financial decisions, improve savings discipline, and develop healthier financial habits. Consequently, neo-banking supports not only transactional convenience but also long-term financial capability and resilience.

Despite the growing adoption of neo-banking, concerns related to data privacy, cybersecurity, regulatory compliance, and trust remain critical challenges. The sustainability of neo-banks also depends on their ability to balance innovation with financial stability and consumer protection. Therefore, assessing the actual impact of neo-banking on financial empowerment is essential to understand whether these digital platforms truly enhance users' financial autonomy or merely replicate existing banking services in a digital format.

In this context, the present study seeks to assess the impact of neo-banking on financial empowerment by examining its role in improving access to financial services, enhancing financial literacy, and strengthening users' control over personal finances. By analyzing user experiences and perceived benefits, the study aims to contribute to the growing body of literature on digital banking and provide valuable insights for policymakers, financial institutions, and technology-driven banking innovators.

II. REVIEW OF LITERATURE

Demirguc-Kunt et al. (2022) examined the role of digital financial services in enhancing financial empowerment across developing economies. Their study highlighted that digital-only banking platforms significantly reduce entry barriers to formal financial systems by offering low-cost, easily accessible services. The authors argued that features such as mobile-based transactions, instant account opening, and transparent fee structures empower users by giving them greater control over their finances. The study also emphasized that digital banking contributes positively to savings behavior and financial resilience, especially among young adults and low-income groups.

Gomber, Koch, and Siering (2017) explored the evolution of fintech innovations, including neo-banking, and their implications for consumer empowerment. The authors found that neo-banks leverage technology to deliver highly personalized financial services, thereby improving customer engagement and financial decision-making. Their research suggested that real-time financial insights, automated budgeting tools, and data-driven recommendations enhance users' financial awareness, leading to improved money management and a stronger sense of financial autonomy.

Ozili (2018) analyzed digital finance and its contribution to financial inclusion and empowerment. The study revealed that neo-banking models play a critical role in reaching underserved populations by eliminating geographical and procedural constraints associated with traditional banking. Ozili emphasized that digital-only banks promote financial empowerment by offering simplified products, financial education tools, and flexible payment solutions, which collectively improve users' ability to participate actively in the formal economy.

Arner, Barberis, and Buckley (2016) investigated the regulatory and institutional dimensions of fintech and neo-banking. Their study noted that while neo-banks enhance financial empowerment through innovation and customer-centric design, regulatory frameworks play a crucial role in ensuring consumer trust and protection. The authors

concluded that effective regulation strengthens the empowerment potential of neo-banking by safeguarding user data, ensuring transparency, and maintaining financial stability.

RBI (2021), in its report on digital payment systems and financial inclusion in India, highlighted the growing influence of neo-banking and fintech partnerships. The report observed that digital banking platforms empower users by enabling seamless access to payments, savings, and credit services through mobile applications. It further emphasized that neo-banks support financial empowerment by encouraging digital financial literacy and promoting responsible financial behavior among first-time banking users.

Bapat (2020) examined customer adoption of digital banking services in India and its impact on financial empowerment. The study found that perceived ease of use, convenience, and cost efficiency significantly influence users' adoption of neo-banking platforms. Bapat concluded that neo-banks empower customers by reducing dependency on physical branches, improving service transparency, and enabling faster financial decision-making.

Kaur and Arora (2021) studied the relationship between digital banking usage and financial literacy among Indian consumers. Their findings indicated that frequent use of neo-banking applications improves users' understanding of financial products and enhances budgeting and saving practices. The authors argued that digital banking tools act as informal financial educators, thereby strengthening financial empowerment and long-term financial planning capabilities.

Suri and Jack (2016) analyzed the broader impact of digital financial platforms on household welfare and empowerment. Although their study primarily focused on mobile money systems, the findings are highly relevant to neo-banking. The authors demonstrated that digital financial access increases household savings, consumption stability, and economic independence. They concluded that technology-driven financial platforms, including neo-banks, play a transformative role in empowering individuals by enhancing financial security and decision-making capacity.

Objectives:

1. To examine the impact of neo-banking services on financial empowerment, with specific reference to users' access to financial services, control over personal finances, and decision-making capability.
2. To analyze the role of neo-banking platforms in enhancing financial literacy and financial behavior, including budgeting, saving, and responsible financial management among users.

III. RESEARCH METHODOLOGY

This study adopts a quantitative research approach to examine the impact of neo-banking on financial empowerment. The target population comprises urban neo-banking users aged 18–40, who actively engage with digital-only banking platforms for managing personal finances. Purposive sampling was employed to ensure that respondents were relevant to the research objectives. Data were collected through a structured online questionnaire consisting of Likert-scale items covering three key dimensions: financial empowerment (access, control, decision-making), financial literacy, and financial behavior (budgeting, saving, and responsible spending). A total of 200 valid responses were obtained. The data were analyzed using SPSS software, applying descriptive statistics to summarize responses, reliability analysis (Cronbach's Alpha) to assess the consistency of scales, correlation analysis (Pearson's r) to examine relationships between neo-banking usage and empowerment, and multiple regression analysis to determine the predictive impact of neo-banking features on financial empowerment and financial behavior. This methodology provides a robust framework for assessing the role of neo-banking in enhancing access, literacy, and behavioral outcomes, thereby establishing its contribution to financial empowerment.

IV. DATA ANALYSIS AND INTERPRETATION

To examine the impact of neo-banking services on financial empowerment, with reference to access to financial services, control over personal finances, and decision-making capability.

Table 1: Reliability Analysis of Financial Empowerment Scale

| Variable Components | No. of Items | Cronbach's Alpha |
|--------------------------------|--------------|------------------|
| Access to Financial Services | 4 | 0.81 |
| Control over Personal Finances | 4 | 0.84 |
| Financial Decision-Making | 4 | 0.79 |
| Overall Scale | 12 | 0.86 |

Interpretation:

The Cronbach's Alpha value of **0.86** indicates high internal consistency of the financial empowerment scale. This confirms that the items measuring access, control, and decision-making reliably assess the concept of financial empowerment among neo-banking users.

Table 2: Descriptive Statistics – Financial Empowerment Dimensions

| Dimension | Mean | Std. Deviation |
|--------------------------------------|-------------|----------------|
| Access to Financial Services | 4.12 | 0.62 |
| Control over Personal Finances | 4.05 | 0.68 |
| Decision-Making Capability | 3.98 | 0.71 |
| Overall Financial Empowerment | 4.05 | 0.67 |

Interpretation:

The mean scores above **4.0** indicate a **high level of perceived financial empowerment** among neo-banking users. Easy account access, instant transactions, real-time tracking, and simplified interfaces significantly enhance users' financial autonomy and confidence in managing finances.

Table 3: Correlation between Neo-Banking Services and Financial Empowerment

| Variable | r-value | Sig. (p) |
|--|---------|----------|
| Neo-Banking Usage vs Financial Empowerment | 0.72 | 0.000 |

Interpretation:

The strong positive correlation (**r = 0.72, p < 0.01**) indicates that increased usage of neo-banking services significantly enhances financial empowerment. Users who frequently engage with neo-banking platforms experience better access, stronger financial control, and improved decision-making ability.

Table 4: Regression Analysis – Impact of Neo-Banking on Financial Empowerment

| Predictor | Beta | t-value | Sig. |
|--------------------------|------|---------|-------|
| Access Convenience | 0.41 | 6.12 | 0.000 |
| Cost Transparency | 0.29 | 4.88 | 0.000 |
| Digital Tools & Insights | 0.35 | 5.41 | 0.000 |

Model Summary:

$R^2 = 0.58$

$F = 89.32$ ($p < 0.01$)

Interpretation:

The regression model explains **58% of the variation** in financial empowerment. Access convenience emerged as the strongest predictor, followed by digital tools and cost transparency. This confirms that neo-banking significantly contributes to empowering users financially.

To analyze the role of neo-banking platforms in enhancing financial literacy and financial behavior.



Table 5: Descriptive Statistics – Financial Literacy & Behaviour

| Variable | Mean | Std. Deviation |
|----------------------|------|----------------|
| Budgeting Behaviour | 4.18 | 0.59 |
| Saving Discipline | 4.10 | 0.63 |
| Responsible Spending | 4.02 | 0.66 |
| Financial Literacy | 3.95 | 0.70 |

Interpretation:

The high mean scores indicate that neo-banking tools such as automated expense categorization, savings nudges, and spending alerts positively influence users' financial behaviour and awareness.

Table 6: Correlation between Financial Literacy and Financial Behaviour

| Variables | r-value | Sig. |
|--|---------|-------|
| Financial Literacy vs Budgeting | 0.61 | 0.000 |
| Financial Literacy vs Saving Behaviour | 0.58 | 0.000 |
| Financial Literacy vs Responsible Spending | 0.64 | 0.000 |

Interpretation:

Significant positive correlations demonstrate that improved financial literacy through neo-banking platforms leads to better budgeting, savings, and spending discipline, reinforcing financial empowerment.

Table 7: Regression Analysis – Financial Literacy Predicting Financial Behaviour

| Predictor | Beta | t-value | Sig. |
|--------------------|------|---------|-------|
| Financial Literacy | 0.67 | 10.21 | 0.000 |

Model Summary:

$R^2 = 0.45$

$F = 104.24$ ($p < 0.01$)

Interpretation:

Financial literacy accounts for **45% of the variance** in financial behaviour, indicating that neo-banking applications act as informal financial education tools that encourage responsible money management.

Findings of the study

- High Financial Empowerment:** Neo-banking users reported strong empowerment in terms of access to services, control over finances, and decision-making.
- Positive Impact of Usage:** Frequent use of neo-banking significantly enhances financial autonomy ($r = 0.72$, $p < 0.01$).
- Enhanced Financial Literacy:** Neo-banking platforms improve users' understanding of financial products and tools, promoting informed decision-making.
- Better Financial Behaviour:** Users show improved budgeting, saving discipline, and responsible spending, driven by digital tools and insights.
- Financial Inclusion & Convenience:** Neo-banks reduce traditional barriers, providing easy, cost-effective access for underserved segments.
- Challenges Exist:** Data security, trust, and regulatory compliance remain key concerns.
- Overall Impact:** Neo-banking positively transforms financial empowerment by enhancing access, literacy, and financial behavior.



V. CONCLUSION

The study establishes that neo-banking plays a pivotal role in enhancing financial empowerment among users. By providing seamless access to financial services, real-time transaction tracking, and user-friendly digital tools, neo-banks significantly improve individuals' control over their finances and their ability to make informed financial decisions. The research findings indicate a strong positive relationship between neo-banking usage and financial empowerment, highlighting the transformative potential of digital-only banking platforms in modern financial ecosystems.

Moreover, neo-banking contributes substantially to financial literacy and responsible financial behavior. Features such as automated budgeting, goal-based savings, and personalized financial insights encourage disciplined spending, improved saving habits, and informed decision-making. These platforms serve not only as tools for transaction convenience but also as informal educators that foster long-term financial awareness and resilience.

The study also underscores the role of neo-banks in promoting financial inclusion. By reducing traditional barriers associated with physical branches and complex banking procedures, neo-banking enables access for young adults, first-time users, gig workers, and underserved populations, thereby broadening the reach of formal financial systems.

However, the findings highlight certain challenges, including data security concerns, cybersecurity risks, and the need for regulatory oversight. Addressing these issues is critical to sustaining trust and maximizing the empowering potential of neo-banking.

In conclusion, neo-banking emerges as a **significant driver of financial empowerment**, blending convenience, literacy, and behavioral improvement. Policymakers, financial institutions, and technology innovators can leverage these insights to design secure, inclusive, and user-centric digital banking solutions that further strengthen financial autonomy and economic participation.

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