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Exogenous factors that drive Neo banking: the mediating role of Digital Trust in customers' adoption intention

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Abstract - Neo banking provides convenient, accessible and technology-enabled financial services, but the absence of regular physical interaction may increase users' concerns about reliability, privacy, security and regulatory assurance. This study examines the factors that contribute to Digital Trust in neo banking and evaluates whether Digital Trust mediates their relationship with users' Intention to Adopt neo banking services. A quantitative cross-sectional design was used with 395 users and potential users of neo banking and digital banking services selected through convenience sampling. Exploratory Factor Analysis (EFA) using JMP grouped the questionnaire statements into six empirically identified factors: Platform Reliability, Privacy Management, User Experience, Digital Enablement, Regulatory Compliance, and Security & Governance. Reliability analysis, Pearson correlation and regression were conducted using SPSS, while PLS-SEM and bootstrapping were used in SmartPLS to examine structural and mediation relationships. The results show that Platform Reliability, Privacy Management, User Experience, Regulatory Compliance, and Security & Governance significantly predict Digital Trust, whereas Digital Enablement has a positive but statistically non-significant effect at the 5% level.

= 0.529, $p < 0.001$), and all six factors have significant indirect effects on adoption intention through Digital Trust. The study contributes an empirically derived integrated framework linking service, technological and institutional factors with trust and neo banking adoption in the Indian context.

Key words: Neo banking; Digital Trust; Intention to Adopt; Platform Reliability; Regulatory Compliance

INTRODUCTION

Digital technology has transformed the delivery of financial services from branch-centered banking to internet, mobile and digital-first models. Neo banking represents a further development in this transition, with banking-related services delivered primarily through digital interfaces. The Indian market of neo banking has grown alongside other areas of fintech, digital payment solutions, and mobile financial services. As per the estimates of the market provided in the study materials, the market of Indian neo banking is estimated at USD 9.38 billion in 2024 and expected to grow up to USD 156.47 billion in 2032. This demonstrates the growing significance of digital financial services.

The advantages of neo banking include such aspects as convenience, accessibility, speed, usability, and technologically-driven service delivery. At the same time, the same digital aspect of the service could lead to concerns over the reliability of the service, privacy, transaction security, transparency, and regulation protection. In contrast to conventional banking services, the users of neo banking have fewer chances to communicate directly with banking staff members. There are various dimensions that have been identified in previous research related to neo banking through the lenses of technology adoption, convenience, customer experience, security, and trust. Some of the dimensions which have been identified in the context of digital banking are reputation, financial security, regulation, and perception of customers. These dimensions are studied separately. There is a need for joint identification of these factors and how do they affect digital trust and its adoption intention.

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This gap in the literature is filled in the present study where the dimensions of factors have been identified empirically through EFA based on the response obtained through questionnaire survey. These factors have been incorporated in the theoretical model developed where digital trust has been considered as mediator while Intention to adopt neo banking services has been taken as dependent variable.

LITERATURE REVIEW AND RESEARCH GAP

Neo banking and Technology Adoption

Research studies conducted on neobanks have revealed that factors such as convenience, accessibility, innovativeness, and digital services impact their adoption. Convenience, accessibility, and innovativeness were found to be important determinants of digital banking adoption by Radhakrishna et al. (2025). Kc and Nishad (2025), using a technology acceptance perspective, examined neobank adoption among young customers. Recent research also compares neobanks with traditional banking and highlights the changing nature of customer expectations in digital financial services (Máté et al., 2026).

Customer Experience, Trust, Security and Regulation

Customer experience and trust are particularly relevant where financial activities are conducted through digital interfaces. Bhatnagar et al. (2025a) examined online reputation and neobank adoption, while Bhatnagar et al. (2025b) identified critical service factors relevant to neobanks. Puente-Cavazos et al. (2025) demonstrated the importance of perceived financial security and trust in neobank-related behaviour. Studies of digital banking also point to cybersecurity, regulation and consumer protection as important concerns (Raju, 2024; Nimako et al., 2025).

RESEARCH GAP

The literature provides evidence that convenience, service quality, customer experience, privacy, security, regulation and trust matter in digital banking and neo banking. However, research conducted on the basis of users' questionnaires is not sufficient to determine the dimensions of Digital Trust and develop an overall framework for mediation. To fill this void, this study adopts EFA in order to derive the factors and then build the framework based on the factors derived empirically to test if Digital Trust mediates their influence on Intention to Adopt. In this way, the technological, service and institutional variables will be interrelated in one framework instead of being independent predictors.

OBJECTIVES

- To identify the key factors influencing Digital Trust in neo banking services.
- To identify the influence of Digital Trust on users' Intention to Adopt neo banking services.
- To examine the mediating role of Digital Trust between the identified factors and users' Intention to Adopt neo banking services

METHODOLOGY

Research Design, Sample and Instrument

The research design used in this study was a quantitative empirical cross-sectional approach. Primary data were collected through the use of a questionnaire instrument based on a five-point Likert scale from strongly disagree to strongly agree. Respondents were users of neo banking and digital banking services. A total of 395 valid responses were collected using convenience sampling.

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DATA ANALYSIS AND PROCEDURE

The analysis followed a sequential process. Exploratory Factor Analysis was conducted in JMP using Maximum Likelihood extraction with Varimax rotation. Factor names were assigned after examining factor-loading patterns and the common meaning of statements grouped under each factor. Reliability analysis, Pearson correlation and regression were performed using SPSS. SmartPLS was then used for PLS-SEM and bootstrapped mediation analysis. The final structural model included paths from the six identified exogenous factors to Digital Trust, from Digital Trust to Intention to Adopt, and direct paths from the six factors to Intention to Adopt to assess mediation.

RESULTS AND DISCUSSION

Identification of Factors

The EFA results produced six meaningful exogenous factors from the questionnaire statements: Platform Reliability, Privacy Management, User Experience, Digital Enablement, Regulatory Compliance, and Security & Governance. The factor-loading patterns were strong, with the highest loading for Privacy Management reaching 0.915 and the lowest loading among the retained statements being 0.687 for Security & Governance. The identified factors were subsequently used to build the conceptual framework.

Table 1. Range of factor loadings for the identified factors

Identified factor	**Factor-loading range**
Platform Reliability	0.835–0.900
Privacy Management	0.853–0.915
User Experience	0.768–0.893
Digital Enablement	0.793–0.860
Regulatory Compliance	0.790–0.886
Security & Governance	0.687–0.864

CONCEPTUAL FRAMWEWORK

The conceptual framework was developed after EFA rather than being fixed entirely before factor identification. The six empirically identified factors are treated as exogenous variables. Digital Trust acts as the mediator construct, whereas Adoption Intention neobank becomes the dependent construct. The model evaluates the paths of Digital Trust as well as direct and indirect paths of adoption intention..

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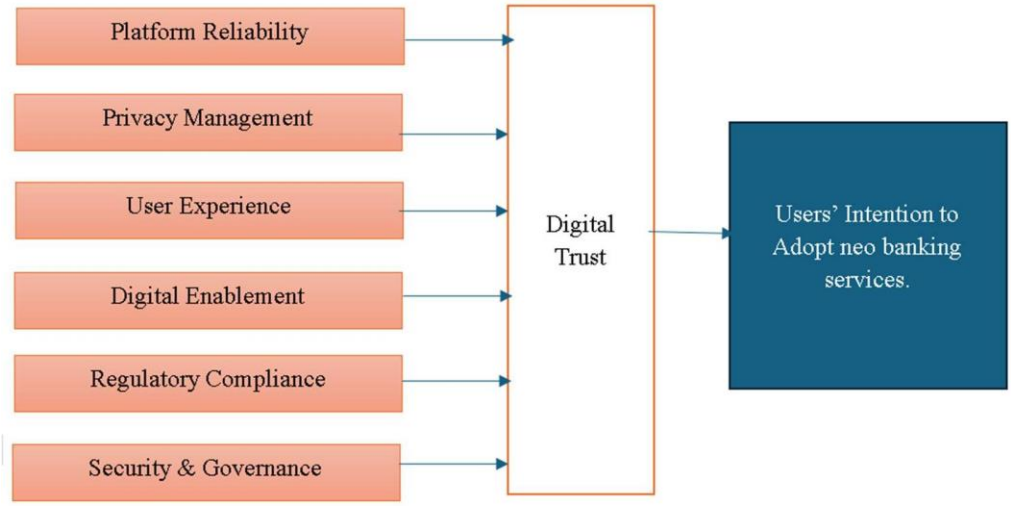


Figure 1 Conceptual Framework

RELIABILITY ANALYSIS AND SAMPLE ADEQUACY

Table 2. Reliability analysis and sampling adequacy

Construct / test	**Value**
Platform Reliability	0.828
Privacy Management	0.844
User Experience	0.844
Digital Enablement	0.829
Regulatory Compliance	0.857
Security & Governance	0.843
Digital Trust	0.837
Intention to Adopt	0.847
KMO	0.912
Bartlett's test	$\chi^2 = 6937.216$, df = 780, $p < 0.001$

The Cronbach's Alpha varied from 0.828 to 0.857, which shows that there was a high internal consistency in the model. There was also a KMO value of 0.912, with the Bartlett's test being significant, hence making the data appropriate for factor analysis. Through the EFA, eight factors were obtained, with a cumulative percentage of 52.808% variance being explained; however, six of these factors made up the exogenous factors

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Out of 395 respondents, 53.9% were females, and 46.1% were males. The biggest age group was 26-35 (42.3%), followed by the age group 18-25 (30.1%). The biggest education group were the respondents with an undergraduate education (43.8%), while the biggest occupation group were the salaried respondents (40.5%). Regarding the familiarity, 40.3% of the respondents stated that they were not familiar with neobanking. Regarding usage frequency, 43.0% of the respondents stated that they were not using any neobanking service currently. The Digital Trust score was 3.4056 and the Intention to Adopt score was 3.3635. Out of six factors, the Privacy Management had the score of 3.3630, while Regulatory Compliance had the score of 3.3605, and Digital Enablement had the lowest score of 3.2111.

CORRELATION AND REGRESSION RESULTS

All six factors were positively correlated with Digital Trust. The correlations were 0.417 for Platform Reliability, 0.410 for Privacy Management, 0.438 for User Experience, 0.335 for Digital Enablement, 0.437 for Regulatory Compliance and 0.398 for Security & Governance. Digital Trust also correlated positively with Intention to Adopt (r = 0.529), the strongest relationship reported in the correlation analysis.

Table 3. Multiple regression results for Digital Trust

Relationship	**β**	**t**	**p**	**Decision**
Platform Reliability → Digital Trust	0.182	4.245	<0.001	Supported
Privacy Management → Digital Trust	0.161	3.695	<0.001	Supported
User Experience → Digital Trust	0.209	4.794	<0.001	Supported
Digital Enablement → Digital Trust	0.083	1.930	0.054	Not supported
Regulatory Compliance → Digital Trust	0.239	5.670	<0.001	Supported
Security & Governance → Digital Trust	0.131	2.962	0.003	Supported
Digital Trust → Intention to Adopt	0.529	12.354	<0.001	Supported

The multiple regression model explained 41.8% of the variance in Digital Trust ($R^2 = 0.418$). Regulatory Compliance was the strongest significant predictor (β = 0.239), followed by User Experience (β = 0.209) and Platform Reliability (β = 0.182). Privacy Management and Security & Governance were also significant. Digital Enablement was positive but did not reach the 5% significance level (p = 0.054).

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PLS-SEM and Mediation Results The final SmartPLS model explained 42.4% of the variance in Digital Trust ($R^2 = 0.424$) and 41.4% of the variance in Intention to Adopt ($R^2 = 0.414$). Bootstrapping was used to examine the specific indirect effects through Digital Trust.

Table 4. Specific indirect effects through Digital Trust

Indirect relationship	**β**	**STDEV**	**t-value**	**Result**
Platform Reliability → Digital Trust → Intention to Adopt	0.097	0.026	3.792	Significant
Privacy Management → Digital Trust → Intention to Adopt	0.091	0.025	3.695	Significant
User Experience → Digital Trust → Intention to Adopt	0.109	0.024	4.538	Significant
Digital Enablement → Digital Trust → Intention to Adopt	0.047	0.023	2.011	Significant
Regulatory Compliance → Digital Trust → Intention to Adopt	0.128	0.024	5.431	Significant
Security & Governance → Digital Trust → Intention to Adopt	0.069	0.024	2.857	Significant

All six indirect effects were significant because their t-values exceeded 1.96. Regulatory Compliance showed the largest indirect effect (β = 0.128), followed by User Experience (β = 0.109) and Platform Reliability (β = 0.097). These findings indicate that Digital Trust is an important pathway through which the identified characteristics of neo banking influence users' adoption intention. The mediation result is particularly relevant because Digital Enablement, although not significant as a direct predictor of Digital Trust in the regression model at the 5% level, still showed a significant indirect effect through Digital Trust.

FINDINGS AND IMPLICATIONS

Six factors were found to affect the users' perception regarding neo banking, which are: Platform Reliability, Privacy Management, User Experience, Digital Enablement, Regulatory Compliance, and Security & Governance. The results suggest that all factors except for Digital Enablement play a very important role in forming Digital Trust and Regulatory Compliance and User Experience are two factors, which are the most significant in terms of their predictive strength.

Moreover, Digital Trust has been proven to be a significant predictor of Intention to Adopt. Significant indirect effects suggest that the mentioned factors can affect Intention to Adopt through Digital Trust. This means that to improve the intention of users to adopt neo banking, one needs to provide more regulation transparency, platform reliability, user privacy management, security and user-friendly experience. From the point of view of research, the contribution made is an empirically established model as against making all the predictors explicit at the outset. Using EFA to discover the factor structure and then using regression and PLS-SEM mediation for establishing trust formation and adoption intention is a sequential process.

LIMITATIONS AND FUTURE RESEARCH

The research design used is cross-sectional; hence changes in levels of Digital Trust and intentions to adopt over time cannot be studied. Convenience sampling means that the results cannot be generalized to the whole Indian population. Since the measures used in the study are self-reported, they might be subject to response bias. The research study concentrates on only six determinants of neo banking adoption. There are other technological, psychological, social and behavioural determinants of neo banking adoption which were not considered in this study.

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The limitations associated with the study could be overcome by future researchers adopting a longitudinal approach for investigating how Digital Trust and the intention of the users to adopt neo banking services evolve over a period of time. The sample size used in future studies could also be increased and diversified to cover the entire country of India. Future research could also incorporate various other variables like perceived usefulness, perceived risk, financial literacy, social influence, customer satisfaction, technological awareness and service quality to get a complete picture of neo banking adoption. Comparative studies across age groups, income groups and geographical regions between traditional and neo banking customers may also yield interesting results.

CONCLUSION

This study investigated the variables which determine the concept of Digital Trust and the impact of Digital Trust on the Intention to Adopt neo banking services by users. Six variables were empirically established using EFA and included in the final model. Regression analysis revealed statistically significant and positive impact of Platform Reliability, Privacy Management, User Experience, Regulatory Compliance and Security & Governance on Digital Trust. At the same time, Digital Enablement positively impacted Digital Trust but was not statistically significant at the 5% significance level. The most powerful predictor for Digital Trust was Regulatory Compliance, followed by User Experience and Platform Reliability. In turn, Digital Trust had statistically significant impact on Intention to Adopt. All six variables had statistically significant indirect impact on Intention to Adopt through Digital Trust.

The study findings emphasize that Digital Trust is an important factor for promoting adoption of neobanking services. The study findings reveal that there is greater adoption of neobanking services by users if the service is perceived as reliable, secure, easy to use, and meets the regulatory compliance requirements. The strong mediating role played by Digital Trust implies that enhancing the quality of these important service dimensions can enhance users' trust and consequently increase their intention to adopt neobanking services.

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