



# A Systematic Review Of The Literature On Customer Adoption And Acceptance Of Neo Banks From The TAM Perspective

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**Abstract:** In recent years, technological development has created epochal change. Digitalisation of banking services has given fuel to adopt more cashless services. Now, the concept of branchless banking is emerging at a swift pace. Neo banking is the replacement of traditional banking systems. This study aims to understand the concept of neo banking and how the neobanks are different from digital banks. Furthermore, this study reviews the works of various researchers and tries to find major factors that have influenced the customer adoption of neo banking using the TAM model. This paper identifies various variables, such as social influence (SI) and awareness of the service (AS), that have an impact on perceived usefulness. Computer Self-efficacy (CSE-PEOU) & Quality of Internet connection (QI-PEOU) have an impact on perceived ease to use, attitude, and trust.

**Keywords-** Neo-banks, Digitalisation, Customer adoption, TAM model, Perceived usefulness, trust.

## Introduction

In the transitory modern world, the insight of traditional banking has completely evolved. Artificial intelligence models fuelled the fintech industry. In recent years fast technological development in the banking sector has led to the incorporation of many neo-banks in India. There is significant growth in the neo-banking market between 2017-2022 with enormous digital payments. The extent of contactless payment in India rose by 33% during FY2021-22 [1]

Neo banks are just like digital banks, which don't have a corporeal existence or branches. These banks provide completely digital services, including financial services for tech-savvy clients. [2]. It offers mobile banking services like deposits, digital payment transfers, investments, etc. Nowadays, millions of consumers are using digital mobile applications for their day-to-day transactions [3].

Neo-bank v/s Digital Bank:

A neo-bank & Digital bank might appear the same, but it's not. Although they both are based on electronic mobile banking and focused on digital driving models. Digital banks are mainly the subsidiary of well-established traditional banks in the banking sector. Neo-bank can collaborate with traditional banks to capture the market and achieve high growth. Moreover, a neo-bank solely exists online without any corporal branches. Neo-banks provide a unified solution, comprising digital accounts, and e-wallets through mobile applications. It provides tailored services for students & professionals

### Theoretical Background of TAM Model

The technological acceptance model was constructed in 1989 by Davis. The main goal of the Technology Acceptance Model (TAM) was to explore the underlying processes that influence technology adoption, to forecast user behavior, and to offer a abstract framework for the effective implementation of technology. On a practical level, TAM sought to guide practitioners on actions they could take before deploying systems. A series of steps were undertaken [4]. Davis constructed the technology acceptance model by defining the processes mediating the relationship between Information Systems (IS) features (external factors) and actual system usage. The model drew from the Theory of Reasoned Action, which introduced a psychological viewpoint on human behavior previously absent in Information Systems research [4]

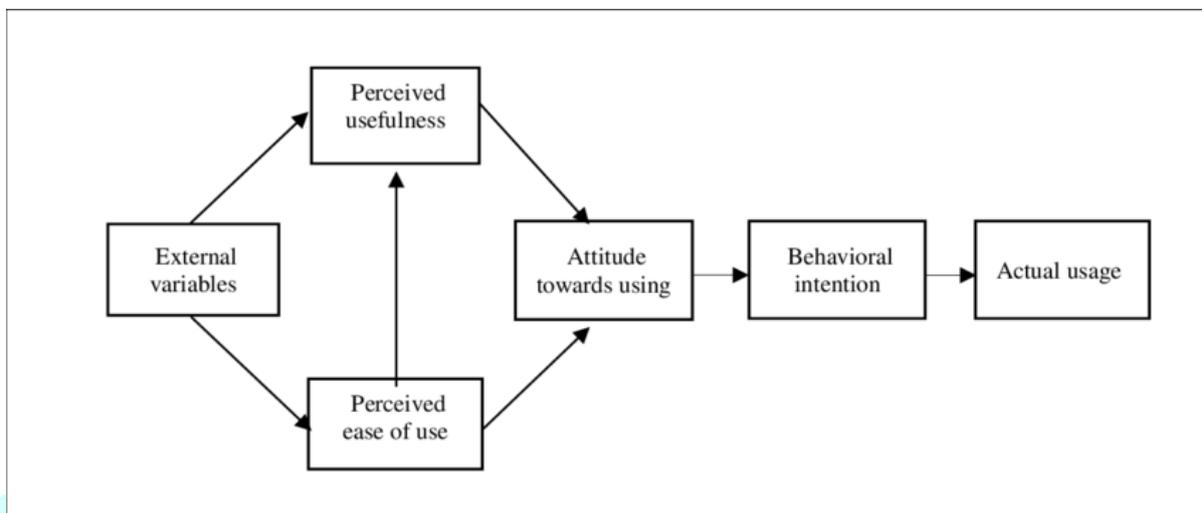


Fig:1 Source technological acceptance model was constructed in 1989 by Davis

Rana et al. [5] explored the adoption of digital services in India and found that the elements of the Technology Acceptance Model (TAM) adequately explained user behavior. Their study revealed that when users perceive digital platforms as relevant, they also find them easier to use, boosting their intention to adopt these services. Similarly, Sugandini et al. [6] supported the notion that TAM is a valuable and insightful framework for assessing adoption behavior, demonstrating its direct applicability in evaluating the adoption of neo-banking services in India.

### Conceptual framework

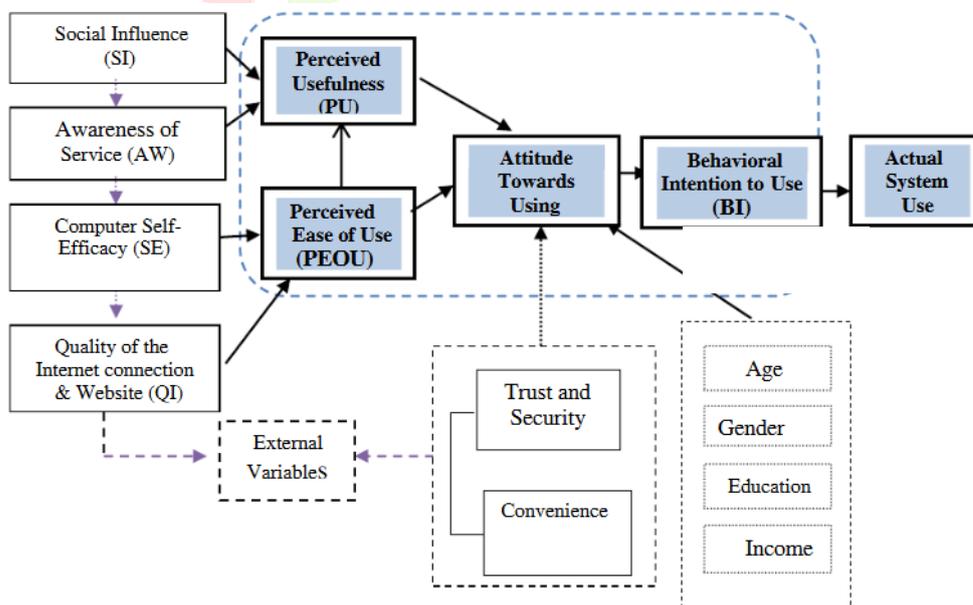


Fig:2 – Extended TAM Model

## Research Methodology

This research is purely based on secondary data sources. To analyse consumer adoption concerning neo-bank usage. The data is collected from various journals such as SAGE journals, Scopus, Emerald Insight, etc other recognized journals. Other than that data is collected from various e-reports (such as PWC report on neo-banks and the next banking solution & Forbes report- What is Neo-bank?) & Websites.

## Review of Literature

The literature review is a significant facet for further research and mainly sets the direction to identify the research gap. The reviewed literature focuses on four major constructs to explain customer adoption of banking. First, *customer awareness* is an important factor that plays an important role in the adoption of new technology in the banking sector. Second, *Trust* is the other factor in the context of online shopping, institutional trust, and trust in technology can be associated. [7] Third, *Perceived usefulness* in the original TAM framework directly influences the consumer's intention to use any service. [8] Fourth, *Segmentation* can be considered a significant factor for financial institutions to bifurcate customers. It can be done in many ways; some researchers suggest based on age or motivation regarding technology [9]

### Perceived usefulness (PU)

Perceived usefulness is a direct factor that affects attitude and ultimately behaviour intention. It refers to the belief held by users that utilizing specific technologies can enhance their work performance. [4]

#### *Customer Awareness and perceived usefulness (CA-PU)*

A comprehensive study examined the general public's awareness of the neo-banking model. This study revealed that consumers are willing to use a bank with no physical presence but are unaware of it. This study recommends facilitating more awareness programs to penetrate the benefits of neo-bank [10]. Urbanised populations are more aware of neo-bank services whereas in semiurban or rural areas awareness is limited. [11].

#### *Social influence and perceived usefulness (SI-PU)*

It refers to how much a potential user believes that adopting a technology-based innovation can enhance their social status or image. The perception of mobile banking, for instance, can be shaped by the opinions of family, friends, or peers, influencing whether a customer has a positive or negative view of it. Davis et al [4] suggested that, in certain situations, individuals may choose to use a technology not based on their preferences, but to meet the expectations or pressure from others. Society creates pressure on individuals to use the latest technology [12].

#### *Perceived ease of use (PEOU)*

It refers to the degree to which a consumer is sure about a particular service or good to use, providing them a sense of belongingness and comfort [13]. Digital banking provides a sense of relaxation and accessibility compared to traditional banking.

### Computer Self-efficacy & Perceived ease of use (CSE-PEOU)

Compeau and Higgins explained that computer self-efficacy is "A finding of one's capability to use a computer" Self-efficacy has a thorough impact on perceived ease of use but an indirect impact on perceived usefulness [14]. If the customer is comfortable using a computer then the adoption of any technology will be easier and faster.

### Quality of Internet connection & Perceived ease of use (QI-PEOU)

The role of Internet connection has become crucial in almost every industry such as aviation, education, healthcare, and even in banking industry. A better and well-versed internet connection will lead to more usage of online services [15]. If the internet connection is not satisfactory, then the use of internet banking will decline [16].

#### *Perceived usefulness & Attitude of using (PU-ATU)*

There is a direct or indirect influence of the usefulness of any Tech service on the attitude to use that service. If any service is found useful to customers it will create a positive attitude and ultimately enhance the intent to use that service [17, 18]. If the customers don't find that the services are useful, it will decrease the intent to use that application or service even though it is user-friendly [19]. However many

studies have been conducted and concluded that there is a direct & positive relationship between perceived usefulness and attitude toward using service [20, 18, 21, 22].

#### *Perceived ease of use and perceived usefulness (PEOU-PU)*

Several studies have conducted to explore the relation between ease of use and customer perception to usefulness of a service. [23, 24] If a person is eager to use a service than it automatically create a usefulness of a service. Komalasari and Ramadhani established that there is a positive impact of ease to use on usefulness [24]. Meijer et al, has concluded that perceived ease to use has direct and strong impact on trust whereas weak effect on acceptance of neobanks. Fathima Febeena KC, & Nishad, T. M. stated that perceived usefulness and perceived ease of use are two key driving factors in neo-bank acceptance [25]

#### *Perceived ease of use & Attitude of using (PEOU-ATU)*

Perceived ease of use has an encouraging impact on the attitude toward the usage of any service. [26, 20] According to Rita and Forbes perceived ease of use has a positive impact on digital buying [27]. Marakarkandy et al., [21] & Susilo, A. Z [20] has observed a significant relation between attitude towards using Internet banking and perceived ease of use. Albort-Morant et al. concluded that there is a substantial impact of perceived ease of use on the attitude toward using digital banking [28]. Hu et al., specified that In China there is no direct impact of perceived ease of use on attitudes toward Fintech services [22].

#### *Trust and attitude toward using (TRU-ATU)*

A study examines how Neo-banks use artificial intelligence. Now the question arises are they secure? according to a survey, e-banking may be alarming [29]. Young consumers' trust doesn't substantially impact the behavioural intention to use neo-banks. [25]. In online transactions direct dealing with staff is not possible that's why the role of trust is significant [30]. There is an important relationship between behavioural intention and trust in Internet banking [31]. Generally, trust has three stages first, the construction stage where trust is rebuilt second, consistency and third, where trust declines [32]. Customers will prefer registered and official financial institutions [33]. One of the studies was conducted on 600 respondents to comprehend the perception of banks. This study concluded that users are still doubting the privacy of using neo-banks, particularly those above 40 years of age group [34].

#### *Convenience & Attitude toward using (CON-ATU)*

Neo banks are deemed to be more convenient in terms of tax compliance, payments & day to day transactions rather than traditional banking systems [35]. The MSMEs, gig employees, or freelancers require convenience in the transfer and settlement of funds [36]. Neo-bank provides lower cost and convenience to its customers. However, risk is associated with neo-bank usage [37]. In metro-cities, perceived usefulness is more in Generation Z in terms of adoption of neo-bank usage [38]

#### *Attitude towards using and Behaviour intention (ATU-BI)*

Previous studies have concluded that consumer attitude plays a significant and positive impact on their intention to use an online application [17]. A progressive correlation between the attitude and behavioural intention to engage in online purchasing. [39]

### **Findings**

Neo banks should work on transparency in fee structure. New marketing strategies should be incorporated to entice new consumers to accept neo-banking. For the long-term success of neo-banking, banks should work on consumer data security and protection. Still, consumers are skeptical about technology resistance & data security. Literature suggests that some consumers find it more convenient and useful especially in the younger generation.

Constructs	Significant Impact	No significant impact
CA-PU	N. Jaiswal, Mr. Surpalsinh Rathod	
SI-PU	A. Rajesh, F. D. Davis	
QI-PEOU	E. Daniel, P. S. Pikkarainen,	
CSE-PEOU	M. Igarria,	
PU-PEOU	Venkatesh, R.F Komalasari,	Fathima Febeena KC
PU-ATU	O. Nguyen, M. C. Bashir, P.	

	S. Banu,S. A. Susilo, Marakarkandy,Y. S. Hu	
PEOU-ATU	A. Susilo, C. Marakarkandy,Venkatesh, P. Fortes,Albort-Moran	L. &. Y. S. Hu
ATU-TRU	M. Gudova,D. Papadopoulou, Al-Ajam, C. MCKNIGHT,F. Kurniasari	
ATU-CON	Narang, G. Asma D. Nair	
AYU-BI	O. Nguyen, A. Mashhour	

## Research Limitations & Implications

This paper is based on secondary sources so further research can be conducted by using primary data collection. This research has identified four major constructs there is a scope for more significant factors that affect customer adoption of neo-banking. The findings of this research will particularly interest experts, banks, researchers, scholars, and especially the neo-banks. It provides valuable information for all the upcoming research.

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