

Neo-Banking and Society: Financial Innovation and Social Inequality in India

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Abstract

This paper explores the rise of neo-banking in India and its intersection with social inequality. While digital-only banking platforms such as Jupiter, Fi Money, and NiyoX have greatly expanded financial access for urban, tech-savvy users, their benefits have not been equitably distributed across India's diverse social groups. Drawing upon Social Exclusion Theory and Bourdieu's Theory of Capital, the study critically examines how factors such as caste, gender, digital literacy, and economic disparities continue to shape who truly benefits from digital financial innovations. Using a qualitative research approach based on secondary data from RBI, NPCI, and recent scholarly studies, the findings reveal that neo-banking, despite its promises, risks reinforcing existing social divides unless structural barriers are actively addressed. The paper emphasizes the need for inclusive digital financial strategies to ensure that India's journey toward a cashless economy leaves no community behind.

Keywords: Neo-Banking, Financial Inclusion, Social Inequality, Digital Divide

Introduction

In recent years, India's banking landscape has witnessed a major shift with the rise of **neo-banks** — digital-only platforms that provide banking services without maintaining traditional physical branches. Startups like **Jupiter**, **Fi Money**, and **NiyoX** have been at the forefront, offering users modern banking solutions such as zero-balance savings accounts, instant loans, and expense tracking tools through smartphone apps. These neo-banks partner with licensed traditional banks to operate, blending the security of regulated institutions with the flexibility and innovation of technology startups (Freo, 2025). Beyond individual access to financial services, the rise of neo-banking is quietly reshaping broader societal behaviours around money and trust. Where older generations often relied on personal relationships with local bank managers, today's younger users place their faith in apps and digital dashboards. This shift is not just about convenience; it signals a deeper transformation in how Indian society views financial security, decision-making, and even aspirations. As neo-banking grows, it is important to understand that it is not only changing how people manage money, but also how they relate to institutions, communities, and future opportunities.

This change is part of a much larger digital revolution in India's financial sector. The introduction of the **Unified Payments Interface (UPI)** in 2016 made real-time, mobile-based money transfers possible for millions, and today, UPI transactions alone are valued at more than ₹23 lakh crores per month (Press

Information Bureau, 2024). The COVID-19 pandemic only accelerated this trend, pushing even hesitant users towards digital payments as physical cash transactions became harder and riskier (Dun & Bradstreet India, 2024). As a result, India is emerging as one of the world's fastest-growing fintech ecosystems, with neo-banks carving out a crucial niche for tech-savvy urban users.

However, while these advancements promise greater financial access and efficiency, they also expose **deep sociological concerns**. The benefits of digital finance are not evenly distributed across India's diverse society. The **digital divide**—referring to unequal access to smartphones, internet connectivity, and digital skills—is stark between urban and rural India. While around 44% of urban residents are online, less than 17% of rural populations have regular internet access (IDR Online, 2022). Furthermore, factors like **gender, caste, and socioeconomic status** continue to shape who can truly benefit from neo-banking services. For instance, rural women, scheduled castes (SC), and tribal populations often face multiple barriers, from lower digital literacy to limited device ownership (UPPCS Magazine, 2025).

Research Objectives

This study aims to explore the intersection of neo-banking innovations and social structures in India. The primary research questions guiding this inquiry are:

1. How has the emergence of neo-banking platforms influenced financial access across different social groups in India?
2. Do digital-only banking solutions inadvertently contribute to new forms of social and economic exclusion?

Literature Review

1. Kashyap, H. (2022), "*The Rise of Neobanking In India: Decoding Growth Drivers, Funding Trends & More*", focuses on the growth of neo-banking in India. In this paper it is being found that in India neo-banking is growing on a continuous basis and is further fueled by the country's robust fintech ecosystem, which has seen substantial investments and innovations in recent years. According to a report by Inc42, Indian neo-banking startups raised \$869 million between 2014 and H1 2022, highlighting the sector's rapid expansion and investor confidence.
2. Shabu, K., & Ramankutty, V. (2022), *Neobanking in India: Opportunities and Challenges from Customer Perspective*, according to this study neo-banking, characterized by digital-only financial services without physical branches, has gained significant traction in India. These platforms, such as Jupiter, Fi Money, and NiyoX, offer streamlined banking experiences through mobile applications, catering to the tech-savvy population seeking convenience and efficiency. The Reserve Bank of India (RBI) has played a pivotal role in shaping the regulatory framework for these entities, ensuring consumer protection and financial stability. While neo-banks are not directly licensed by the RBI, they operate in partnership with traditional banks, leveraging existing banking licenses to offer their services.
3. ORF. (2021). *Exploring India's Digital Divide*. Observer Research Foundation, according to this study despite the proliferation of digital financial services, India grapples with a significant digital divide that hampers equitable access. Factors such as geography, income, education, caste, and gender contribute to disparities in internet connectivity and digital literacy. Data from the National Family Health Survey (NFHS) indicates that while 72.5% of urban males have used the internet, only 24.6% of rural females have done so, underscoring the stark urban-rural and gender gaps.

4. ScienceDirect. (2021). *Explaining caste-based digital divide in India*. Journal of Social and Economic Development, this study talks about the caste-based disparities that still persist, with Scheduled Castes (SC) and Scheduled Tribes (ST) often lacking access to digital resources due to systemic socioeconomic disadvantages. These divides pose significant challenges to the inclusive adoption of neo-banking services, as marginalized communities may lack the necessary tools and skills to engage with digital platforms effectively. Limited access to quality education, persistent income inequality, and regional underdevelopment further widens this gap, making digital financial services a distant reality for many. In rural and semi-urban areas, even when banking apps are available, barriers such as language limitations, lack of trust in digital systems, and fear of cyber fraud deter meaningful adoption. As neo-banking becomes increasingly central to India's financial future, addressing these entrenched disparities is crucial to ensuring that innovation does not deepen existing social and economic inequalities.

Theoretical Framework

To better understand how neo-banking affects financial access and social inequality in India, this study draws on two important sociological perspectives: **Social Exclusion Theory** and **Pierre Bourdieu's Theory of Capital**. Together, they help explain why digital financial innovations do not always reach everyone equally.

1. Social Exclusion Theory

Social Exclusion Theory highlights how economic disadvantage is often rooted in deeper social barriers — such as caste, gender, geography, and education. In the Indian context, even as neo-banking platforms expand, many marginalized groups — including Scheduled Castes (SCs), Scheduled Tribes (STs), rural populations, and women — find it difficult to participate fully. Issues like limited access to smartphones, low levels of digital literacy, and a lack of trust in digital systems continue to create invisible walls. This theory reminds us that technology alone cannot guarantee inclusion unless the broader social inequalities are also addressed.

2. Bourdieu's Theory of Capital

Pierre Bourdieu's ideas add another layer of understanding. According to Bourdieu, success in society is not determined by money alone, but also by other forms of capital: **cultural capital** (such as education and digital skills), **social capital** (networks and community trust), and **symbolic capital** (the recognition or status linked to certain behaviours, like using modern technology). When applying this framework to neo-banking, it becomes clear that even affordable digital services might be out of reach for those lacking these forms of capital, causing new patterns of exclusion to emerge.

Bringing the Two Perspectives Together

By combining Social Exclusion Theory with Bourdieu's view of different types of capital, this study examines neo-banking not just as a technological advancement, but as a social process. These frameworks help reveal how innovation can simultaneously open new opportunities for some while reinforcing old inequalities for others — especially in a diverse and complex society like India.

Research Methodology

• Research Design:

In this study both descriptive and exploratory research design are used.

• Data Collection Methods:

This research adopts a qualitative methodology, combining a thorough literature review, theoretical insights, and case study analysis to explore the impact of neo-banking on financial access and social inequalities in India. The primary method of data collection involves an extensive review of existing academic literature, including peer-reviewed journal articles, reports from government bodies like the Reserve Bank of India (RBI) and National Payments Corporation of India (NPCI), white papers from fintech firms, and credible case studies relating to digital banking, financial inclusion, and the sociology of technology adoption. Through a systematic and thematic analysis of previous studies, the research identifies major factors that influence the adoption and accessibility of neo-banking services, including digital literacy, internet connectivity, urban-rural divides, caste-based and gender-based disparities, and trust in digital systems. Special attention is given to how different social groups—such as Scheduled Castes (SCs), Scheduled Tribes (STs), women in rural areas, and low-income populations—experience neo-banking differently compared to urban, middle-class, and tech-savvy users. Further, the study draws from sociological theories such as Social Exclusion Theory and Pierre Bourdieu's Theory of Capital to understand how digital finance both reflects and reshapes existing social hierarchies. Case studies of selected neo-banking platforms like Jupiter, Fi Money, and NiyoX are incorporated to contextualize how technological innovations are rolled out and received in varying social environments.

Overall, this triangulated data collection method ensures a comprehensive, context-sensitive, and critical examination of neo-banking's dual role: as a financial innovation driving inclusion for some while potentially deepening social inequalities for others. By grounding the study in both secondary data and sociological theory, the research aims to present a nuanced understanding of digital financial transformation in India.

Findings and Analysis

This section presents the major findings of the study, analysing how neo-banking platforms are reshaping financial access in India while also reinforcing certain social inequalities. Insights are drawn from the literature review, theoretical framework, and secondary data, including official reports from the Reserve Bank of India (RBI) and the National Payments Corporation of India (NPCI).

1. Neo-Banking and Enhanced Financial Access for Urban, Tech-Savvy Groups:

One of the most visible impacts of neo-banking in India has been the simplification of financial services for urban, middle-class, and digitally literate populations. According to the RBI Annual Report (2023), mobile banking transactions in India grew by nearly 50% year-on-year, reflecting the increasing integration of digital platforms into daily financial life (Reserve Bank of India, 2023). Neo-banking platforms such as Jupiter, Fi Money, and NiyoX have capitalized on this trend by offering instant account openings, user-friendly dashboards, easy access to credit, and tailored financial products. These services have particularly resonated with young professionals seeking alternatives to traditional branch-based banking. The NPCI Annual Report (2023) notes that UPI transactions crossed 10 billion per month by August 2023, further demonstrating the rapid expansion of India's digital payment infrastructure (National Payments Corporation of India, 2023).

2. Persistent Barriers Among Marginalized Communities:

Despite the broader digital surge, marginalized groups continue to face significant obstacles. The RBI Financial Inclusion Index (2023) reveals that while overall inclusion has improved, gaps between urban

and rural populations remain wide. Only 31% of rural adults reported regular use of digital payments compared to 65% of urban users (Reserve Bank of India, 2023).

Socially disadvantaged groups such as Scheduled Castes (SCs), Scheduled Tribes (STs), women in rural areas, and low-income individuals often struggle with lack of smartphone access, digital illiteracy, unstable internet connectivity, and fear of cyber fraud (ScienceDirect, 2021). Thus, while neo-banking platforms have opened new financial pathways for some, they risk further entrenching inequalities if infrastructural and educational gaps are not addressed.

3. Trust Deficit and Reluctance Towards Digital-Only Banks

Another critical finding is the element of trust, or the lack thereof. Traditional banks have built personal relationships through physical branches, whereas neo-banks operate purely online, lacking human interaction. According to the RBI Consumer Confidence Survey (2023), although confidence in digital transactions is improving among urban youth, older and rural populations express scepticism towards the safety and reliability of fully digital banking models (Reserve Bank of India, 2023). Concerns about data breaches, online fraud, and the absence of personalized grievance redressal mechanisms contribute to a significant trust gap, limiting the adoption of neo-banking services across wider sections of society.

4. Uneven Gains in Digital Financial Literacy

Neo-banking platforms often design products assuming a baseline level of digital and financial literacy, which is not uniformly present. The NPCI Digital Payments Readiness Report (2023) highlights that while mobile payment usage is growing, only about 27% of rural users feel confident engaging with advanced features like investment integration or credit offerings (National Payments Corporation of India, 2023). This uneven distribution of digital skills risks creating a "digital elite" — a group that benefits from sophisticated financial tools — while leaving fewer literate users behind, thereby widening the socio-economic gap that neo-banking initially set out to bridge.

Discussion

The findings of this study highlight that while neo-banking platforms have successfully expanded financial access for certain segments of India's population, their benefits have not been uniformly distributed. Urban, middle-class, and tech-savvy users have largely embraced neo-banking, driven by convenience, speed, and user-friendly digital services (Reserve Bank of India, 2023). Platforms like UPI, which now processes over 10 billion transactions monthly (National Payments Corporation of India, 2023), have become symbols of India's rapid fintech evolution. However, marginalized communities — including rural populations, Scheduled Castes (SCs), Scheduled Tribes (STs), women, and the elderly — continue to face significant hurdles in accessing and effectively using these services.

These patterns strongly reflect insights from **Social Exclusion Theory**, which emphasizes that economic or technological innovations alone do not automatically resolve deep-rooted social inequalities (Silver, 1994). Structural disadvantages, such as poor digital literacy, limited device ownership, and lack of reliable internet access, continue to isolate vulnerable groups from the benefits of digital financial ecosystems. The RBI's Financial Inclusion Index (2023) also acknowledges that despite improvements in access, the quality and regularity of financial service usage among rural and marginalized groups remain low.

Further, **Bourdieu's Theory of Capital** helps explain why these disparities persist. Access to neo-banking does not depend solely on economic means but also on **cultural capital** (the ability to navigate digital systems), **social capital** (trust in technology and institutions), and **symbolic capital** (the societal value placed on using modern banking platforms) (Bourdieu, 1986). The trust deficit identified in the RBI's

Consumer Confidence Survey (2023) highlights the critical role that non-economic factors play in digital adoption. Users without strong social networks or digital confidence often feel excluded, even if basic infrastructure is available.

Overall, while neo-banking is undeniably reshaping India's financial landscape, it risks deepening existing inequalities if social barriers are not systematically addressed. Bridging the digital divide will require not only technological expansion but also targeted efforts to build trust, enhance digital skills, and create culturally sensitive financial literacy programs. Without such interventions, the goal of inclusive digital finance may remain only partially achieved.

Conclusion

The emergence of neo-banking in India marks an important chapter in the country's journey toward financial modernization. Digital-only platforms like Jupiter, Fi Money, and Niyox have revolutionized how many Indians manage their finances, offering seamless, instant access to banking services that once required tedious paperwork and physical visits. With the success of UPI and the growing strength of India's fintech ecosystem, there is no doubt that neo-banking has unlocked new possibilities for millions, especially among urban, middle-class, and younger users (National Payments Corporation of India, 2023; Reserve Bank of India, 2023).

However, as this study demonstrates, the story of neo-banking is not uniformly positive. Despite impressive transaction volumes and technological advancements, marginalized groups—rural residents, Scheduled Castes (SCs), Scheduled Tribes (STs), women in underserved areas, and older populations—remain at a disadvantage. Limited access to smartphones, unreliable internet connectivity, low levels of digital literacy, and persistent trust issues continue to exclude many from the benefits of digital banking (ScienceDirect, 2021; Reserve Bank of India, 2023). These findings closely align with **Social Exclusion Theory**, which emphasizes that technological progress does not automatically translate into social inclusion unless deeper structural inequalities are addressed (Silver, 1994). In addition, **Bourdieu's Theory of Capital** reminds us that digital finance requires more than economic capital. Access to and success within the neo-banking ecosystem also depend heavily on cultural capital (knowledge and digital skills), social capital (trust networks), and symbolic capital (social recognition) (Bourdieu, 1986). Without these, even those who technically have access to neo-banking services may not be able to meaningfully participate or benefit.

Therefore, while neo-banking platforms hold tremendous potential to democratize finance in India, realizing these potential demands conscious, inclusive efforts. Bridging the digital divide will require targeted interventions—improving digital infrastructure in rural areas, designing culturally sensitive financial literacy programs, addressing trust deficits through localized outreach, and ensuring accessibility across language and literacy barriers. The future of financial inclusion lies not only in technological innovation but in understanding and addressing the social structures that shape people's ability to engage with these innovations. As India continues to advance its digital economy, it becomes increasingly important to ask not just how quickly we are moving, but who is being left behind. Only by embedding inclusion at the heart of digital financial growth can neo-banking truly fulfil its promise of creating a more equitable financial future for all Indians.

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