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Research Article

A COMPARATIVE STUDY OF CUSTOMER SATISFACTION BETWEEN TRADITIONAL BANKING AND NEO BANKS IN CUDDALORE TOWN

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Abstract

This study examines customer satisfaction between traditional banks and neo banks in Cuddalore Town. Using a structured questionnaire administered to 100 respondents, the study compares perceptions across service quality, convenience, technology, security, responsiveness, and overall satisfaction. Descriptive statistics, chi-square analysis, correlation analysis, one-sample testing, and independent sample testing were employed. Findings indicate that neo banks are preferred for convenience, digital accessibility, and customer support, while traditional banks continue to enjoy advantages in trust and institutional familiarity. Service quality emerged as the strongest determinant of satisfaction. Significant differences were found between traditional and neo banks across service dimensions. The study contributes to the growing literature on digital banking adoption and customer experience in emerging markets.

Keywords: Customer satisfaction; Neo banks; Traditional banking; Digital banking; Service quality; Fintech.

Introduction

The banking industry has undergone a substantial transformation due to technological advancement, fintech innovation, and changing customer expectations. Traditional banks have historically dominated financial services through branch networks, face-to-face interactions, and comprehensive financial products. In contrast, neo banks operate primarily through digital platforms, emphasizing convenience, speed, and technology-enabled services. The emergence of neo banks has challenged conventional banking models and altered consumer expectations regarding accessibility, responsiveness.

Customer satisfaction remains a critical indicator of organizational performance because satisfied customers are more likely to remain loyal, recommend services, and engage in long-term relationships. In the context of increasing competition between traditional banks and neo banks, understanding customer satisfaction has become strategically important. This study compares customer satisfaction between traditional banking and neo banking customers in Cuddalore Town and identifies factors that influence customer perceptions.

Literature Review

Prior studies have highlighted the importance of service quality, trust, technology, convenience, and responsiveness in shaping customer satisfaction. Research by Kaur and Gill (2021) reported that neo banks perform strongly in digital convenience, whereas traditional banks maintain advantages in trust and relationship management. Jain and Mehra (2021) found that innovation and paperless processes positively influence customer perceptions of neo banking. Joseph and Peter (2024) observed that service quality remains a dominant predictor of banking satisfaction irrespective of delivery model. Studies by Iyer and Kulkarni (2022) and Reddy and Raju (2022) further indicated that customer preferences differ according to demographic characteristics, especially age and technological familiarity.

The literature suggests that while neo banks excel in convenience and innovation, traditional banks retain strengths in security, trust, and complex financial services. However, empirical evidence from semi-urban locations remains limited. Therefore, this study addresses a contextual gap by focusing on customers in Cuddalore Town.

Research Objectives

- To evaluate customer satisfaction among traditional bank customers.
- To assess customer satisfaction among neo bank customers.
- To compare customer satisfaction across key service dimensions.
- To identify major factors influencing customer satisfaction.
- To examine the relationship between demographic variables and customer satisfaction.

Methodology

A descriptive research design was adopted. Primary data were collected through a structured questionnaire from 100 respondents in Cuddalore Town. Convenience sampling was employed. Descriptive statistics, chi-square tests, one-sample tests, correlation analysis, and independent sample tests were conducted using statistical software. Customer satisfaction was measured across service quality, convenience, technology, trust, security, responsiveness, and recommendation intentions.

Results and Discussion

The sample consisted of equal proportions of male and female respondents (50% each). Most respondents were aged 26–35 years (43%), followed by those below 25 years (40%). Postgraduates represented 43% of respondents, indicating a relatively educated sample. Salaried employees formed the largest occupational category (45%).

Traditional banks remained the most widely used banking model (57%), while 27% used neo banks and 16% used both. Among traditional banks, Indian Bank accounted for the highest share (44%). Among neo banks, Jupiter emerged as the most preferred platform (38%).

Findings revealed dissatisfaction with several traditional banking attributes. More than half of respondents strongly disagreed that traditional banks provide reliable services. Complaint resolution, branch waiting time, and digital efficiency were identified as major concerns. Conversely, neo banks received favorable evaluations for convenience and digital accessibility. However, concerns regarding security, transparency of charges, and fulfillment of financial needs persisted.

Comparative analysis demonstrated that 65% preferred neo banks for convenience and 49% preferred neo banks for customer support. Overall satisfaction favored neo banks (45%) compared with traditional banks (22%), while 33% perceived both as similar. Service quality was identified as the most important satisfaction determinant (28%), followed by technology (22%), security (18%), convenience (17%), customer support (12%), and cost (7%).

Statistical testing produced several important insights. Chi-square analysis indicated no significant relationship between gender and customer satisfaction. However, age showed a significant relationship with customer satisfaction, suggesting generational differences in banking preferences. Correlation analysis revealed a significant relationship between service quality factors and customer satisfaction. One-sample testing confirmed significant satisfaction levels among customers, while independent sample testing demonstrated significant differences between traditional and neo banks.

These findings align with previous studies emphasizing the growing role of digital convenience and technological efficiency. Neo banks appear particularly attractive to younger and technologically oriented customers. Nevertheless, traditional banks continue to play a vital role due to trust, familiarity, and established reputations. The results indicate that future competitiveness will depend on balancing technology-driven convenience with reliability and security.

Implications

The study provides practical implications for banking managers and policymakers. Traditional banks should improve digital infrastructure, complaint resolution mechanisms, and customer responsiveness. Neo banks should focus on strengthening trust, security, transparency, and comprehensive financial offerings. Policymakers should encourage innovation while ensuring robust regulatory oversight to protect consumers.

Conclusion

The study concludes that neo banks enjoy a comparative advantage in convenience, accessibility, and customer experience, whereas traditional banks retain strengths associated with trust and institutional reliability. Significant differences exist between the two banking models, and service quality remains the strongest predictor of satisfaction. As customer expectations continue to evolve, banking institutions must integrate technological innovation with dependable service delivery to sustain customer satisfaction and loyalty.

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