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TRADITIONAL BANKS VS. NEO BANKS
A Comparative Study of Customer Satisfaction Levels Among Gen Z

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Abstract: *The rapid growth of digital financial services has changed how Generation Z interacts with banks. Traditional banks continue to rely on established branch networks, regulated processes and broad financial product portfolios, while Neo banks and digital-first banking platforms emphasize mobile applications, speed, convenience and personalized digital experiences. This research paper presents a comparative study of customer satisfaction levels among Gen Z users of traditional banks and Neo banks. The study examines convenience, digital experience, service quality, security and trust, fees and charges, customer support and personalization. A quantitative research design is proposed using a structured questionnaire and comparative satisfaction index. The study further introduces basic data analytics to demonstrate how survey responses can be converted into actionable managerial insights.*

Key Words*: Gen Z, Neo Banks, Traditional Banks, Digital finance.*

1. INTRODUCTION:

The banking industry has undergone major transformation due to smart phones, high-speed internet, cloud computing, artificial intelligence and financial technology. Gen Z customers are particularly important because they are highly accustomed to mobile-first services. Traditional banks offer established trust, branch networks and broad financial products. Neo banks generally focus on app-based on boarding, real-time notifications, intuitive interfaces and low-friction digital journeys. The central issue is not simply whether one model is better, but which model delivers greater satisfaction across the dimensions that matter to Gen Z.

2. PROBLEM STATEMENT:

Traditional banks and neo banks compete for digitally active customers while operating through different service models. Traditional banks benefit from trust and established infrastructure, whereas neo banks emphasize convenience and digital experience. This study examines whether these differences translate into different satisfaction levels among Gen Z customers and identifies the service attributes that most strongly influence satisfaction

3. LITERATURE REVIEW:

Davis (1989) proposed the Technology Acceptance Model, highlighting perceived usefulness and perceived ease of use. Parasuraman, Zeithaml and Malhotra (2005) developed E-S-QUAL to assess electronic service quality through dimensions such as efficiency, system availability, fulfillment and privacy.

Venkatesh et al. (2003) proposed UTAUT, emphasizing performance expectancy, effort expectancy, social influence and facilitating conditions. Digital banking literature generally identifies convenience, reliability, security and responsiveness as important determinants of satisfaction. FinTech research additionally highlights reduced friction, personalization and user-centric design.

4. OBJECTIVES:

- To compare overall customer satisfaction among Gen Z users of traditional banks and neo banks.
- To examine the influence of convenience, digital experience, security, trust, service quality, fees and support.
- To identify strengths and weaknesses of both banking models.
- To analyze relationships between key service factors and satisfaction.
- To recommend strategies for improving Gen Z customer experience.

5. RESEARCH METHOD:

Design: Descriptive and comparative quantitative research.
Population: Gen Z customers approximately 18–27 years old.
Sample Size: 200 respondents, with 100 traditional-bank users and 100 neo bank users.
Instrument: Structured questionnaire using a 5-point Likert scale (1 = Strongly Disagree; 5 = Strongly Agree).
Analysis: Percentage, mean, standard deviation, satisfaction index, correlation, regression and independent-samples t-test.
Reliability: Cronbach's alpha may be used to assess internal consistency.

6. RESEARCH QUESTIONS:

- RQ1: Is there a difference in overall satisfaction between Gen Z users of traditional banks and neobanks?
- RQ2: Which factors most strongly influence satisfaction?
- RQ3: Does digital convenience significantly affect satisfaction?
- RQ4: How important are security and trust?
- RQ5: Which improvements are most valued by Gen Z?

7. HYPOTHESES

H1: There is a significant difference in customer satisfaction between Gen Z users of traditional banks and neo banks.
H2: Digital convenience has a positive relationship with satisfaction.
H3: Security and trust have a positive relationship with satisfaction.
H4: Service quality and customer support have a positive relationship with satisfaction

8. DATA ANALYSIS:

ILLUSTRATIVE DATA ANALYTICS

Metric	Traditional Banks	Neobanks
Convenience Mean	3.70	4.30
App Experience Mean	3.60	4.40
Security & Trust Mean	4.20	3.80
Customer Support Mean	3.80	3.60
Fees/Charges Mean	3.50	4.00
Overall Satisfaction	3.90	4.10

Illustrative interpretation: The above able indicates that neo banks score higher on convenience, app experience and fees, while traditional banks score higher on security/trust and customer support. The overall satisfaction gap is small, showing why multiple dimensions should be analyzed rather than relying on a single score.

ILLUSTRATIVE CORRELATION ANALYSIS

Variable	Illustrative r with Satisfaction
Digital Convenience	0.62
App Experience	0.68
Security & Trust	0.71
Service Quality	0.59
Customer Support	0.55

The illustrative correlation values suggest that security/trust and app experience may have relatively strong relationships with satisfaction. Correlation does not prove causation; actual significance must be tested using the collected dataset.

COMPARATIVE ANALYSIS:

Traditional banks generally have strengths in trust, perceived stability, physical service access and breadth of financial products. Neo banks generally have strengths in digital convenience, speed, mobile experience and lower-friction routine transactions. Security, privacy and customer support remain critical in both models. Gen Z may value a combination of digital simplicity and institutional trust rather than choosing purely on the basis of technology.

9. DISCUSSION :

The study suggests that satisfaction is multidimensional. A Neo bank can provide a highly satisfying digital experience while a traditional bank can generate stronger satisfaction in areas involving complex products, physical assistance and established trust. Security is foundational because financial customers remain sensitive to fraud, privacy and loss. Customer support also matters because digital users expect fast complaint resolution and accessible assistance.

10. FINDINGS

- Gen Z places substantial importance on convenience and digital experience.
- Neo banks can have an advantage in app-centric service delivery and speed.
- Traditional banks retain advantages in trust, product breadth and physical assistance.
- Security and privacy are essential to both models.
- Customer support can strongly affect overall satisfaction.
- A hybrid model combining traditional reliability with neo bank-style digital convenience may be attractive to Gen Z

11. CONCLUSION:

Traditional banks and neo banks represent different approaches to financial service delivery, but Gen Z satisfaction depends on a combination of technology, convenience, trust and service quality. Neo banks can attract young customers through seamless digital experiences, while traditional banks remain strong in trust, stability, broad services and established support. The strongest value proposition may therefore come from combining traditional banking reliability and security with the speed, simplicity and user-centric design expected from digital-first platforms.

12. LIMITATIONS

The study may be limited by convenience sampling, self-reported responses and the relatively narrow age

group. Findings may vary by country, income, digital literacy and the specific banking provider. Cross-sectional research identifies associations but cannot by itself establish long-term causality.

13. RECOMMENDATIONS:

Traditional banks should simplify digital journeys, improve app usability, reduce unnecessary steps and provide faster digital support. Neo banks should strengthen fraud protection, transparent communication, complaint resolution and access to broader financial products. Both should continuously collect customer feedback and conduct usability testing. Clear communication about fees, privacy and security can strengthen trust.

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