

Report On
An Assessment of the Digital Transformation of Mercantile Bank
Limited

By
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18104207

An internship report submitted to the BRAC Business School in partial
fulfillment of the requirements for the degree of
Bachelor of Business Administration

BRAC Business School
BRAC University
January 2023

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DECLARATION

It is hereby declared that

1. The internship report submitted is my original work while completing the Bachelor of Business Administration (BBA) degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing (using APA 7).
3. The report does not contain material that has been accepted or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

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Md. Asif Iqbal Sami

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LETTER OF TRANSMITTAL

Shihab Kabir Shuvo

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BRAC Business School

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66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report on “An Assessment of the Digital Transformation of MBL ”

Dear Sir,

This gives me immense pleasure to submit my internship report on “An assessment of the Digital Transformation of MBL”, which is a required segment of the BBA program. It has been an incredible learning experience to prepare this report with your supervision.

The report is prepared in fulfillment of the Internship Course (BUS 400) and for the partial completion of the Bachelor of Business Administration Degree. I have put my best effort and dedication to make this report a complete and successful one. My experience in the bank helped me to gather knowledge about digital transformation in the banking industry.

I would like to express my fervent gratitude to you for your constant supervision and support in preparing this report. The success of the report fully depends on how it perceives the information in the report and if it helps the reader to gather knowledge about the current industry situation. I shall be happy to provide any further justification and explanation regarding the contents of this report. Please do not hesitate to reach me for any clarification on this report or any relevant matter.

Sincerely,

Md. Asif Iqbal Sami

ID: 18104207

BRAC Business School

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Date: July 09, 2023

NON-DISCLOSURE AGREEMENT

This agreement is made and entered into by and between Mercantile Bank Limited and the undersigned student at BRAC University. Its objective is to prevent the disclosure of sensitive data that belongs to either party.

Mercantile Bank Limited ("Disclosing Party") is willing to provide certain confidential information to Md. Asif Iqbal Sami, an undergraduate student at BRAC University ("Receiving Party"), and the Receiving Party are willing to receive certain confidential information from the Disclosing Party. Mercantile Bank Limited ("Disclosing Party") is willing to provide certain confidential information to a graduate student at BRAC University ("Receiving Party"), and the Receiving Party is willing to receive certain confidential information from the Disclosing Party.

The parties to this Agreement agree to define Confidential Information as any and all technical and non-technical information disclosed by the Disclosing Party to the Receiving Party. Receiving Party's obligations under this Agreement do not extend to information that is publicly known at the time of disclosure, discovered or created by the Receiving Party before disclosure, learned by the Receiving Party through legitimate means, or disclosed with Disclosing Party's prior written approval. The most important details in this Agreement are the non-disclosure provisions, relationships, severability, integration, waiver, and notice of immunity. The non-disclosure provisions of the Agreement shall survive the termination of the Agreement and the duty to hold Confidential Information in confidence shall remain in effect until the Confidential Information no longer qualifies as a trade secret or until the Disclosing Party sends Receiving Party written notice releasing the Receiving Party from this Agreement.

Md. Humayun Kabir
Senior Vice President
Head of Branch

Md. Asif Iqbal Sami
ID: 18104207
BRAC University

ACKNOWLEDGMENT

I am filled with gratitude and admiration for the exceptional support and guidance that I have received during my internship at Mercantile Bank Limited (MBL) and in the process of completing my report. It is with utmost pleasure that I express my sincere appreciation to all those who have contributed to my growth and development during this purposeful journey.

I would like to begin by expressing my sincere gratitude to the management of MBL for giving me the opportunity to intern at their esteemed organization. I greatly appreciate this opportunity since it gave me the chance to gain the crucial practical knowledge I required in the banking industry to guide my career.

I would also like to express my heartfelt gratitude to my on-site supervisor, Fatema Saida Yesmin (Vice President & Manager of Operation, MBL), for her unwavering support and guidance throughout my internship. Her invaluable insights, mentoring, and encouragement have been the driving force behind my growth and development in the field of banking. I am immensely grateful for her contributions to my professional and personal growth.

I must also express my gratitude to the team members of MBL for their cooperation and support during my internship. They welcomed me into their team with open arms, providing me with various opportunities to learn and contribute to the bank's operations. The collaborative environment of the organization has made my internship experience both rewarding and enriching.

Finally, I would like to express my sincere appreciation to my supervisor, Shihab Kabir Shuvo (Lecturer, BBS, BRAC University), for his assistance and direction in completing my internship report. My writing has become better thanks to his astute suggestions, helpful criticism, and unwavering encouragement.

EXECUTIVE SUMMARY

This report aims to provide a comprehensive analysis of the digital transformation efforts of Mercantile Bank Limited (MBL) and their impact on the bank's performance and customers. The results indicate that MBL has made remarkable strides in its digital transformation journey by implementing various digital offerings, such as i-banking, MBL Rainbow, and online banking. These initiatives have resulted in increased customer satisfaction, improved operational efficiency, and reduced costs. However, the report highlights the challenges faced by MBL, including the need for more significant investments in IT infrastructure and addressing privacy concerns. The report concludes that MBL has made progress in its digital transformation journey, but there is still significant room for improvement. To remain competitive, MBL must continue to invest in technology and enhance its digital capabilities. Furthermore, the report provides recommendations for MBL and other banks planning to embark on a digital transformation journey.

Keywords: Digital transformation; MBL; Customer satisfaction; Operational efficiency; Cost reduction; IT infrastructure; Privacy concerns; Recommendations

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List of Acronyms

MBL	Mercantile Bank Limited
i-Banking	Internet Banking
LC	Letter of Credit
RTGS	Real Time Gross Settlement
BEFTN	Bangladesh Electronic Funds Transfer Network
GB	General Baking
ICAB	Institute of Chartered Accountants of Bangladesh
NPQEA	National Productivity and Quality Excellence Award
ROE	Return On Equity
ROA	Return On Assets
MMAP	Masik Munafa Amanat Prokolpo
PSAP	Poribar Surokkha Amanat Prokolpo
AMMP	Aporajita Masik Munafa Prokolpo
MSS	Monthly Savings Scheme
SOD	Secured Overdraft
CD	Certificate of Deposit
SB	Savings Bank
SND	Short Notice Deposit

Glossary

BEFTN: A system used for transferring funds electronically between banks in Bangladesh.

Clean cash transaction summary: A report that summarizes all the clean cash transactions that have taken place during a specific period.

Inwarding: The process of receiving and registering incoming documents.

ICAB National Award: A prestigious recognition given by the ICAB to organizations for their outstanding contribution to the field of accounting and finance.

LC files: Files containing documents related to letters of credit, which are used in international trade to ensure payment between buyers and sellers.

NPQEA Award: An award given to organizations in Bangladesh for their outstanding performance in productivity, quality, and innovation.

Outwarding: Process of sending documents to other banks or financial organizations.

Pay order entry: The process of recording pay orders, which are a type of financial instrument used to transfer money between individuals or organizations.

ROA: A financial ratio that measures a company's profitability by dividing its net income by its total assets.

ROE: A financial ratio that measures a company's profitability by dividing its net income by its shareholders' equity.

RTGS: A system used for transferring large amounts of money between banks in real-time.

Voucher checking: The process of verifying the accuracy and validity of vouchers, which are documents used to support financial transactions.

Chapter I: OVERVIEW OF INTERNSHIP

1.1 Student Information

Name: Md. Asif Iqbal Sami

ID: 18104207

Program: Bachelor of Business Administration (BBA)

First Major: Computer Information Management

Second Major: Accounting

1.2 Internship Information

Period: 3 months (70 W.days)

Organization: Mercantile Bank Limited

Department: General banking, Accounts, Foreign exchange

Address: Sima Blossom (1st Floor), House no. 390 (Old), 3 (New), Road no. 27 (Old), 16 (New), Dhanmondi R/A, Dhaka-1209

1.3 On-site Supervisor

Name: Fatema Saida Yasmin

Designation: Vice President & Manager Operation

1.4 Job Duties

1.4.1 Accounts

- Voucher checking
- Clean cash
- Clean cash transaction summary

1.4.2 Foreign Exchange

- Filling up necessary forms and sealing
- Preparing the LC files

1.4.3 General Banking (front desk)

- Organizing and delivering cheque books
- In-warding
- Pay order entry

1.5 Internship Outcome

1.5.1 My Efforts

From the very beginning of the internship, I tried my best to execute all the given tasks properly and confidently. I arrived at the office before the time, maintained regularity, and actively performed office duties. Though there were some other interns, I was the one who worked in all the departments.

During my internship at Mercantile Bank, I had a variety of tasks in various departments. At the accounting division, my daily task was to review the vouchers, collect the inputters' signatures and seals, and categorize them. I was also responsible for doing tasks like managing clean cash and producing reports of clean cash transactions on a weekly or monthly basis. Sorting and planning were among my duties in the foreign exchange department. In addition, I kept an inward registry by noting inward entries, affixing a stamp to documents I received, and precisely recording the sender's name and subject. Another component of my job involved putting pay orders into the register and making sure that the amount, payee's name, and serial number were right. I developed my organizational skills, which came in handy during my internship, in addition to gaining a thorough understanding of various banking procedures thanks to these varied responsibilities.

1.5.2 Their Support

During my internship with Mercantile Bank, which proved to be an incredibly valuable learning experience, I obtained a firm knowledge of banking operations as well as a perspective on the working world. Even though the tasks assigned to me were simple and unrelated to my academic background, I learned the importance of possessing strong organizational abilities, a committed work ethic, punctuality, and job prioritizing. I have a strong belief that these skills will be useful to me in my future endeavors. Despite their busy schedules, my supportive coworkers actively mentored me and patiently answered all of my concerns. This was a wonderful chance that I also had. My exposure to ground-breaking digital projects and the practical experience I got while working there as a student at Mercantile Bank Ltd. considerably enhanced my learning experience. I am grateful for the opportunity and sure that the knowledge and experience I got from my internship will be beneficial to me in the future.

1.5.3 Challenges

I had several challenges during my internship at MBL that really put my skills and knowledge to the test. I first had trouble adjusting to a new work environment. Due to my lack of familiarity with the operations, policies, and procedures of the bank, it was difficult for me to interact effectively with my coworkers and finish the responsibilities that were given to me as an intern. I hadn't much idea about acronyms used in banking operations like RTGS, BEFTN, inward/outward, clean cash, and others. Thus, it was challenging for me to understand client inquiries and give rapid and precise solutions. Also, there were times when I had a heavy workload, especially during audits, which required working on the weekends and late into the night. Notwithstanding these challenges, I viewed the situation as an opportunity to boost my self-confidence of preparedness for future professional endeavors. I now have a better understanding of time management and how to implement efficient working practices in a demanding environment. These challenges helped me get a greater grasp of the banking business and the significance of continued education and growth in addition to challenging my adaptability and problem-solving abilities.

1.6 Limitation

I was assigned to work at one of MBL's busiest branches to complete my internship there. Many difficulties arose due to my inability to gather information from staff members who were continuously occupied with clients. Also, I had my own tasks as an intern, so I didn't have a lot of time to gather primary data for my research topic. I conducted an online survey to better understand customer experiences. However, as the survey participation was voluntary, I failed to generate sufficient responses.

Notwithstanding these difficulties, I was able to get through them by employing several strategies. I started by gathering important data from online resources, like the bank's website and social media accounts. Moreover, I interviewed my on-supervisor to get overall knowledge about the bank's digital initiatives. Additionally, I drew on my personal experiences as an MBL customer to add context and support for my findings. I was able to generate a more thorough research report and have a deeper understanding of the bank's digital transformation initiative thanks to these techniques. Furthermore, this tactic assisted me in acquiring critical abilities including time management, communication, and research techniques. These abilities, in my opinion, will be helpful in my future career aspirations.

Chapter II: ABOUT MBL

2.1 Background

Mercantile Bank Limited (MBL), a private commercial bank in Bangladesh that was founded in 1999 with a paid-up capital of 100 million taka (MBL, 2023a).

The bank mainly provided conventional banking services, such as retail banking, corporate banking, and small and medium-sized enterprise banking (MBL, 2023a). Eventually, the bank extended its service offerings to include Islamic banking through its subsidiary, Mercantile Bank Islami Bangladesh Ltd. (MBL, 2023a). In order to offer its customers cutting-edge and convenient banking services, the bank has a customer-centric strategy and has made significant investments in technology (MBL, 2023a). It has a network of over 150 branches throughout Bangladesh, as well as correspondent banking arrangements with a number of foreign banks (MBL, 2023a). The bank has received several awards and recognition for its excellence in banking services and corporate social responsibility initiatives (MBL, 2023b). With its strong network and commitment to innovation, the bank is well-positioned to continue to grow and succeed in the competitive banking industry in Bangladesh.

Bank Name	Mercantile Bank Limited
Date of Inception	June 2nd, 1999
Founder	Md. Abdul Jalil
Paid-up Capital at Inception	100 million taka
Types of Banking Services Offered	Retail banking, corporate banking, SME banking, Islamic banking
Number of Branches	150+
Awards and Recognitions	ICAB National Award (2019; 2017), Best Brand Award (2019), NPQEA*

* (MBL, 2023b)

Table 1 Background of MBL at a Glance

2.2 Financial Performance

According to its annual report 2018-22, MBL demonstrated satisfactory financial performance despite COVID-19 challenges, with steady growth in key metrics and resilience in navigating the pandemic.. The following are some of the key aspects of MBL's financial metrics of past 5 years (2018-22):

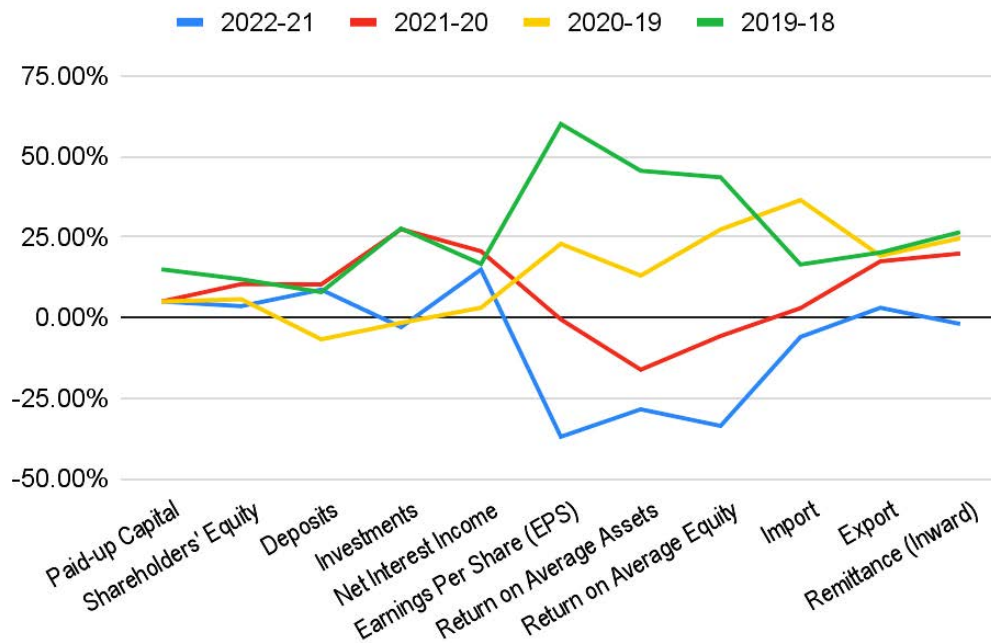


Figure 1 Financial Performance of MBL (2018-22)

[See: Table 5 in Appendices]

Mercantile Bank's financial performance has been satisfactory over the last five years, from 2018 to 2022, regardless of the difficulties posed by the COVID-19 pandemic. Despite the negative effects of the pandemic on the global economy, MBL has demonstrated resilience and consistent growth in a variety of key financial metrics. During this time, the bank's paid-up capital, shareholders' equity, and deposits have all increased steadily. Furthermore, MBL has managed its investments well and generated a positive net interest income. However, the pandemic has had an effect on some aspects, such as a drop in import activity. Nonetheless, MBL has worked hard to overcome these obstacles, and its financial performance has remained resilient and stable.

2.3 Overview

2.3.1 Vision

MBL's vision is "To make the finest corporate citizen."

2.3.2 Mission

Mercantile Bank Limited (MBL) aims to be a compassionate, concentrated, and innovative bank, deploying diversified resources for equitable growth while maintaining profitability and sustainability. MBL strives to provide state-of-the-art products and services that meet customer needs, enhance the financial well-being of its staff and shareholders, and act responsibly towards society and the environment. With a mission to empower individuals, be a preferred financial partner, lead in innovation and customer satisfaction, create economic value, and demonstrate social and environmental responsibility, MBL is committed to driving positive change in the communities it serves.

2.3.3 Strategic objectives

MBL is focused on its core goal of providing customized and creative solutions to its clients while also generating profits for its shareholders. To establish a strong market presence, the bank is determined to rank among the top three financial institutions in Bangladesh by effectively utilizing its resources and operational procedures. MBL takes a proactive approach, constantly improving its product offerings, expanding its national presence, and making significant investments in infrastructure and technology. The bank aims to meet the diverse needs of its customers by offering a wide range of credit services such as personal loans, SME loans, corporate loans, agriculture loans, and credit cards. MBL has earned a reputation as a reliable and trustworthy financial partner as a result of its unwavering commitment to providing value to its clients and stakeholders. MBL is committed to solidifying its market position and achieving long-term success by prioritizing innovation, growth, and customer satisfaction.

[source: MBL official website]

2.5 MBL's Services

Mercantile Bank offers deposit (general and Islamic), credit (corporate, retail, SME, agricultural credit) services, and various digital banking services.

2.5.1 Deposit Services

2.5.1.1 General

- **Savings account:** A deposit account that pays interest on the balance and allows withdrawals up to a certain limit per month. The minimum balance requirement is 500 BDT and the interest rate is 2.5% per annum (MBL, 2023d).
- **Current account:** A deposit account that allows unlimited transactions and does not pay any interest. The minimum balance requirement is 10,000 BDT and the account holder can avail of a cheque-book facility (MBL, 2023d).
- **Fixed deposit:** A deposit account that pays a higher interest rate than a savings account for a fixed period of time. The minimum deposit amount is 10,000 BDT and the tenor ranges from 1 month to 5 years. The interest rate varies depending on the amount and tenor of the deposit (MBL, 2023d).
- **Monthly income scheme:** A deposit account that pays a fixed monthly income to the account holder for a specified period of time. The minimum deposit amount is 50,000 BDT and the tenor ranges from 1 year to 10 years. The monthly income rate varies depending on the amount and tenor of the deposit (MBL, 2023d).
- **Double benefit scheme:** A deposit account that doubles the principal amount at maturity. The minimum deposit amount is 10,000 BDT and the tenor is 6 years. The effective interest rate is 11.61% per annum (MBL, 2023d).
- **Triple benefit scheme:** MBL has a deposit account that has the appealing feature of tripling the principal amount at maturity. Customers can benefit from an effective interest rate of 11.61% per annum with a minimum deposit of 10,000 BDT and a tenor of 9 years and 9 months. This account offers a lucrative opportunity for individuals looking to significantly grow their savings over the specified time period. (F. Yasmin, personal communication, January 16, 2023).

- **Masik Munafa Amanat Prokolpo (MMAP):** The monthly income scheme provides a fixed monthly profit to account holders, calculated and credited on a monthly basis (MBL, 2023d). Here, the tenure is 3 years to 10 years and the deposit range is BDT 50,000 to BDT 10,00,000 (MBL, 2023d).
- **Poribar Surokkha Amanat Prokolpo (PSAP):** The scheme provides life insurance coverage and profit on maturity, with different tenures and monthly installment amounts (MBL, 2023d). In case of death before maturity, the nominee will receive insurance coverage and accumulated balance (MBL, 2023d). Here, the tenure is 5 years to 10 years and the deposit range is BDT 500 to BDT 50,000 (MBL, 2023d).
- **Aporajita Masik Munafa Prokolpo (AMMP):** The monthly income scheme provides a higher monthly profit than MMAP, with different tenures and minimum deposit amounts (MBL, 2023d). Here, the tenure is 3 years to 10 years and the deposit range is BDT 50,000 to BDT 10,00,000 (MBL, 2023d).

2.5.1.2 Islamic

Mercantile Bank has an Islamic window that provides Sharia-compliant financial products and services to cater to the needs of its Islamic customers.

- **Al-Wadiah Current Account:** A non-interest-bearing account with unrestricted deposits and withdrawals. The bank promises the security of the money deposited and, at its discretion, may elect to divide some of its profits with the account holders (MBL, 2023e).
- **Mudaraba Savings Account (general):** A profit-sharing account with a BDT 500 minimum balance. Based on an established weighting ratio, the account holders are entitled to a portion of the bank's investment income. Every six months, the profit is calculated and credited (MBL, 2023e).
- **Mudaraba Special Notice Deposit Account:** A profit-sharing account that has withdrawal notice requirements of a 7-day notice period and a minimum balance requirement of BDT 10,000. In accordance with a predetermined weighting ratio, the account holders are entitled to a portion of the bank's investment income. Once every six months, the profit is determined and credited (MBL, 2023e).

2.5.2 Credit Services

- **Personal Loans:** MBL offers personal loans to individuals to meet their personal financial requirements, such as home renovation, car, medical expenses, education expenses, marriage expenses, etc.
- **SME Loans:** Small and medium-sized enterprises can avail of SME loans from MBL for various purposes such as business expansion, equipment purchase, working capital, etc (MBL, 2023f).
- **Corporate Loans:** MBL provides corporate loans to large corporations for project financing, long-term investments, mergers, acquisitions, and other business purposes (MBL, 2023g).
- **Home Loans:** MBL offers home loans to individuals for purchasing or constructing a new home or renovating an existing home (MBL, 2023h).
- **Agriculture Loans:** Farmers and agriculturists can avail of agriculture loans from MBL for various purposes such as purchasing agricultural machinery, land development, crop cultivation, etc. (MBL, 2023i).
- **Doctor's Loan:** Doctor's Loan offers competitive interest rates and flexible repayment terms for medical practitioners (MBL, 2023h).
- **Secured Overdraft (SOD):** SOD provides overdraft facilities against immovable properties, with lower interest rates (MBL, 2023h).
- **Refinance Scheme for Green Product/Initiatives:** MBL's Refinance Scheme for Green Product/Initiatives offers a lower interest rate (MBL, 2023h).
- **Credit Cards:** MBL offers credit cards to its customers with various benefits and rewards such as cashback, discounts, and loyalty points (MBL, 2023h).

To sum up, MBL provides a wide range of credit services to suit the needs of people, SMEs, businesses, and particular professional groups in terms of funding. The credit services offered by MBL can assist consumers in reaching their financial objectives thanks to competitive interest rates and flexible payback arrangements.

2.5.3 Digital banking

- **Online banking:** Customers can access various banking services such as CD, SB, SND, loan accounts, and monthly savings scheme (MSS) accounts via the Internet from any MBL branch (MBL, 2023j).
- **i-banking:** This tailored online banking service allows customers to perform banking activities such as fund transfers, bill payments, and balance inquiries anytime, anywhere (MBL, 2023j).
- **Mobile banking:** MBL's mobile banking service aims to connect with the unbanked population in Bangladesh, enabling them to perform basic banking activities using their mobile phones (MBL, 2023j).
- **SMS alert service:** Customers receive SMS notifications for transactions in their accounts, ensuring transparency and security (MBL, 2023j).
- **MYCash:** MBL's mobile banking service for the unbanked population provides basic banking services such as cash-in, cash-out, and fund transfer via mobile phones (MBL, 2023j).
- **Rainbow:** MBL's banking service app which offers cash-withdraw, bill payment, fund transfer, etc. benefits to the account holders.

2.6 Management Practices

Mercantile Bank Limited (MBL) practices democratic leadership, which promotes open communication, collaboration, and employee participation (MBL, 2018). This approach encourages employee engagement as well as a sense of ownership and commitment (Marchington et al., 1992). To attract qualified candidates, MBL's human resource planning process includes a comprehensive recruitment and selection process. In order to retain talented employees, the bank has a well-structured compensation system that offers competitive salaries and benefits (Erickson & Gratton, 2007). MBL prioritizes employee skill development through training and development initiatives, while its performance appraisal system ensures accountability and promotes continuous improvement (MBL, 2018). These management practices help MBL succeed and foster a positive work environment.

2.6.1 Leadership Style

Mercantile Bank employs democratic leadership as part of its organizational culture. Employees at all levels are encouraged to communicate openly, participate, and collaborate under this management style (MBL, 2018). Employees are encouraged to share ideas, provide feedback, and actively participate in decision-making processes under MBL's democratic leadership style (MBL, 2018). This strategy encourages employee ownership and engagement, which results in a more motivated and productive workforce.

The democratic leadership style of MBL is critical to the organization's goals and objectives. By involving employees in decision-making, MBL capitalizes on its workforce's collective wisdom and expertise. This leads to more innovative solutions, improved problem-solving abilities, and a more inclusive decision-making process (Isen, 2008). Furthermore, this leadership style fosters a positive work environment, boosts employee morale, and increases overall job satisfaction, all of which lead to increased levels of employee engagement and commitment to organizational success. MBL's democratic leadership style involves employees in decision-making, promoting innovation, problem-solving, and job satisfaction.

2.6.2 Human Resource Planning Process

Mercantile Bank employs a strategic recruitment and selection process, using internal and external methods to identify human resource needs. The compensation system focuses on attracting and retaining talented employees, offering competitive salaries, performance incentives, and benefits (MBL, 2018). The bank also invests in training and development initiatives to enhance employee skills and competencies (MBL, 2018). The performance appraisal system evaluates employee performance, providing constructive feedback, career development opportunities, and rewards outstanding performers (MBL, 2018).

2.6.2.1 Recruitment and Selection Process

Mercantile Bank Limited has a thorough and strategic recruitment and selection process in place. The bank determines its human resource requirements based on its short- and long-term objectives. They use a combination of internal and external recruitment methods, including job postings, employee referrals, and campus hiring. To ensure the selection of qualified candidates who align with the bank's values and competencies, the recruitment process includes screening, interviews, assessments, and reference checks.

2.6.2.2 Compensation System

MBL has a well-structured compensation system in place with the goal of attracting and retaining talented employees. The bank provides competitive salaries, performance-based incentives, and employee benefits such as health insurance, retirement plans, and career advancement opportunities (MBL, 2018). MBL's compensation system is intended to reward high performers while also providing fair and equitable compensation based on employees' skills, experience, and contributions to the organization (MBL, 2018).

2.6.2.3 Training and Development Initiatives

Mercantile Bank recognizes the importance of ongoing learning and development in enhancing employee skills and competencies. The bank invests in training and development initiatives to ensure that employees have the knowledge and skills they need to do their jobs well. MBL provides internal and external training programs, workshops, and seminars to promote professional development, leadership development, and technical skill development.

2.6.2.4 Performance Appraisal System

MBL has a structured performance appraisal system in place to assess employee performance and provide constructive feedback. To evaluate individual and team accomplishments, the bank employs performance metrics and key performance indicators that are aligned with organizational goals (Olian & Rynes, 1991). Regular performance reviews, goal setting, performance discussions, and recognition of exceptional performance are all part of MBL's performance appraisal process. This system identifies areas for improvement, offers opportunities for career advancement, and recognizes and rewards outstanding performers.

As a whole, the management practices of Mercantile Bank, such as its democratic leadership style and robust human resource planning process, contribute to the organization's success. Employee engagement, creativity, and collaboration are enhanced by democratic leadership. The recruitment and selection process ensures that competent individuals who share the bank's values are chosen. Talented employees are attracted and retained by the compensation system. Employee skills are enhanced through training and development initiatives, while the performance appraisal system ensures accountability and promotes continuous improvement. Collectively, these practices foster a positive work environment and contribute to the achievement of MBL's goals and objectives.

2.4 Marketing Practices

MBL implements a comprehensive marketing strategy that targets individuals, SMEs, and corporate clients. The bank utilizes various marketing channels, including physical branches, online platforms, and relationship managers, to reach its customers. MBL emphasizes product development and innovation to stay competitive in the market. Branding activities, advertising campaigns, and digital marketing efforts help establish MBL as a trusted and customer-friendly bank. Continuous evaluation and adjustment of marketing strategies address any critical issues or gaps that may arise.

2.4.1 Marketing Strategy

Mercantile Bank Limited (MBL) uses a comprehensive marketing strategy to promote its products and services as a financial institution. The bank prioritizes customer relationships, increasing market share, and improving brand reputation (Peppard, 2000). Market segmentation, targeting specific customer segments, and positioning itself as a dependable and customer-centric bank are all part of MBL's marketing strategy.

2.4.2 Target Customers, Targeting, and Positioning Strategy

MBL's primary customers are individuals, small and medium-sized businesses (SMEs), and corporate clients (MBL, 2023j). The bank divides its target customers into three groups based on their financial needs, demographics, and business profiles. MBL establishes itself as a reliable financial partner by providing personalized solutions, competitive interest rates, and a diverse range of banking services tailored to different customer segments.

2.4.3 Marketing Channels

Mercantile Bank uses a variety of marketing channels to reach its target customers. MBL's products are available via a network of physical branches, ATMs, and online banking platforms (MBL, 2023j). Relationship managers and business development officers provide services directly to potential clients. MBL also employs digital channels, such as its website and mobile banking applications, to provide convenient and accessible banking services. So, Mercantile Bank utilizes various marketing channels, including physical branches, ATMs, online platforms, and digital platforms for customer service (MBL, 2023j).

2.4.4 Product/New Product Development and Competitive Practices

MBL is constantly focusing on product development in order to meet the changing needs of its customers. To remain competitive in the market, the bank introduces new financial products and services such as specialized savings accounts, loan facilities, and digital payment solutions (MBL, 2023j). MBL also keeps an eye on market trends and competitors' practices in order to spot opportunities for innovation and improvement.

2.4.5 Branding Activities

Mercantile Bank emphasizes brand building to create a strong market presence. The bank invests in branding activities such as advertising campaigns, sponsorships, and corporate social responsibility initiatives (MBL, 2022b). MBL strives to establish itself as a reputable and customer-friendly brand that provides reliable banking services.

2.4.6 Advertising and Promotion Strategies

MBL uses a variety of advertising and promotion strategies to reach its target audience. To raise brand awareness, the bank uses traditional media channels such as television, radio, and print advertisements. MBL also actively engages in digital marketing and social media platforms to connect with customers, share updates, and provide customer support (MBL, 2023a). The bank uses social media platforms such as Facebook and LinkedIn to engage with customers and promote its products and services.

2.4.7 Critical Marketing Issues and Gaps

While Mercantile Bank Limited has put in place effective marketing practices, there may be some critical marketing issues or gaps that need to be addressed. Enhancing digital marketing capabilities, improving customer segmentation and targeting strategies, exploring new marketing channels, or filling any gaps in customer service or product offerings are examples of these. Marketing strategies must be evaluated and adjusted on a regular basis to ensure MBL remains competitive and meets changing customer expectations.

In short, MBL's marketing strategy targets individuals, SMEs, and corporate clients through various channels, emphasizing product development, innovation, branding, advertising, and digital marketing to maintain customer-friendliness.

2.5 Financial Performance and Accounting Practices

Mercantile has solid financial performance and accounting practices (MBL, 2022a).

2.5.1 Financial Performance Analysis

Using financial statements from annual reports from the last 3-5 years, I have analyzed and interpreted Mercantile Bank's financial performance in the following areas (MBL, 2022a):

2.5.1.1 Liquidity and Solvency Analysis

By calculating liquidity ratios such as current ratio and quick ratio, I can assess MBL's ability to meet short-term obligations. Additionally, solvency ratios like debt-to-equity ratio and interest coverage ratio provide insights into the bank's long-term financial stability and its capacity to cover interest expenses (MBL, 2022a).

2.5.1.2 Efficiency Analysis

Efficiency ratios such as asset turnover ratio and operating expense ratio help evaluate MBL's effectiveness in utilizing its assets and managing operating costs. These ratios provide insights into the bank's operational efficiency and its ability to generate revenue .

2.5.1.3 Profitability Analysis

Profitability ratios like net profit margin, return on assets, and return on equity offer an understanding of MBL's ability to generate profits from its operations. These ratios indicate the bank's profitability levels and its effectiveness in generating returns for its shareholders.

2.5.1.4 Leverage Analysis

Leverage ratios, including debt ratio and equity multiplier, assess MBL's use of debt financing and the proportion of debt in its capital structure (MBL, 2022a). These ratios determine the bank's financial risk and its reliance on debt to finance its operations.

2.5.1.5 Market-Value Analysis

Market-value ratios like price-to-earnings ratio and market-to-book ratio provide insights into how the market values MBL's shares and its overall market performance. These ratios reflect investor sentiment and the market's perception of the bank's financial performance.

By applying trend, comparative, Du-Pont analyses frameworks, along with calculations of Economic Value Added (EVA), Market Value Added (MVA), or valuations based on various methods, a comprehensive assessment of MBL's financial performance can be conducted.

2.5.2 Accounting Practices

Based on the last 3-5 years of financial statements and annual reports, several accounting aspects of Mercantile Bank Limited can be commented upon (MBL, 2022a):

2.5.2.1 Core Accounting Principles

It can be assessed whether MBL follows core accounting principles such as accrual accounting, consistency, and matching principles in preparing its financial statements.

2.5.2.2 Method of Accounting

The method of accounting employed by MBL can be identified, whether it follows the cash basis or accrual basis of accounting. Accrual basis of accounting is generally preferred for financial reporting, as it provides a more accurate representation of the bank's financial position and performance (MBL, 2022c).

2.5.2.3 Accounting Cycle

Commentary can be provided on whether MBL follows all the steps of the accounting cycle, including identifying and recording transactions, preparing financial statements, and closing the books at the end of each reporting period (MBL, 2022c).

2.5.2.4 Depreciation Methods

It can be determined which depreciation method (e.g., straight-line, declining balance) is used by MBL to allocate the cost of its fixed assets over their useful lives (MBL, 2022c).

2.5.2.5 Accounting Disclosures

The adequacy and transparency of MBL's accounting disclosures can be evaluated, including the completeness and clarity of its financial statement footnotes and accompanying disclosures (MBL, 2022c).

By analyzing these accounting aspects, we can gain insights into the financial reporting practices and adherence to accounting principles by Mercantile Bank (MBL, 2022c).

2.6 Operations Management and Information System Practices

Mercantile Bank relies on information systems to collect, process, and distribute data to clients and stakeholders. A variety of critical software systems are used by the bank, including a core banking system, customer relationship management (CRM) tools, and online and mobile banking platforms (MBL, 2023j). Customers can easily access account information because the core banking system supports real-time transaction processing and account management. To collect, process, and distribute data to its clients and stakeholders, Mercantile Bank relies on robust information systems. A core banking system, customer relationship management (CRM) tools, and online and mobile banking platforms are among the software systems used by the bank (MBL, 2022b). These systems are critical in providing customers with efficient and effective services. In summary, Mercantile Bank uses information systems to process and distribute customers' and other stakeholders' data.

2.6.1 Core Banking System

Mercantile Bank employs a core banking system that allows for real-time transaction processing and account management. This system enables the bank to handle a large volume of transactions with speed and accuracy. With the core banking system, the bank can manage its operations more efficiently and provide customers with timely access to their account information. Real-time transaction processing refers to the ability to complete transactions instantly. This means that when a customer performs a transaction, such as transferring funds or making a payment, the transaction is processed and reflected in their account balance immediately (MBL, 2022b). Customers do not need to wait for hours or days for their transactions to be completed. This ensures that customers have access to their funds when they need them, which is especially critical in cases of emergency or urgent financial needs. The account management capabilities of the core banking system enable customers to view their account balances, transaction history, and other account details in real time. They can also manage their accounts, such as setting up recurring payments, creating savings goals, or initiating loan applications, without needing to visit a physical branch. This convenience saves customers time and effort, and they can perform banking activities from anywhere at any time, using their computer or mobile device.

2.6.2 Customer Relationship Management (CRM) Software

To improve its customer service and relationship management, MBL has put in place a CRM system. The CRM system enables the bank to keep track of customer information such as contact details, transaction history, and comments. Utilizing this information, businesses can analyze consumer behavior, comprehend their needs, and offer them specialized products and services. MBL has been able to raise its customer service and satisfaction levels by putting in place a CRM system (MBL, 2019). The solution enables the bank to monitor customer interactions and swiftly address questions and grievances. The system also allows the bank to provide customers with personalized solutions based on their unique requirements and preferences. In addition, the CRM system helps the bank identify potential areas for improvement and streamline its operations. By analyzing customer data and behavior, the bank can identify gaps in its products and services and make the necessary adjustments to meet customer needs (MBL, 2019). Overall, the implementation of a CRM system has been a significant step forward for MBL in improving its customer service and relationship management practices (MBL, 2018 & MBL, 2019).

2.6.3 Online and Mobile Banking Platform

Being a top commercial bank in Bangladesh, Mercantile Bank is dedicated to offering its clients reliable, convenient, and trustworthy financial services. MBL places a lot of emphasis on Internet and mobile banking, and it has invested heavily in these channels (MBL, 2023j). These platforms include a broad variety of capabilities that let users manage their accounts, carry out transactions, and pay their bills conveniently from their mobile devices. By using strong authentication procedures and encryption standards, MBL also places a strong emphasis on the security and dependability of its digital channels (MBL, 2023j).

MBL has collaborated with Nagad, Bangladesh's leading mobile financial service provider, in addition to its efforts in digital banking. A wider variety of digital financial solutions, including bill payments, money transfers, and digital wallets, are now available through MBL thanks to this agreement. MBL keeps on the cutting edge of digital innovation by employing technology and strategic partnerships, which also ensures that its clients have access to the financial services they need when they need them (MBL, 2023j).

Some of the key features of MBL's online and mobile banking platforms include:

- **Account management:** Customers can view their account balances, transaction history, and statements.
- **Fund transfers:** Customers can transfer funds up to BDT 300,000 between their own accounts or to other bank accounts via MBL's Rainbow app.
- **Bill payments:** Customers can pay their utility bills, credit card bills, and other bills online using MBL MyCash or Rainbow app.
- **Loan applications:** Eligible customers can apply for loans and credit cards online.
- **Contactless payments:** Customers can make contactless payments using their MBL debit or credit cards, MBL MyCash, Rainbow, or Nagad (fintech partner of MBL).

MBL's secure online and mobile banking systems are monitored by security professionals to ensure a safe and reliable transaction (MBL, 2023j).

2.6.4 Database and Office Management Software

MBL adheres to a strict quality management system (QMS) to make sure that its products fulfill the high requirements of both clients and regulatory agencies. The bank aggressively seeks out opportunities for improvement by creating defined quality targets and periodically evaluating its performance against these objectives. With the help of this organized approach, MBL can continuously enhance its goods and services, which is advantageous for both the company's operations and its clients. Moreover, implementing quality objectives and performance evaluations is crucial for fostering continuous development within the bank. MBL identifies opportunities for improvement and swiftly implements necessary changes by carefully comparing performance against these targets. With this proactive approach, the bank consistently improves the quality and dependability of its services, which increases customer satisfaction. Additionally, MBL's excellent quality management system (QMS) offers customers considerable advantages by ensuring the bank's dedication to provide top-notch products and services. As its clientele grows, MBL earns their trust and delight by prioritizing quality and consistently meeting their needs and expectations. Ultimately, the MBL QMS serves as a solid foundation to ensure compliance with industry standards and regulatory regulations, boosting the company's reputation as a reliable financial institution.

2.6.5 Quality Management

MBL has a stringent quality control system to ensure that its goods and services consistently meet customer and legal standards (QMS). To find areas for development, the bank sets clear quality targets and frequently assesses its performance in relation to them. With this rigorous approach, MBL has a solid base for ongoing development and may look for ways to enhance its products and services (MBL, 2019). By continuously comparing performance against quality targets, MBL may proactively make the necessary changes to enhance the quality and reliability of its solutions. Customers are happier than ever because the bank continues to prioritize quality (MBL, 2019). The MBL quality management system (QMS) serves as the operational foundation for the bank and offers a clear structure for continuing development. This systematic strategy ensures that the bank consistently meets client needs and expectations while abiding by legal and regulatory standards, fostering reliability and confidence. MBL has a strict quality control system in place to ensure that its goods and services meet customer and legal standards. It establishes clear quality targets and evaluates performance against them, providing a solid foundation for ongoing development.

2.7 Industry and Competitive Analysis

Industry Analysis: Assess industry competitiveness using Porter's Five Forces analysis. To determine your competitive advantage, conduct a SWOT analysis.

2.7.1 Porter's Five Forces Analysis

Mercantile Bank Limited's industry competitiveness can be thoroughly examined using Porter's Five Forces framework. The following factors can be assessed:

2.7.1.1 Threat of New Entrants

To determine the potential threat, consider the barriers to entry, such as regulatory requirements, economies of scale, and brand loyalty.

2.7.1.2 Bargaining Power of Suppliers

Consider the barriers to entry, such as regulatory requirements, economies of scale, and brand loyalty, when determining the potential threat.

2.7.1.3 Bargaining Power of Buyers

Analyze the bargaining power of MBL's customers, such as individuals, SMEs, and corporate clients, to determine their ability to negotiate terms, pricing, and the impact on customer acquisition and retention (MBL, 2019).

2.7.1.4 Threat of Substitute Products or Services

Identify and evaluate potential substitutes for MBL's products and services, such as fintech solutions, mobile payment platforms, and other non-banking financial services.

2.7.1.5 Intensity of Competitive Rivalry

To understand the intensity of competitive rivalry faced by MBL, assess the level of competition within the banking industry, taking into account factors such as the number and size of competitors, product and service differentiation, pricing strategies, and market share.

2.7.2 SWOT Analysis

SWOT analysis highlights the internal strengths and weaknesses of MBL, along with external opportunities and threats that the bank faces. By leveraging its strengths, addressing weaknesses, capitalizing on opportunities, and mitigating threats, MBL can position itself for sustained growth and competitiveness in the banking industry.

Strengths	Weaknesses
1. Strong Brand Reputation	1. Limited International Presence
2. Extensive Branch Network	2. Reliance on Traditional Banking Models
3. Technological Capabilities	3. Regulatory Compliance Challenges
4. Experienced Workforce	4. Limited Product Diversification
5. Customer Loyalty	5. High Operating Costs

Table 2 Strengths and Weaknesses of MBL

Opportunities	Threats
1. Emerging Digital Banking Trends	1. Intense Competition
2. Growing Demand for Financial Services	2. Changing Regulatory Environment
3. Expansion into Untapped Markets	3. Economic Instability
4. Collaborations and Partnerships	4. Technological Disruption
5. Increasing Focus on CSR and Sustainability	5. Cybersecurity Risks

Table 3 Opportunities and Threats of MBL

We can gain insights into Mercantile Bank's industry competitiveness, market position, and the factors that contribute to its competitive advantage by conducting a thorough Porter's Five Forces analysis and SWOT analysis.

Mercantile Bank can assess its industry competitiveness using Porter's Five Forces analysis. This analysis evaluates the threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products or services, and intensity of competitive rivalry. A SWOT analysis is conducted to identify common strengths, imitable strengths, and distinctive strengths, which contribute to MBL's competitive position in the market. Core strengths include a strong brand reputation, extensive branch network, experienced workforce, technological capabilities, and customer loyalty. Imitable strengths include efficient operational processes, customer service excellence, and product offerings.

Distinctive strengths include exclusive partnerships, innovative products or services, strong customer relationships, or specialized expertise in a particular market segment. By conducting a thorough Porter's Five Forces analysis and SWOT analysis, MBL can gain insights into its industry competitiveness, position in the market, and the factors that contribute to its competitive advantage.

Briefly, MBL can assess its industry competitiveness using Porter's Five Forces analysis and SWOT analysis. Porter's Five Forces evaluates the threat of new entrants, bargaining power of suppliers, buyers, substitute products or services, and intensity of competitive rivalry. SWOT analysis identifies common strengths, imitable strengths, and distinctive strengths.

2.7 Conclusion

This chapter provides a comprehensive overview of Mercantile Bank Ltd., encompassing its background, financial performance, services, and strategic goals. In addition to offering conventional deposit and credit services, the bank has embraced digital banking, catering to evolving customer preferences. To ensure efficient operations, The bank employs a robust operations management and information system, including a quality management system, core banking system, customer relationship management software, and online/mobile banking platforms. As a prominent player in the banking industry, the bank prioritizes client satisfaction and remains committed to continuous development, reflecting its dedication to delivering exceptional financial services.

2.8 Recommendation

Based on the challenges faced by MBL in its digital transformation journey, here are a few recommendations to help the bank address these challenges and ensure the success of its digital initiatives:

Strengthen International Presence: To diversify its revenue sources and lessen reliance on the home market, MBL should concentrate on growing its activities in other countries. This can be accomplished by strategic alliances, purchases, or opening up branches in important global financial centers.

Enhance Product Diversification: MBL should evaluate the diversity of its product offering and identify potential new markets in order to respond to the shifting needs of its customers. This can include developing new financial products, investigating niche markets, and entering areas like wealth management, insurance, or investment banking.

Reinforce Regulatory Compliance: To ensure rigorous adherence to regulatory obligations and proactively keep track of regulatory changes, MBL should create a dedicated regulatory compliance team. This includes spending money on training and resources to stay current on compliance requirements and reduce the chance of fines or reputational harm.

Focus on Cost Optimization: Without sacrificing the caliber of services, MBL should evaluate its operational costs and pinpoint areas for optimization. Internal process simplification, using technology to automate labor-intensive operations, and putting in place effective risk management procedures can all contribute to this.

Chapter III: THE ASSESSMENT

3.1 Introduction

Digital transformation is crucial for today's organizations, notably in the banking sector. In this regard, Mercantile Bank (MBL), a private commercial bank in Bangladesh, has made substantial progress. MBL has improved customer service, streamlined processes, and contributed to economic growth by leveraging technology. The bank has embraced innovation through its digital activities in order to meet the increasing demands of the digital era and position itself as an industry leader.

MBL has been investing in several digital projects to transform its business, including card-based payments, internet banking, and mobile banking. The bank has created a mobile application that enables users to carry out a variety of financial tasks, including, among others, account opening, fund transfers, and bill payment. A platform for Internet banking has also been introduced by the bank, providing convenient and safe access to account information and transactional services.

Additionally, MBL has deployed a number of digital solutions to improve its internal procedures, including the digitalization of documents, automation of back-end procedures, and the installation of a customer relationship management (CRM) system. A data analytics system has also been put in place by the bank to offer insights into consumer behavior and preferences, which can help with decision-making and enhance customer care.

MBL has enhanced its digital presence through strategic partnerships with fintech startup (Nagad), allowing it to offer innovative digital products and services to its clients. In partnership with payment gateways, the bank offers online payment solutions. It has also partnered with mobile financial service providers to extend its services to underbanked and unbanked communities. These initiatives have benefited MBL's digital shift, allowing it to better service a broader client base and satisfy increasing digital-age expectations.

MBL has positioned itself to offer clients innovative and practical banking services, boosting service quality and aiding corporate growth through its digitization methods. The bank's proactive stance allows it to capitalize on emerging digital solutions, allowing it to remain competitive and strengthen its position as the leading bank in Bangladesh. As technology advances, MBL is well-prepared to harness new digital tools, ensuring that it remains at the forefront of the industry and meets the increasing needs of its clients.

3.2 Research Question

The purpose of this study is to identify the critical factors driving Mercantile Bank's successful digital transformation and to investigate their impact on customer satisfaction and overall business performance. So, the broad research question is:

“What are the key factors influencing Mercantile Bank Limited's successful digital transformation and its impact on customer satisfaction and business performance?”

This study examines the organizational culture, customer experience, and technological implementation as they relate to MBL's digital transformation and their effects on client satisfaction and financial performance. It directs a thorough investigation into the bank's process of digital transformation.

3.3 Purpose and Significance

In this study, key determinants of Mercantile Bank's digital transformation are identified, along with their effects on client happiness and company performance. It examines organizational culture, customer experience, and technology implementation. The findings have implications for MBL and other banks dealing with changes in the digital economy, highlighting the value of investing in digital infrastructure and expertise to improve customer experience. The study also illustrates the benefits and difficulties of banking's digital transition. For a thorough assessment, additional study using bigger sample sizes and a variety of data sources is advised.

3.4 Research Outcome

The results of the study show that Mercantile Bank has advanced considerably on its path toward digital transformation. The digital infrastructure and technological capacities could still use some work, though. To remain competitive and satisfy customer expectations in the quickly changing digital market, MBL must embrace digitalization. The report emphasizes the importance of investing in digital infrastructure and skills to improve customer experience as well as the advantages and difficulties of digital transformation in the banking sector.

For MBL and other banks looking to successfully manage digital transitions, the research findings are helpful. Further study with larger sample sizes and a range of data sources is urged for a more thorough evaluation of the results of the digital transformation.

3.5 Research Methodology

This study uses a mixed-methods research design to evaluate MBL's digital transformation. An interview with the manager of operations at MBL was used to gather primary data, which gave important insights into the bank's digital transformation plans, strategies, and obstacles. A customer survey was done with a focus on customer happiness, usage patterns for digital services, benefits perceived, and transition issues in order to assess the effect of the digital shift on the customer experience. A representative sample of MBL customers were given structured questionnaires to complete in order to collect data. To support and validate the results, secondary data from internet sources, such as MBL's official website and annual reports, were gathered in addition to the primary data. Primary and secondary data sources were combined to allow for a thorough examination of MBL's digital transformation that took into account both internal and external viewpoints. This study technique improves the validity and dependability of the conclusions, which helps to shed more light on Mercantile Bank's path toward digital transformation. Briefly, the study assesses Mercantile Bank's digital transformation using a mixed-methods research design, combining primary data from an operations manager interview and customer survey with secondary data from internet sources. This approach ensures validity and reliability in analyzing the bank's journey.

3.6 Data Collection

Several data gathering techniques were used to get the essential information on MBL's digital activities. The Operations Manager at MBL's Dhanmondi Branch, Fatema Saida Yasmin, was first interviewed. Insights into the current state of MBL's digital transformation journey, the prioritization of customer service, talent development initiatives, data security measures, personalized services, regulatory compliance, and future plans for development and growth were the main objectives of the interview.

Also, with the aid of coworkers, a Google Forms survey questionnaire was created and distributed to MBL's clients. Customers' opinions on their satisfaction levels, frequency of using digital services, perceived advantages and disadvantages of using MBL's digital services, customer service ratings, propensity to recommend the bank's digital services, perception of MBL's digital transformation in comparison to other banks, anticipated impact of digital transformation on their banking experience, and suggestions for improvement were sought after in the voluntary and anonymous survey.

In order to assure insightful information about MBL's digital transformation, both the survey and interview questions were carefully designed to include perspectives from both internal stakeholders and external customers. The survey was voluntary, which ensured open responses and improved the dependability of the information acquired.

3.7 Results and Analysis

This section provides insights from the interview with my on-site supervisor, highlighting the bank's advanced stage of digital transformation, prioritization of customer service, investment in talent development, commitment to data security, plans for personalized services, navigation of regulatory challenges, and future goals of continued development and growth.

3.7.1 Current Status of Mercantile Bank's Digital Transformation Journey

In order to successfully navigate its digital transformation journey, MBL lays a strong emphasis on employee happiness and talent development. In order to provide its workers with the fundamental digital skills they need and to promote a culture of ongoing learning and innovation, the bank takes proactive initiatives, such as offering thorough training programs. MBL is committed to fostering a supportive workplace culture that encourages work-life harmony and provides lots of possibilities for professional advancement. By putting money into its employees, MBL raises staff engagement and satisfaction, which has a knock-on effect on overall performance and the provision of top-notch customer service.

3.7.2 Prioritizing Customer Service and Ensuring Customer Satisfaction

MBL places a strong emphasis on customer service, understanding that exceptional experiences drive customer loyalty and satisfaction. The bank has implemented various measures to ensure prompt and efficient customer service, including the deployment of advanced customer relationship management (CRM) systems. These systems enable MBL to collect, analyze, and utilize customer data effectively, allowing for personalized services and tailored solutions that meet individual customer needs. Briefly, MBL prioritizes customer service, focusing on exceptional experiences for loyalty and satisfaction. Advanced CRM systems enable efficient data collection, analysis, and personalized solutions, ensuring efficient and effective customer service. In short, MBL prioritizes talent development, employee satisfaction in digital transformation journey, offering training programs, continuous learning, and positive work environment.

3.7.3 Investing in Talent Development and Boosting Employee Satisfaction

MBL has made significant investments in talent development and employee satisfaction, recognizing the importance of a skilled and motivated workforce in driving digital transformation. The bank provides extensive training programs to employees in order to equip them with the necessary digital skills, fostering a culture of continuous learning and innovation. Furthermore, MBL prioritizes creating a positive work environment, promoting work-life balance, and providing opportunities for career advancement, which leads to increased employee satisfaction and engagement.

3.7.4 Ensuring Data Security and Protecting Customer Information

Data security is critical in the digital age, and MBL prioritizes the protection of customer information. The bank has implemented robust security measures such as encryption protocols, multi-factor authentication, and regular security audits to protect customer data from potential threats. To maintain customer trust and confidentiality, MBL complies with industry regulations and adheres to stringent data protection standards.

3.7.5 Plans for Personalized Services to Customers

MBL identifies the growing demand for personalized banking services and has put in place strategic plans to meet this demand. The bank plans to use advanced analytics and artificial intelligence to gain a better understanding of customer preferences and behavior. MBL intends to improve the overall customer experience by analyzing customer data and patterns and developing tailored financial solutions, customized investment options, and personalized recommendations. In short, MBL plans to use advanced analytics and artificial intelligence to improve customer experience by developing tailored financial solutions.

3.7.6 Navigating Regulatory Challenges and Ensuring Compliance

As a financial institution, MBL works in a highly regulated industry. The bank remains committed to maintaining regulatory compliance and navigating industry challenges with care. MBL maintains a dedicated regulatory affairs department to stay on top of changing regulations, adapting its processes and systems proactively to meet regulatory requirements. MBL ensures that its digital transformation efforts are in line with industry regulations and best practices through continuous monitoring and compliance initiatives.

3.7.7 Future Plans and Goals for Continued Development and Growth

In terms of the future, MBL sees a future of continued development and growth as it embarks on its digital transformation journey. The bank plans to improve its digital infrastructure further, invest in emerging technologies, and expand its service offerings. In order to remain at the forefront of digital banking, MBL intends to deepen customer engagement, expand its customer base, and form strategic partnerships with fintech companies.

3.8 Survey Response Analysis

The customer survey was designed to gather useful information about their satisfaction levels, usage patterns, perceived benefits, challenges, and suggestions for improving the bank's digital services and transformation. Because participation was entirely voluntary and anonymous, honest responses were obtained. The survey results will aid in providing a thorough understanding of customer perspectives as well as actionable recommendations.

3.8.1 Duration of Clients with Mercantile Bank Limited

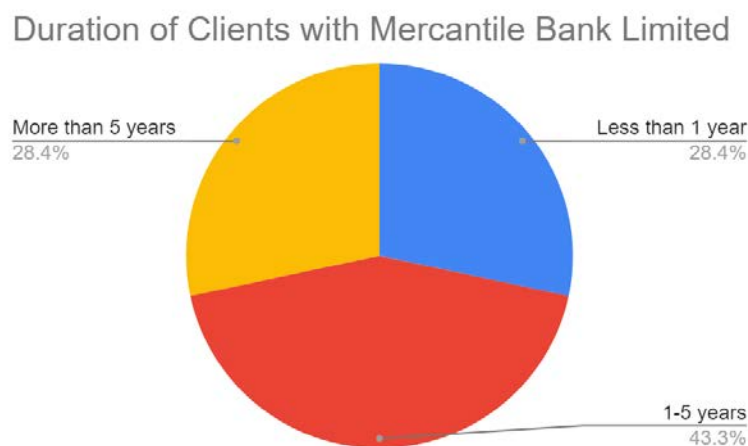


Figure 2 Duration of Clients with Mercantile Bank Limited

The data reveals that the majority of respondents, accounting for 42.90%, have been clients of Mercantile Bank for a duration of 1-5 years. This indicates a significant customer base that has maintained a relatively long-term relationship with the bank. The second largest group, comprising 28.10% of respondents, consists of clients who have been associated with the bank for less than 1 year, suggesting a steady influx of new customers. Another 28.10% of respondents have been clients for more than 5 years, indicating a loyal customer base that has demonstrated a sustained relationship with the bank over an extended period.

3.8.2 Frequency of utilizing MBL's digital services

It provides an overview of the frequency at which respondents utilize Mercantile Bank's digital services. The data reveals important insights into customer engagement with the bank's digital offerings, which will be further analyzed to understand the impact of digital services on customer satisfaction and overall business performance.

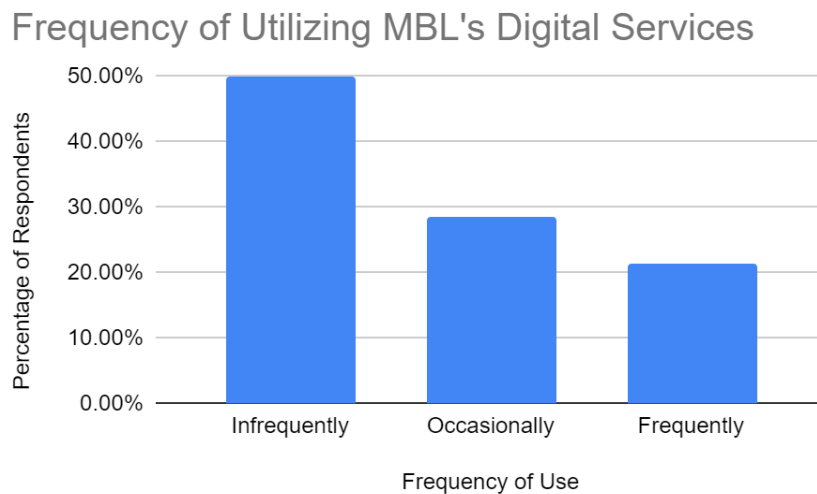


Figure 3 Frequency of utilizing MBL's digital services

Figure 3 displays the frequency with which respondents use Mercantile Bank Limited's digital services. Infrequently, 50% of respondents used the bank's digital services, while 28.6% used them occasionally. A smaller but significant proportion of respondents, 21.4%, reported frequently using digital services. According to this distribution, a sizable proportion of customers continue to use traditional banking methods or have not fully embraced the bank's digital offerings. Understanding the reasons for the varying usage frequencies can help MBL tailor their digital services to better meet the needs and preferences of their customers.

3.8.3 Customer Satisfaction with MBL's Digital Services

It displays respondents' satisfaction levels with MBL's digital services. The scale runs from "Very Dissatisfied" to "Very Satisfied". (PTO)

Customer Satisfaction with MBL's Digital Services

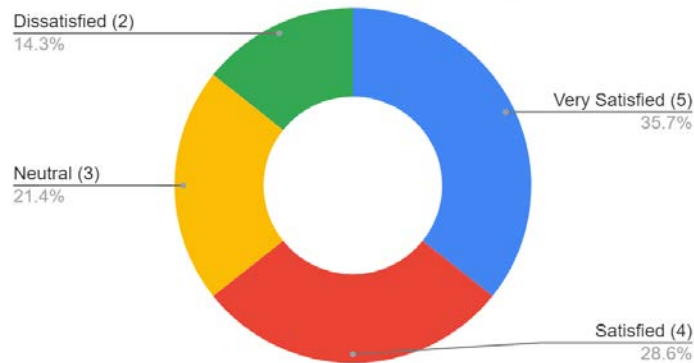


Figure 4 Customer Satisfaction with MBL's Digital Services

Figure 4 depicts customer satisfaction ratings for Mercantile Bank Limited's digital services. The majority of respondents, 35.7%, were very satisfied with the bank's digital services, while 28.6% were satisfied overall. A sizable proportion (21.4%) of respondents expressed neutral satisfaction. Respondents who were dissatisfied made up 14.3% of the sample, but none reported being extremely dissatisfied. Customers have a generally positive perception of MBL's digital services, according to these findings. The proportion of neutral and dissatisfied responses, on the other hand, indicates the need for continuous improvement in order to increase customer satisfaction and address any areas of concern.

3.8.4 Advantages of MBL's Digital Services

The following figure provides an overview of the advantages reported by respondents regarding Mercantile Bank Limited's digital services.

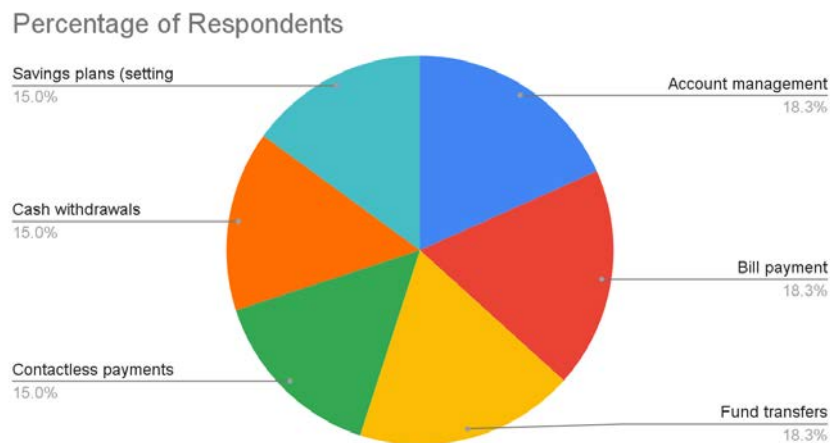


Figure 5 Advantages of MBL's Digital Services

Figure 5 conveys respondents' perceptions of the benefits of Mercantile Bank Limited's digital services. Account management, bill payment, and fund transfers (RTGS/BEFTN) are the top three benefits mentioned by 78.6% of respondents. Contactless payments, cash withdrawals, and savings plans (setting goals and tracking progress) were cited by 64.3% of respondents as significant benefits. Customers value the convenience and efficiency of MBL's digital services, particularly in managing accounts and conducting transactions, according to these findings. The growing popularity of contactless payments reflects a growing preference for frictionless banking experiences. These insights can help MBL improve customer-centric digital services and meet changing customer needs.

3.8.5 Assessment of Customer Service and Support for Digital Services

Following chart provides an overview of the respondents' ratings for the customer service and support provided by Mercantile Bank Limited for its digital services.

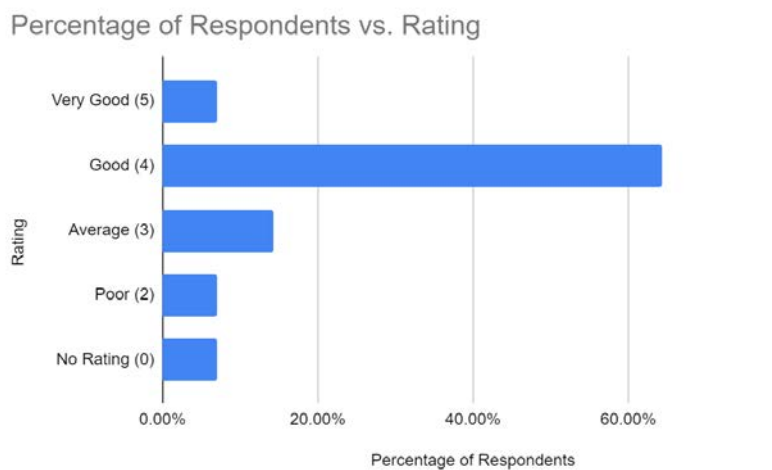


Figure 6 Assessment of Customer Service and Support for Digital Services

Figure 6 shows how respondents rated Mercantile Bank Limited's customer service and support for its digital services. The majority of respondents, 64.3%, thought the customer service and support were excellent. A smaller proportion of respondents, 14.3%, thought the service was average. 7.1% of respondents reported both poor and very good ratings, while another 7.1% did not provide a rating. These findings suggest that there is room for improvement in terms of customer service and support for digital services, with a sizable proportion of customers expressing satisfaction but also identifying areas for improvement.

Addressing customers' concerns and suggestions can help MBL improve their customer service and support, leading to an overall improvement in digital service.

3.8.6 Likelihood of Recommending MBL's Digital Services

The graph below depicts respondents' willingness to recommend Mercantile Bank Limited's digital services to others. The probabilities range from very likely (5) to very unlikely (1), with a neutral category included (3). This figure enables us to gauge customer satisfaction and the likelihood of customers advocating for MBL's digital services.

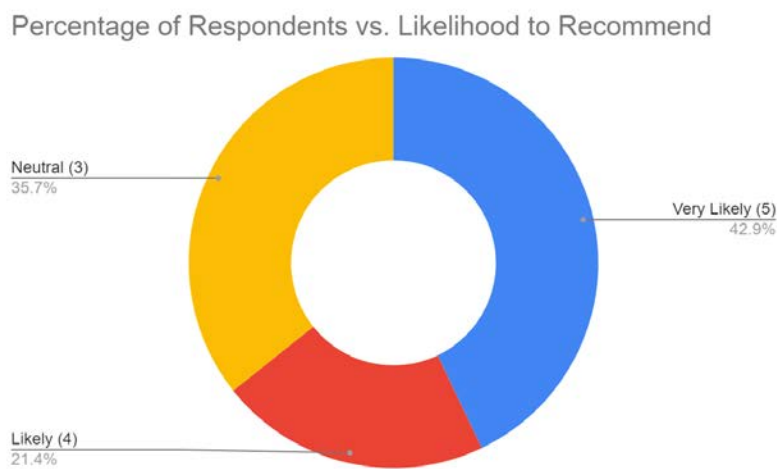


Figure 7 Likelihood of Recommending MBL's Digital Services

Figure 7 shows respondents' willingness to recommend Mercantile Bank Limited's digital services. The likelihood of recommending is scaled from 1 (very unlikely) to 5 (very likely) (very likely). 42.9% of those polled said they would strongly recommend digital services, while 21.4% said they would. A sizable proportion of respondents, 35.7%, were unsure whether they would recommend. There were no respondents who said they would be extremely unlikely or unlikely to recommend it. These findings suggest that customers are likely to recommend MBL's digital services, which can contribute to organic growth and potential new customer acquisition through positive word-of-mouth.

3.8.7 Comparison of MBL's Digital Transformation with Other Banks

The bar chart illustrates how respondents perceive Mercantile Bank's digital transformation in comparison to other banks. It divides the responses into four categories: better, the same, worse, and no comment. This graph provides a comprehensive overview of MBL's digital

transformation efforts in comparison to its banking industry competitors. By analyzing the distribution of responses across these categories, valuable insights into the perceived market position of MBL's digital transformation can be gained.

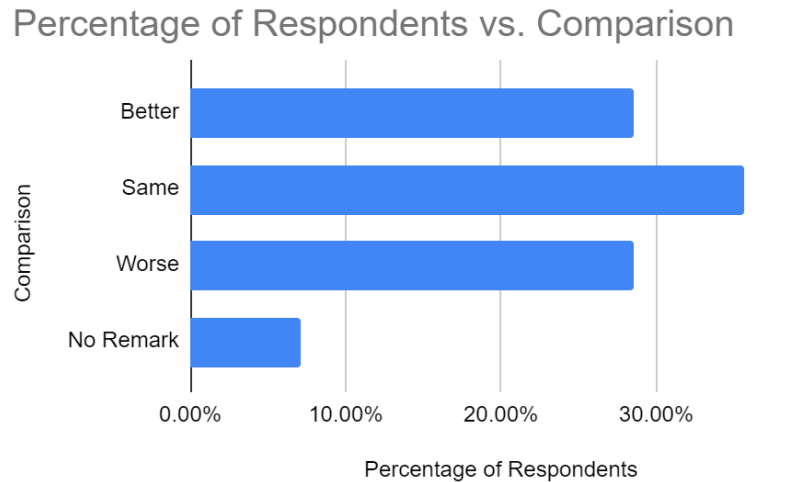


Figure 8 Comparison of MBL's Digital Transformation with Other Banks

Figure 8 portrays respondents' perspectives on Mercantile Bank Limited's (MBL) digital transformation in comparison to other banks. 28.6% of respondents thought MBL's digital transformation was better than other banks, while 28.6% thought it was worse. A sizable proportion, 35.7%, thought MBL's digital transformation was on par with other banks. A small proportion, 7.1%, made no comment. These findings highlight the disparities in customer perceptions of MBL's digital transformation efforts. While some customers believe MBL is at the forefront of digital innovation, others believe there is room for improvement. Analyzing the reasons for these perceptions can provide valuable insights for MBL to improve their digital offerings and competitiveness in the banking industry.

Aside from that, the respondents exhibit a wide range of expectations and recommendations for the bank's digital transformation. Improved convenience and accessibility, improved efficiency and faster transactions, and more personalized and tailored services are among the common themes that emerge. To meet these expectations, it is suggested that fintech services be expanded, cyber security measures be strengthened, more personalized services be provided, and processes and operations be automated (see: [Recommendation](#)). Furthermore, both customers and employees must be educated on digital services and transformation. It is also worth noting that some respondents place a premium on increased security and fraud prevention.

3.9 Statistical Analysis

The statistical analysis performed in this report examines the mean frequency of use of digital banking services among various age groups. The significance of differences in usage patterns is investigated using an ANOVA test, yielding valuable insights into the impact of age on digital banking adoption. Here are the hypotheses:

Null Hypothesis (H_0): There is no significant difference in the mean frequency of use of digital banking services among different age groups.

Alternative Hypothesis (H_A): There is a significant difference in the mean frequency of use of digital banking services among different age groups.

3.9.1 Data Collection

A survey of users of digital banking services across different age groups was undertaken for the statistical analysis in the evaluation of Mercantile Bank's digital transformation. With [Google Forms](#), the survey's questions were intended to collect pertinent information. Participants were asked to provide information about their age group, how frequently they used digital banking services during a typical week, the volume of transactions they made on a monthly basis, how frequently they logged in to check their account balance or review transactions, how frequently they used the services to apply for financial products or send money, and how frequently they accessed personalized financial insights or recommendations. So, the survey analyzed digital banking service usage patterns, transaction volumes, and preferences, providing quantitative data for a comprehensive assessment of MBL's digital transformation and impact on different age groups.

3.9.2 Procedure

The Survey Answer Sheet has undergone analyzed ([Google Sheet](#)). I initially established a score for each response option to the survey questions (see: [Scoring sheet](#)). I then assigned ratings to my survey replies using the "Vlookup" function and computed the average or mean score (see: [Calculation Sheet](#)). I then divided the average scores into age groups using the "Filter" feature (see: [Calculation Sheet](#)). Finally, I conduct the One-way ANOVA Test using "XLMiner Analysis Toolpak" (see: [ANOVA Test Sheet](#)). I'll now go through the ANOVA test result, give a quick interpretation, and discuss how it relates to my report.

3.9.3 ANOVA Test

Anova: Single Factor

SUMMARY					
Groups	Count	Sum	Average	Variance	
18-24 years	9	5	0.5556	0.2778	
25-34 years	13	49	3.7692	0.5256	
35-44 years	18	67	3.7222	1.1536	
45-54 years	9	7	0.7778	0.1944	
55 and above	5	2	0.4	0.3	

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	130.1405	4	32.5351	51.5986	0.00	2.5611
Within Groups	30.8966	49	0.6305			
Total	161.0370	53				

Figure 9 ANOVA Test Result

The ANOVA test result indicates the statistical significance of differences in the mean frequency of use across age groups. The following is a breakdown of the outcome:

1. Source of Variation: This section provides information about the between-groups and within-groups variations.

- **Between Groups:** The sum of squares (SS) measures the variability between the means of different age groups. In this case, the between-group SS is 130.14 (approx.).
- **Within Groups:** The sum of squares (SS) measures the variability within each age group. In this case, the within-group SS is 30.90 (approx.).

2. Degrees of Freedom (df): The degrees of freedom indicate the number of values that are free to vary. In this case:

- df for Between Groups: 4 (Number of Age Groups - 1)
- df for Within Groups: 49 (Total Count - Number of Age Groups)

3. Mean Square (MS): The mean square is calculated by dividing the sum of squares by their respective degrees of freedom. The mean square for the between-groups variation is 32.5351 (approx.)

4. F-Statistic: The F-statistic is the ratio of the mean square between groups to the mean square within groups. It measures the difference in means between groups relative to the variability within groups. In this case, the F-statistic is 51.60 (approx.).

5. P-value: The p-value represents the probability of observing such extreme results if the null hypothesis (no significant difference between means) were true. In this case, the p-value is reported as 0, indicating strong evidence against the null hypothesis.

6. F Critical: The F critical value is the threshold value used to determine whether the F-statistic is statistically significant. In this case, the F critical value is 2.56 (approx.).

3.9.4 Interpretation

Based on the ANOVA test results, there is strong evidence to reject the null hypothesis (H_0), which states that there is no significant difference in the mean frequency of use across age groups. The p-value of 0 indicates that the observed differences in means are extremely unlikely to be due to chance. As a result, we can conclude that the mean frequency of use of digital banking services varies significantly across age groups.

Also, the F-statistic value of 51.60 (approx.) is much larger than the F critical value of 2.56 (approx.), further supporting the rejection of the null hypothesis.

3.9.5 Connecting Dots

The ANOVA test results provide strong evidence to support the transformative impact of MBL's digital initiatives on the frequency of digital banking service usage across different age groups. The observed significant differences in mean usage frequencies highlight the bank's digital transformation strategy's effectiveness in fostering distinct adoption patterns among various age demographics. It is critical for the bank to focus on educating and empowering aged customers (55 and older) about the benefits and convenience of digital banking services, such as the ability to check bank statements and conduct online fund transfers from the comfort of their homes. MBL can increase digital banking service adoption and usage by targeting this demographic and tailoring initiatives to their specific needs, thus maximizing the potential of its digital transformation efforts. These results demonstrate the bank's accomplishments in recruiting and retaining clients of all ages, reiterating the overall success and strategic importance of its digital transformation path. In conclusion, MBL's digital initiatives have a big impact on how banking services are used by people of all ages, encouraging adoption patterns and drawing in customers of all ages by focusing on older clients and personalizing programs.

3.10 Challenges

We discussed the difficulties Mercantile Bank was having with its digital transition during the interview session. To fulfill the expanding demand for digital services, there are many obstacles, one of which is the requirement for large investments in IT infrastructure. To ensure streamlined operations and minimal downtime, MBL must budget funds for cutting-edge technology, software, and network architecture. Investing in data protection strategies and keeping up with security best practices are necessary due to the importance of privacy and security as well as other critical concerns.

Ensuring accessibility for all clients, regardless of their level of technical skill, is a key extra issue in MBL's digital transition. MBL should give the creation of user-friendly digital services that are appropriate for older devices a priority to address this. The efficient and effective use of the bank's digital offerings will also be facilitated by investing in extensive client education and support initiatives.

The solution to these problems requires a thorough plan and dedication. MBL must spend money on IT infrastructure, give data security first priority, and provide customer service. My supervisor's interview provided valuable information that will be used to develop strategies to meet these problems and advance MBL's digital transformation.

As part of its digital transformation, MBL understands the importance of making investments in a solid IT infrastructure, strict data security procedures, and trustworthy customer support. By taking care of these issues, the bank will be able to handle the complexity of digital transformation and expand its digital services, creating a seamless and improved client experience. To ensure that its digital shift enhances and streamlines the customer experience, MBL must invest in IT infrastructure, data protection strategies, and customer support.

3.11 Conclusion

The findings of comprehensive research conducted to evaluate MBL's digital transformation efforts and their impact on customer satisfaction and business operations are presented in this paper. According to the findings, MBL has made significant progress in its digital transformation initiatives. However, The assessment also reveals that the bank's technological capabilities and digital infrastructure still have room for improvement.

The study helps us understand how banks adapt to the rapidly changing digital landscape by providing valuable insights into the benefits and challenges of digital transformation projects in the banking industry. It emphasizes the importance of embracing digitalization in order to remain competitive and meet customer expectations. The study's reliance on secondary data from the bank's official website and a small number of interviews is one of its limitations. This may have influenced the precision and depth of the findings, and future studies should include a larger sample size and a more diverse range of primary data sources for a more comprehensive assessment. To improve customer experience and maintain competitiveness in the digital era, MBL should invest in digital infrastructure and capabilities. Briefly, MBL should embrace digitalization to remain competitive and meet customer expectations.

3.12 Recommendation

Based on the findings of the research and considering the customer feedback or suggestions, the following are some recommendations for Mercantile Bank Limited to take into account:

- **Continue to invest in digital infrastructure:** MBL should focus on making investments in its digital infrastructure for better online and mobile banking services to sustain its competitiveness and enhance the client experience. This will retain current consumers and entice new ones because customized services and employee development further increase customer satisfaction.
- **Develop more personalized services:** The bank must create more specialized services in order to cater to the interests of various client groups. By using client data to deliver personalized offers and solutions, this can be accomplished. For instance, based on a customer's investment choices and risk tolerance, the bank may offer customized investment options.
- **Enhance cybersecurity measures:** As Mercantile Bank transforms digitally, it is critical to prioritize strong and efficient cybersecurity protocols. The transition introduces new risks and challenges, necessitating investments in cutting-edge cybersecurity systems. Furthermore, extensive training programs should be implemented to educate all employees on best practices, ensuring a strong defense against potential threats and protecting the integrity and security of digital banking services. Briefly, Investing in cutting-edge cybersecurity systems and training employees on best practices to protect digital banking services.

- **Focus on customer education:** MBL needs to put more effort into instructing its consumers on the advantages of digital banking and how to make use of its digital channels. This can be accomplished via various communication methods, including in-person interactions, social media, email, and SMS.
- **Keep up with industry best practices:** The bank can implement industry best practices and keep implementing new ideas and technology to stay one step ahead of the competition. It should assess each digital move that competing banks initiate, and update its digital platforms as soon as possible.
- **Measure the impact of digital transformation:** MBL may periodically review and evaluate the outcomes of its digital transformation initiatives to identify areas that need to be improved and make decisions based on data. This would enable it to efficiently and effectively realize its goals for digital conversion. For instance, MBL may emphasize this transition's financial benefits in its annual report.
- **Expand fintech partnerships:** MBL should broaden its fintech partnerships beyond Nagad in order to remain competitive and grow. MBL can enhance digital offerings, elevate customer experience, enter new markets, and generate additional revenue by leveraging specialized expertise, technologies, and customer-centric solutions. Accepting fintech collaboration demonstrates MBL's commitment to innovation, meeting customer demands, and positioning itself as a foresighted institution.
- **Establish a digital transformation team:** To oversee and manage its digital projects, MBL may create a special team for digital transformation. The team should have employees with various abilities, such as software development, user experience design, and data analytics. This group will oversee the bank's digital transformation and make sure its digital channels continue to be user-friendly and competitive.
- **Initiate automation initiatives:** MBL has to figure out how to automate its procedures in order to increase output and decrease human error. The bank might enhance operations and free up workers for more value-added tasks by automating repetitive tasks like data input, document processing, and transaction reconciliation. Automating processes might improve operational effectiveness, cut costs, and speed up workflow, all of which would be advantageous to the bank's customers.

Chapter IV: BIBLIOGRAPHY

4.1 Appendices

Financial Performance:

Financial Metric	2022	2021	2020	2019	2018
Paid-up Capital	10,848.78	10,332.17	9,840.16	9,371.58	8,149.20
Shareholders' Equity	25,275.15	24,403.90	22,101.78	20,908.29	18,683.55
Deposits	294,060.00	270,557.43	245,265.71	262,961.05	243,643.42
Investments	60,561.00	62,397.89	48,953.71	49,755.98	38,977.94
Net Interest Income	8,600.64	7,482.80	6,203.98	6,018.82	5,158.56
Earnings Per Share (EPS)	2.32	3.68	3.7	3.01	1.88
Return on Average Assets	0.78%	1.09%	1.30%	1.15%	0.79%
Return on Average Equity	10.99%	16.55%	17.55%	13.78%	9.60%
Import	184,650.00	196,389.70	190,753.60	139,766.40	119,982.40
Export	163,152.30	158,307.70	134,752.90	113,035.20	94,027.10
Remittance (Inward)	35,239.10	35,943.00	29,976.40	24,048.20	19,003.20

Table 4 Financial performance of MBL (2018-22)

Financial Metric	2022-21	2021-20	2020-19	2019-18
Paid-up Capital	5.00%	5.00%	5.00%	15.00%
Shareholders' Equity	3.57%	10.42%	5.71%	11.91%
Deposits	8.69%	10.31%	-6.73%	7.93%
Investments	-2.94%	27.46%	-1.61%	27.65%
Net Interest Income	14.94%	20.61%	3.08%	16.68%
Earnings Per Share (EPS)	-36.96%	-0.54%	22.92%	60.11%
Return on Average Assets	-28.44%	-16.15%	13.04%	45.57%
Return on Average Equity	-33.60%	-5.70%	27.36%	43.54%
Import	-5.98%	2.95%	36.48%	16.49%
Export	3.06%	17.48%	19.21%	20.22%
Remittance (Inward)	-1.96%	19.90%	24.65%	26.55%

Table 5 Financial growth rates of MBL (2018-22)

Interview Questionnaire

1. Could you please highlight the current status of Mercantile Bank's digital transformation journey?
2. How does Mercantile Bank prioritize customer service and ensure customer satisfaction?
3. What steps has Mercantile Bank taken to invest in talent development and boost employee satisfaction?
4. How does Mercantile Bank ensure data security and protect customer information in the digital age?
5. Could you share any plans or initiatives that Mercantile Bank has in place to offer more personalized services to customers?
6. How does Mercantile Bank navigate regulatory challenges and ensure compliance with industry regulations?
7. Could you speak to any future plans or goals that Mercantile Bank has in terms of continued development and growth?

Survey Questionnaire (Statistical Analysis)

1. Which age group do you belong to?
2. How frequently do you use digital banking services in a typical week?
3. On average, how many transactions do you conduct through digital banking services in a month?
4. How often do you log in to your digital banking account to check your account balance or review transactions?
5. How frequently do you use digital banking services to make bill payments or fund transfers?
6. How often do you use digital banking services to apply for financial products, such as loans or credit cards?

7. How frequently do you use digital banking services to access personalized financial insights or recommendations?

[Survey Questionnaire](#)

1. How long have you been a customer of Mercantile Bank Limited?

2. How often do you use the bank's digital services (e.g., online banking, mobile app, etc.)?

3. How satisfied are you with the bank's digital services on a scale of 1 (very dissatisfied) to 5 (very satisfied)?

4. What are the main benefits of using the bank's digital services for you?

5. What are the main challenges or difficulties of using the bank's digital services for you?

6. How do you rate the bank's customer service and support for its digital services on a scale of 1 (very poor) to 5 (very good)?

7. How likely are you to recommend the bank's digital services to others on a scale of 1 (very unlikely) to 5 (very likely)?

8. How do you perceive the bank's digital transformation compared to other banks in the market?

9. How do you think the bank's digital transformation will affect your banking experience in the future?

10. What suggestions or feedback do you have for the bank to improve its digital services and transformation?

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