

Report On
Digitalization of Banks and Risk Management of CMSME in City
bank

By

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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
August, 2023

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing 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.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

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Letter of Transmittal

Riyashad Ahmed
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BRAC University
66 Mohakhali, Dhaka-1212

Subject: Submission of Report on 'Digitalization of Banks and Risk Management of CMSME in City Bank'

Dear Sir,

I hope this letter finds you in good health. I am writing to submit my report titled 'Digitalization of Banks and Risk Management of CMSME in City Bank' as an obligation for my BBA studies at BRAC University.

This research analyzes digitalization's impact on the banking industry, focusing on City Bank's CMSME risk management measures. This study examines how digital technologies improve risk management in this market area.

Your feedback helped shape the report. The included report meets all requirements, and I eagerly await your feedback to improve my understanding. Thank you for your guidance.

Sincerely yours,

Md.Hasibul Alam

Student ID: 19304076

BRAC Business School

BRAC University

Date: September 20th, 2023

Non-Disclosure Agreement

[This page is for Non-Disclosure Agreement between the Company and The Student]

This agreement is made and entered into by and between “The City Bank” and the undersigned student at Brac University.....

Acknowledgement

To begin, I want to express my heartfelt gratitude to the Almighty for keeping me safe and well throughout this journey. With Allah's (SWT) help, I was able to finish this report.

I'd want to thank my internship supervisor, Mr. Riyashad Ahmed, for all of the helpful advice, critique, and direction he gave me as I wrote this paper. He generously took time out of his busy schedule to provide me with the necessary support throughout the entire report-writing process. Without his assistance, this report would not have been as comprehensive as it is.

I also want to extend special thanks to my onsite supervisors, Mr. Biplob Kumar Mondal and Mr. Tanvir Shawkat. Their willingness to share essential information greatly contributed to the meaningful content of this report.

Lastly, I am deeply thankful to all those who motivated me, shared crucial information, and provided feedback on my work. Your support has been instrumental in the successful completion of this report.

Executive Summary

This internship report encapsulates a comprehensive overview of a BBA (Finance) internship undertaken by Md. Hasibul Alam at The City Bank Limited (CBL) from June 1, 2023, to August 30, 2023. It encompasses an exploration of CBL's digitalization strategies, the impact of digitalization on Cottage, Micro, Small & Medium Enterprises (CMSMEs), and the associated risk management practices.

Md. Hasibul Alam's contributions to CBL, such as involvement in the "Score Card Based Lending" project, highlight the tangible benefits of the internship experience. The report elucidates the significant role played by CMSMEs in Bangladesh's economic growth and the challenges they face, setting the stage for an in-depth analysis of CBL's digitalization efforts.

CBL's digitalization journey, including the adoption of cutting-edge technologies and enhanced customer services, is examined. The report underscores the challenges encountered, including IT infrastructure limitations and cybersecurity concerns, while emphasizing the bank's proactive approach to address these issues.

Effective risk management practices are crucial for CMSMEs, and CBL's methods for assessing creditworthiness are discussed. The report culminates in a set of recommendations to further strengthen CBL's digitalization initiatives and risk management strategies, ultimately benefitting CMSMEs and the bank itself.

This report serves as a valuable resource for understanding the dynamic relationship between digitalization, risk management, and the CMSME sector in the context of Bangladesh's evolving financial landscape.

Keywords: BBA internship, The City Bank Limited, digitalization, risk management, CMSMEs, SME, SMESPD financial services, Bangladesh, digital transformation, creditworthiness, technology adoption, economic growth, cybersecurity, digital banking, financial inclusion, customer services, IT infrastructure, challenges, proactive approach, data analytics, AI, digital literacy, financial management.

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List of Acronyms

CBL	City Bank Limited
CMSME	Cottage, Micro, Small & Medium Enterprises
CSR	Corporate Social Responsibility
HRPP	Human Resource Planning Process
RM	Risk Management
IT	Information Technology
CRN	Customer Relationship Management
OCR	Optical character recognition

Chapter 1 Overview of Internship

1.1 Student Information

Md.Hasibul Alam, ID: 19304076, BBA (Finance)

1.2 Internship Information:

1.2.1 June 1,2023 to August 30, 2023; The City Bank Limited; Credit, Small Business, Palmal Tower, Plot No.55, Gulshan Avenue, Gulshan-1, Dhaka- 1212.

1.2.2 Internship Company Supervisor's Information: Mr. Biplob Kumar Mondal; Head of Credit, Small Business.

1.2.3 Job Scope – Intern. As an intern my responsibilities were to assist credit analysts with their day-to-day task, preparing database for upcoming projects, compiling departmental bills, observing errors in loan assessment sheets, communicating with analysts at actual, assisting data scientist, etc.

1.3 Internship Outcomes:

1.3.1 Student's contribution to the company

During my time working at the company one of the contributions I made was my involvement, in the "Score Card Based Lending" project. This project focused on creating a database that included assessment records for loans valued at 15 lacs and below over a five-year period. The main focus of the project was on traders with a portion dedicated to manufacturing and service-oriented businesses.

The main goal of the project was to lay the foundation for utilizing advancements in intelligence (AI) in customer evaluation. By organizing and categorizing historical

assessment data we aimed to enable AI systems to identify customer quality attributes. This would ultimately help provide informed ratings and empower analysts with faster decision-making capabilities supported by AI driven insights.

This strategic initiative aligns with the trend of integrating AI technologies across sectors. In addition to streamlining processes our goal was also to position our company as a leader in innovation, within the financial industry.

1.3.2 Benefits to the Student

During my time as an intern at City Bank, I found myself engaged in responsibilities that had defined boundaries. However, the environment at the bank provided me with the perfect platform to cultivate and refine essential leadership qualities. I was fortunate to be a part of various activities that focused on team dynamics, collaborative group projects, making prompt decisions, and honing my communication skills. These experiences have undoubtedly contributed significantly to shaping me as a better leader.

My involvement in the aforementioned project not only deepened my understanding of its objectives but also led me to enhance my proficiency with MS Excel. As I consistently worked with the MS Office suite, my command over its various programs grew, equipping me with a versatile skill set that I can carry forward.

The location of the bank's office proved to be serendipitous, allowing me to interact with diverse corporate professionals within the organization and beyond. This exposure granted me insights into the nuances of corporate culture, a departure from my previous organizational encounters and a valuable lesson in adaptability.

Through this internship, I imbibed essential values such as taking ownership, punctuality, and proactively seeking opportunities. These principles, imprinted through direct experiences, have left an indelible mark on my professional ethos.

On a broader scale, I gained a comprehensive understanding of the underwriting process that precedes financial approvals for both companies and individuals. This immersive experience not only expanded my knowledge horizons but also highlighted the pivotal role underwriting plays in curbing default risks and fraudulent activities.

These lessons collectively enriched my internship journey, arming me with practical skills and insights that extend beyond textbooks and hold relevance in the real world.

1.3.3 Problems/ Difficulties & Recommendations

During my tenure as an intern at The City Bank Limited, I had the privilege of witnessing the organization's unwavering commitment to fostering an atmosphere of open communication and support for its employees. This dedication to ensuring the well-being and comfort of its workforce is truly commendable and reflects the bank's exceptional ethos.

In the course of my internship, while The City Bank undoubtedly excels in many aspects, I did have the opportunity to identify some areas with potential for improvement. It is my sincere belief that even these minor issues can be addressed with the same level of dedication and excellence that the bank is known for:

- **Technological Advancement:** The use of more cutting-edge technologies, such as Python for data filtration in the SME sector, could potentially enhance efficiency and precision in data management.
- **Software Integration:** Exploring real-time integration of software tools like MS360, Spreadsheets, and MS Teams may further amplify collaboration and data sharing among teams, promoting seamless workflow.

- **Sustainability:** While acknowledging the necessity of physical documents for security, a conscientious examination of secure digital alternatives could contribute to a more sustainable approach, reducing paper consumption.

In light of The City Bank's sterling reputation and commitment to excellence, I have no doubt that these areas of enhancement will be met with the same dedication to improvement that characterizes the organization. Addressing these nuances will undoubtedly bolster the bank's standing as a paragon of innovation and efficiency in the financial sector.

Chapter 2 Organization Part

2.1 Introduction

2.1.1 Background of the Report

This section focuses at City Bank Limited (CBL) and its different operational facilities, and departments. The goal of this paper is to give an overview of how CBL works, what goods and services it offers, and what its goals are. The bank's way of leadership, recruitment, selection, pay, and evaluation will also be looked into. CBL's financial, operational, and marketing methods will be looked at to give an idea of how things are done now. The goal of the report is to look at CBL's business and its competitors to find potential problems and make suggestions.

2.1.2 Objective of the Study

This section aims to address the following objectives:

- To analyze the operational aspects of the City Bank Limited (CBL)
- To evaluate the management and marketing practices of CBL
- To evaluate the financial performance of CBL
- To evaluate the operational and informational practices of CBL
- To analyze the competitive edge of CBL through SWOT analysis
- To identify limitations, and provide recommendations to CBL to achieve efficient performance

2.1.3 Scope of the Study

This section will focus on the current operations of CBL to provide a comprehensive review of the organization and its competitive positioning in the banking sector of Bangladesh.

2.1.4 Methodology

Both primary and secondary data have been employed for this study. The primary source of data has been collected from the regular personnel of CBL and personal experience acquired from the internship. Alternatively, the secondary source of data has been collected from CBL's official websites, annual reports, and online resources.

2.1.5 Limitations of the Study

The study comprises of the following limitations:

- Acquiring and organizing the information was difficult because of CBL's confidentiality policy
- In addition, due to the CBL personnel's work schedules, the assigned time for the completion of the report to gather relevant information was insufficient for me to compile it properly.

2.2 Overview of the Organization

2.2.1 Overview of City Bank Limited (CBL)



Since its establishment in 1983, City Bank Limited (CBL) has evolved from a traditional business to a widely recognized, multi-faceted organization that follows the best practices

around the world and leads technology initiatives. CBL's criteria for success are both bottom-line metrics and steps on the way to becoming the most complete bank in Bangladesh. The Managing Director and CEO, Mashrur Arefin, and the Director, Aziz Al Kaiser, is currently operating the bank. With 133 offices and 4,866 employees, the bank serves nearly 1.7 million people in Bangladesh while the head office is located in Dhaka, (Overview, 2023). As per (Sultana et al., 2021), CBL has gone from being traditional to being modern by having 7 priority centers and 3 airport lounges and using best practices and technology from around the world. CBL is currently offering services for individuals, businesses, small and medium-sized businesses, and women along with providing licenses to Visa, MasterCard, and the only American Express card in Bangladesh which is the first credit card that can be used in two different currencies. In addition to that, CBL has also introduced its four subsidiary firms including- City Hong Kong Limited, City Brokerage Limited, and CBL Money transferred Sdn. Bhd., and City Bank Capital Resources Limited, ("Subsidiaries", 2023).

2.2.2 Mission, Vision & Values

Vision of CBL

“The Financial Supermarket with a Winning Culture Offering Enjoyable Experiences”,
(Vision, Mission, and Values, 2023)

Mission of CBL

According to (Vision, Mission, and Values, 2023), the Mission statement of CBL follows:

- Offer a wide array of products and services that differentiate and excite all customer segments
- Be the "Employer of choice" by offering an environment where people excel and leaders are created

- Continuously challenge processes and platforms to enhance effectiveness and efficiency
- Promote innovation and automation with a view to guaranteeing and enhancing excellence in service
- Ensure respect for the community, good governance, and compliance in everything we do

Values of CBL

According to (Vision, Mission, and Values, 2023), the values that CBL practices include:

- Result Driven
- Accountable & Transparent
- Courageous & Respectful
- Engaged & Inspired
- Focused on Customer Delight

2.2.3 Products & Services

Products and Services of CBL

As per (City Bank products, and services, 2023), currently City Bank is offering the following products and services to its customers:

- Accounts
 - Current/Easy Current/Easy Plus Account
 - Freelancer Solution
 - General Savings
 - Savings Delight

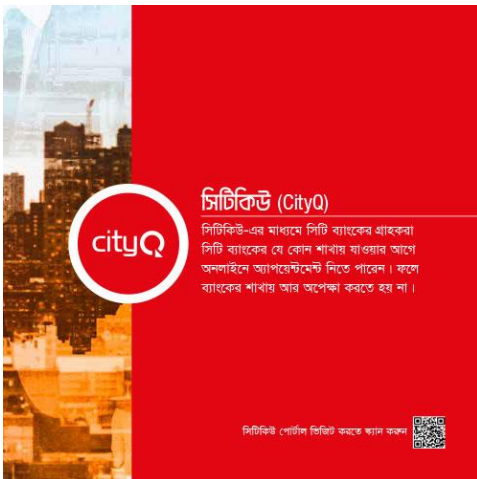
- High-Value Savings
 - New Born Savings
 - Senior Savings
 - Student Savings
 - Goal Based DPS
 - Insurance Backed DPS
 - Fixed Deposit/Monthly Interest paying
 - Fortune Transactional
 - RMG workers
 - Basic savings
 - NFCD
 - RFCD
 - FCY
- Loans
- Auto Loan/Second Hand
 - Personal Loan
 - Home Loan
 - Student Loan
- Cards





- American Express
- Visa
- Master
- UnionPay Gold Debit

➤ Digital Banking



- City Touch
- Ekhoni Account
- Smart IVR
- Credit card/Customer service portal
- City Live
- CityQ

- Wholesale Banking
 - Working Capital Finance
 - Trade Finance
 - Short/Mid-term Finance
 - Project Finance
 - Structured Finance
 - Supply Chain Finance
 - Cash Management
 - Investment Banking

- Priority Banking



- Citygem
 - Sapphire
- SME Banking
 - Employee Banking
 - Agent Banking
 - Treasury

- City Alo- Women Banking



CSR Activities of CBL

The City Bank Limited prioritizes the implementation of substantial, sustainable initiatives aimed at enhancing societal well-being. The company's corporate social responsibility (CSR) initiatives encompass a range of activities aimed at addressing various societal needs. These include implementing health programs, providing education to disadvantaged individuals, offering assistance for sports and cultural endeavors, doing projects related to disaster management, facilitating income generation for impoverished communities, assisting law enforcement agencies, promoting awareness about Down syndrome, and contributing to counter-terrorism operations, (Corporate Social Responsibilities, 2023).

2.3 Management Practices

2.3.1 Leadership Style of City Bank

According to (Dulewicz, and Higgs, 2005), the process in which the abilities and skills of the employees are utilized is not predetermined, but rather influenced by the leader's inherent personality characteristics. Thus, CBL demonstrates a tendency for employing a variety of

leadership approaches, as opposed to relying solely on one approach. This strategic decision enables them to leverage the benefits offered by various leadership styles, thereby ensuring the organization-wide implementation of optimal practices. CBL is currently practicing the following leadership styles:

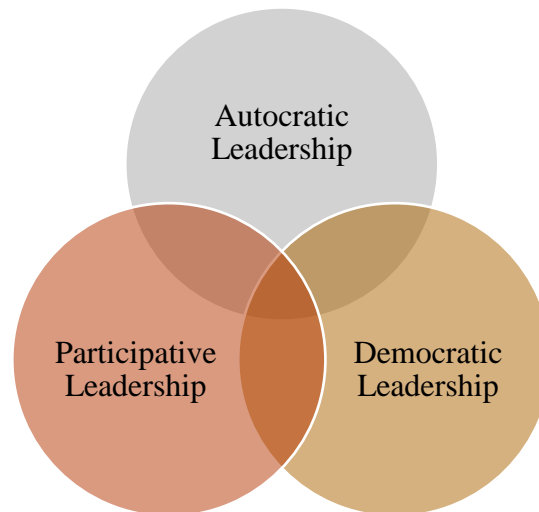


Figure 1: Leadership styles in CBL

Autocratic Leadership: This managerial approach is characterized by the transfer of responsibilities and assigning deadlines to employees, accompanied by the provision of certain strategies in order to facilitate favorable outcomes, (Nanjundeswaraswamy, and Swamy, 2014).

Democratic Leadership: The decision-making processes in CBL involve the collective participation of the entire department, wherein opinions can be expressed and considered where the leader demonstrates active listening skills, adapts techniques as needed, and ensures equitable consideration of all employee's contributions, (Nanjundeswaraswamy, and Swamy, 2014).

Participative Leadership: This leadership style employed by CBL in specific circumstances where workloads are substantial, leaders facilitate the empowerment of subordinates, granting them the autonomy to make decisions and carry out duties autonomously. This approach serves

to cultivate an environment conducive to encouraging creativity, (Nanjundeswaraswamy, and Swamy, 2014).

2.3.2 Human Resource Planning Process (HRPP) of City Bank

CBL primarily values its employees as key assets. Thus, their human resource planning is comprehensive, with the goal of finding and keeping the best employees. The process includes recruiting individuals who represent the company culture, anticipating workforce needs, creating succession plans, and assessing current employees' skills, (Suria, 2019).

2.3.3 Recruitment and Selection process

The HR department of CBL places great importance on recruitment and selection, as workers are vital to achieving organizational goals, (Lavinga, and Hays, 2004). The recruitment and selection process of CBL follows the following steps:

Job positions are mostly promoted on BD jobs, newspapers, LinkedIn, Facebook, and the bank's website. Then CVs are reviewed to remove individuals who haven't interviewed or tested. Except for senior officers, shortlisted candidates must pass a 45% written exam. Following that, a panel of HR executives, division representatives, and cross-functional division representatives' interviews shortlisted candidates. Furthermore, Successful interviewees conduct a Corporate Memory Management System background check to verify banking history and detect fraud. Candidates that pass all previous steps receive a job offer, possibly with compensation discussions.

The bank pays for medical exams for accepted candidates. Physically healthy people receive appointment letters. Later on, successful candidates receive appointment letters with

employment titles, grades, and salaries. Applicants offer two recommendations, including one from their educational institutions and former manager.

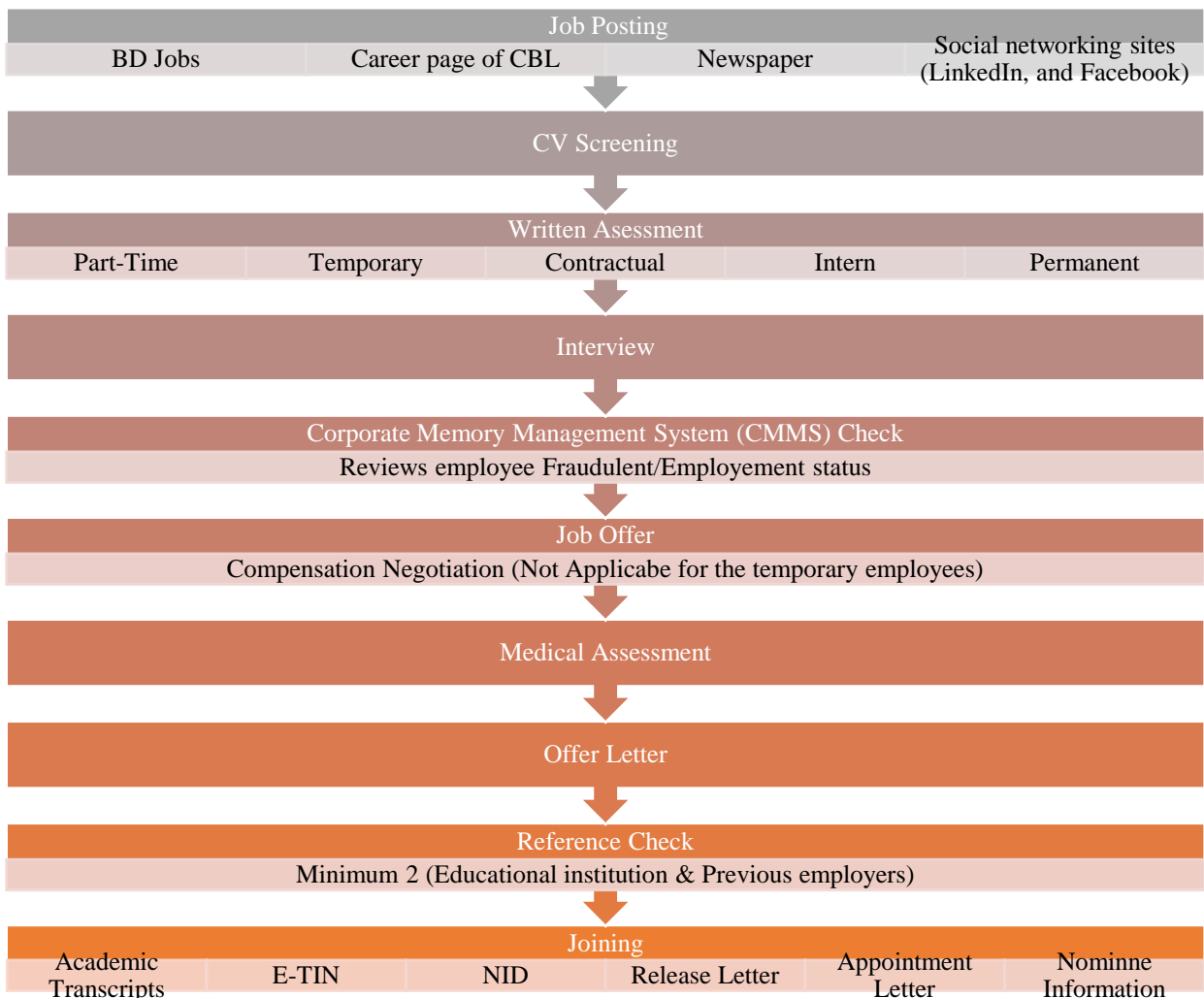


Figure 2: The Recruitment & Selection Process of CBL

On their first day, new hires must produce E-TIN, NID, academic transcripts, release and appointment letters, and nominee information where failure to present these documents may postpone joining.

2.3.4 Compensation system

CBL is committed to upholding a compensation and benefits policy that is characterized by flexibility, fairness, and competitiveness. The management team conducts frequent reviews of the pay scale to account for fluctuations in the cost of living and the competitive landscape of the banking sector. The initiation of the review process is undertaken by the HR department, while the management team assumes the responsibility of approving, rejecting, or making modifications to the recommendations. Subsequently, the ultimate approval is granted by the Board of Directors. The following structure is entitled to the permanent employees of CBL.

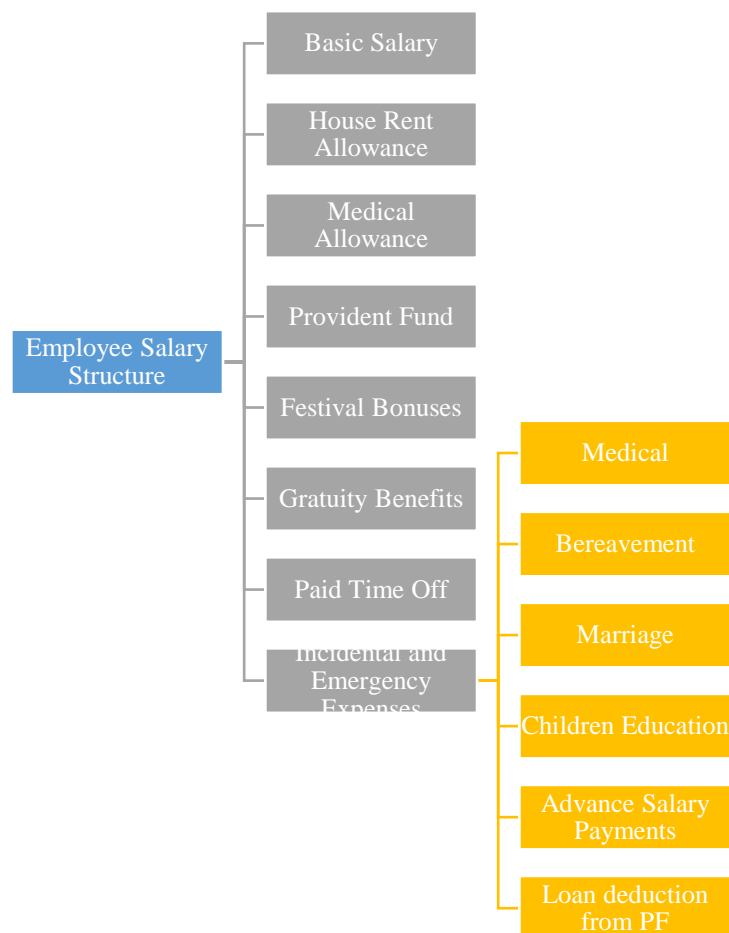


Figure 3: Compensation Structure of CBL

The Human Resources department is responsible for overseeing the management of confidential employee salary records, which are subject to stringent authorization criteria

established by the Managing Director in order to prevent unauthorized access where the individual responsible for HR Operations grants authorization for payroll and benefits via the Finacle software.

2.3.5 Training and Development Initiatives

CBL values its employees and prepares them for positions of leadership and promotion. Employees and the business in general gain from effective training, learning, and skill enhancement. Employee development needs are assessed at both the macro and local levels. The macro method identifies major development areas that affect the company's strategy. A "needs analysis matrix" facilitates interactions between divisional leadership and HR. Under the micro approach, annual performance reviews connect individual development needs with performance gaps and long-term career goals, which are typically determined by line managers, (Shourov et al., 2018).



Figure 4: Training & Development Techniques of CBL

2.3.5 Performance Appraisal System

CBL evaluates employee performance through performance appraisal with an aim for equitable development, promotion, and awards. It helps in the evaluation of training requirements, the provision of employee assistance for professional growth, the identification of individuals suitable for promotion, the facilitation of employment decisions, the identification of organizational challenges, and the assessment of overall organizational capacities, (Aggarwal et al., 2013).

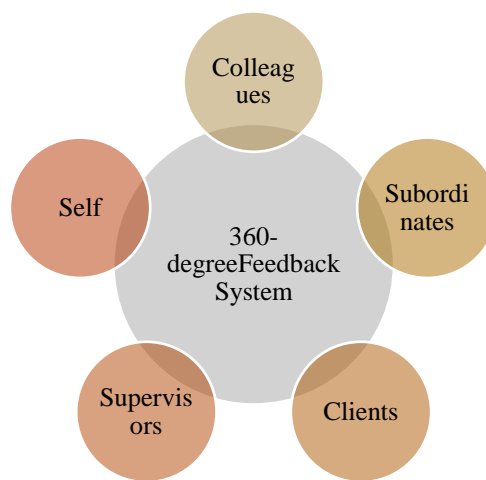


Figure 5: Performance Appraisal System of CBL

2.3.6 Organogram of City Bank

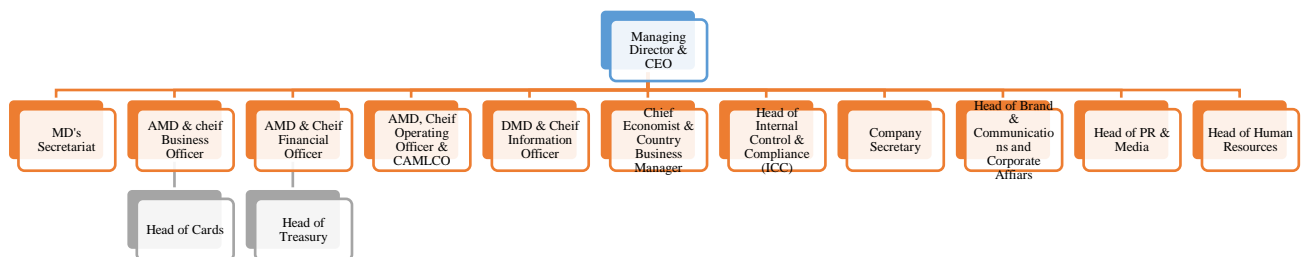


Figure 6: Organogram of CBL

2.4 Marketing Practices

2.4.1 Marketing strategy

CBL's brand and communications department is in charge of marketing activities and strategy development. This department is in charge of upholding and developing CBL's reputation as a reliable provider of financial services to the Bangladeshi clientele. The team collaborates relatively with other departments to develop business priorities and carry out brand strategy.

2.4.2 Target customers

CBL's target market is comprised of demographic aged 18 and above which includes entrepreneurs, working couples, and elders are all included. Due to their ability to pay, middle- to upper-income families are eligible for deposit and lending services. Despite the fact that the majority of the population lives in villages, banks choose urban and sub-urban areas as target destinations.

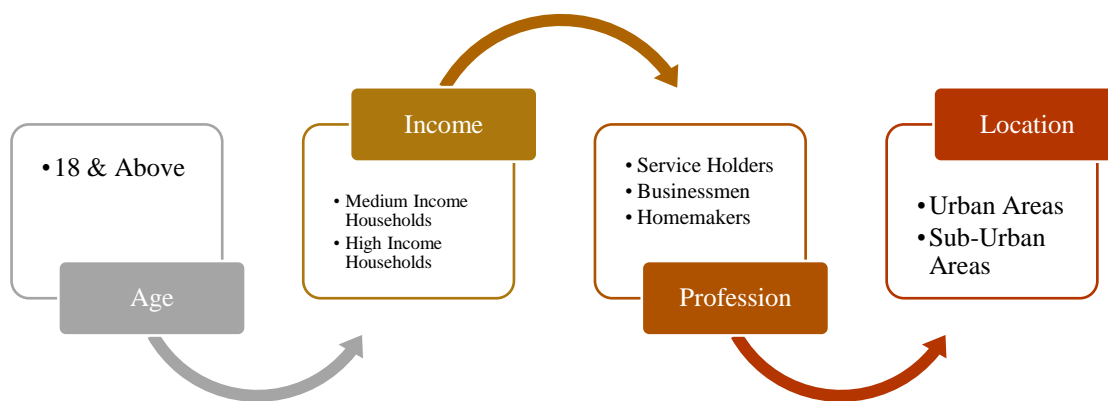


Figure 7: Target Demographic of CBL

2.4.3 Marketing Mix

The 4p's of CBL is going to be discussed below:



Product

Customers have the option to choose from a variety of City Bank products and services. These include Current, Easy Current, Easy Plus, Freelancer Solution, General Savings, Savings Delight, High-Value Savings, New Born Savings, Senior Savings, Student Savings, Goal-Based DPS, Insurance Backed DPS, Fixed Deposit, Monthly Interest Paying Accounts, Fortune Transactional Accounts, RMG Worker Accounts, Basic Savings, NFCD, RFCD, and FCY Accounts. Additionally, the bank provides auto, personal, property, and student loans. American Express, Visa, MasterCard, and UnionPay Gold Debit Cards are offered. City Bank provides additional digital banking services, including City Touch, Ekhoni Account, Smart IVR, Credit Card and Customer Service Portal, City Live, and CityQ. Wholesale banking services include Working Capital Finance, Trade Finance, Short/Mid-Term Finance, Project Finance, Structured Finance, Supply Chain Finance, Cash Management, and Investment Banking. The services provided by Priority Banking include Citygem, Sapphire, SME Banking, Employee Banking, Agent Banking, and Treasury.

Price

CBL aligns its interest rates with those of its competitors, with the objective of achieving pricing parity. In a market where price sensitivity is a significant factor, it is of utmost

importance to carefully consider pricing strategies, (Goi, 2009). Any deviation from an optimal pricing range, whether too high or too low, can have significant implications for a bank's client base and overall profitability.

Place

The bank employs a direct sales strategy, utilizing a network of 132 branches strategically located around the nation, thereby facilitating efficient access to its intended customer base.

Promotion

CBL leverages a diverse array of strategic methodologies for promotional purposes, encompassing advertising campaigns across many media platforms, sponsorship initiatives, and active engagement in various events, all aimed at augmenting the exposure and recognition of its brand.

2.4.4 Marketing channels

According to (Segetlija et al., 2011), marketing channel decisions must be made by business owners since they influence all other marketing decisions since manufacturing business units research trade companies in order to build and invent new channels. CBL is currently using the following marketing channels to promote their products and services and reach to a wider clientele in Bangladesh.

➤ Traditional Channels

- Television Advertisement
- Newspaper/Magazines
- Bill Board

➤ Digital Channels

- Website

- Social Media
- YouTube

2.4.5 Branding activities

CBL's leader of digital marketing oversees a committed team for its branding activities. This team conducts marketing for Facebook, YouTube, and Instagram. The search engine expert enhances SEO by planning content, links, and keywords. Content developers select and create website material. The social media manager develops and executes social media marketing and advertising campaigns for CBL. Additionally, the digital media strategist develops and implements an ongoing, tactical digital marketing strategy.

2.4.6 Advertising and Promotional strategies

CBL is intentionally positioning itself as a reliable financial institution catering to several generations of families in Bangladesh. This approach capitalizes on the emotional inclination of individuals in the country who prioritize familial savings. In order to accomplish this objective, CBL has implemented advertising campaigns across television and social media platforms, strategically highlighting its position as a bank that caters to several generations. In addition, the company is employing focused advertising strategies to recruit female consumers by marketing "City Alo," a banking service specifically designed for women. In addition, CBL provides enticing incentives on well-known products, so incentivizing users to utilize CBL's cards. These techniques are successful in promoting the bank and establishing a brand identity by catering to the individual needs and wishes of customers.

2.5 Financial Performance and Accounting Practices

2.5.1 Finance Performance

In this sector, an evaluation of the financial health, and position in the Bangladeshi banking industry will be carried out to determine CBL's financial performance using the CAMEL rating where the previous 3 years (FY 2020 to FY 2022) financial statements from annual reports of CBL will be used.

Capital adequacy

The CAR (FY2020-FY2022) of CBL can be computed through the following formula

$$CAR = \frac{\text{Total Capital}}{\text{Risk Weighted Assets}}$$

Table 1 CAR of CBL (Source: Annual Report of CBL, FY 2020, FY 2021, and FY 2022)

Year	2020	2021	2022
CAR	15.5%	14.2%	14.8%

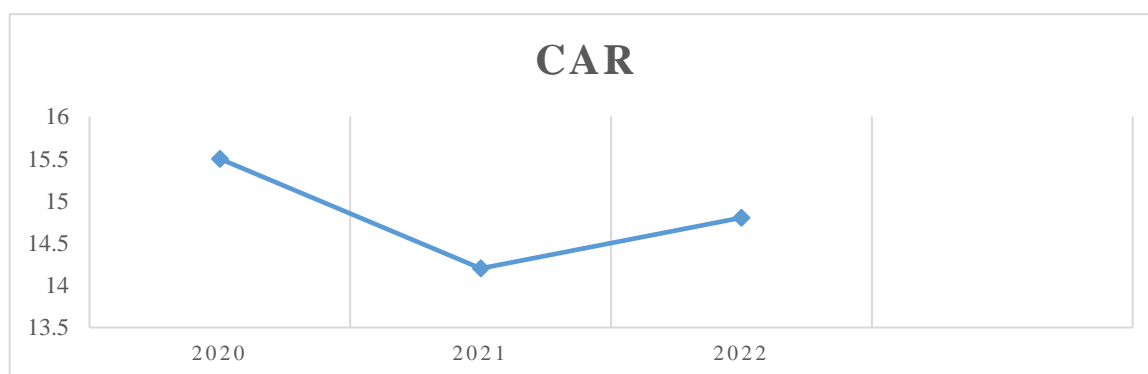


Figure 8 CAR of CBL (FY 2020 to FY 2022)

Since the Capital Adequacy Ratio (CAR) determines a bank's loan obligations and potential, Bangladesh Bank requires all banks to have a 12% CAR, (CMSMEs circular 05; cluster financing, 2022). The graph illustrated above shows the changing dynamics of CBL's Capital CAR, while also demonstrating a certain level of continuity. CBL has a slight decline in

percentage variations, which is good for the company and indicates its sufficient capital to protect investors.

Asset quality

The Asset Quality (FY2020-FY2022) of CBL can be computed through the following formula

$$\text{Asset Quality} = \text{non-performing loans} / \text{Total loan}$$

Table 2 Asset Quality of CBL (Source: Annual Report of CBL, FY 2020, FY 2021, and FY 2022)

Year	2020	2021	2022
Asset quality	4.0%	4.9%	5.1%%

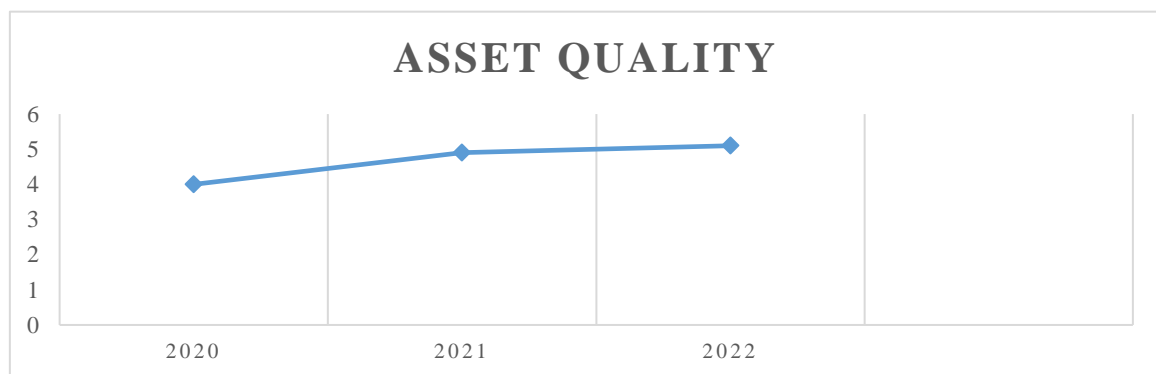


Figure 9 Asset Quality of CBL (FY 2020 to FY 2022)

The quality of assets plays a crucial role in influencing the non-performing loans (NPLs) of a bank. A high NPL rate is indicative of a deficiency in creditworthy clientele, borrowers' failure to meet timely payment obligations and a deterioration in asset quality. The data shows a decline in asset quality over the FY of 2020-2021, followed by an increase in 2022. This trend has resulted in a reduction in NPL in relation to total loans, which is highly favorable for CBL.

Management

The Management Efficiency (FY2020-FY2022) of CBL can be computed through the following formula

$$\text{Management Efficiency} = \text{Total Management Expense} / \text{Total Revenue}$$

Table 3 Management Efficiency of CBL (Source: Annual Report of CBL, FY 2020, FY 2021, and FY 2022)

Year	2020	2021	2022
Management Efficiency	30.89%	29.97%	30.31%

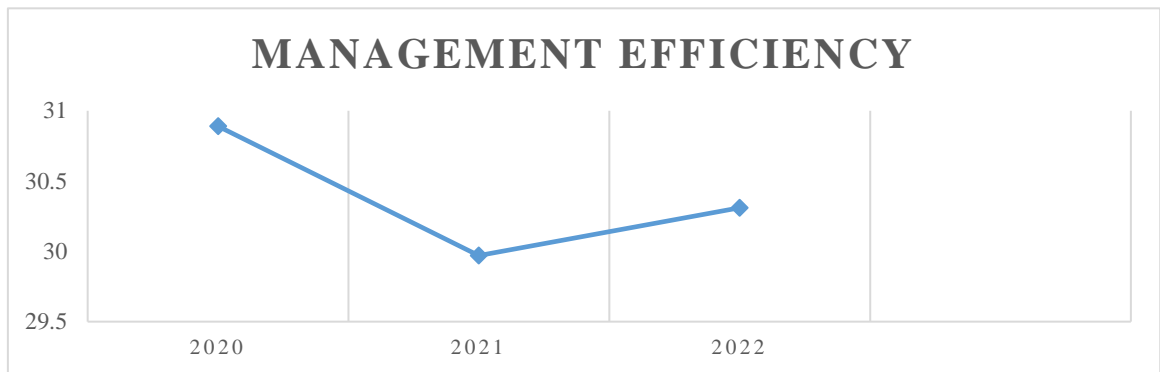


Figure 10 Management Efficiency of CBL (FY 2020 to FY 2022)

The capacity of a financial organization to promptly adapt to market dynamics and formulate proactive strategies for growth is indicative of proficient bank management. The graph illustrates rather stable changes with a favorable percentage in management expenses for CBL over the fiscal years 2020 and 2022. This observation can be seen as a positive indication, since it is well-acknowledged that significant volatility leading to an increase in expenses is often deemed undesirable.

Earnings

The Earnings (FY2020-FY2022) of CBL can be computed through the following formula

$$\text{Earnings} = \text{Return of Asset (ROA)} = \text{Net Profit} / \text{Total Assets}; \text{Return on Equity (ROE)} = \text{Net Profit} / \text{Total Common Equity}$$

Table 4 Earnings of CBL (Source: Annual Report of CBL, FY 2020, FY 2021, and FY 2022)

Year	2020	2021	2022
Earnings	1.03%	1.32%	1.51%



Figure 11 Earnings of CBL (FY 2020 to FY 2022)

The evaluation of a bank's performance in achieving its income objectives and the sustainability of its earnings may be determined through the application of the return on equity (ROE) and return on assets (ROA) metrics within the earnings ratio framework. The graph illustrates a significant increase in earnings for the period including from FY 2020 to FY 2022, indicating a favorable earnings ratio for CBL.

Liquidity

The Liquidity Management (FY2020-FY2022) of CBL can be computed through the following formula

Liquidity Management = *Total Loans/Total Deposits (L1)*; *Liquid Assets/Total Asset (L2)*

Table 5 Liquidity Management of CBL (Source: Annual Report of CBL, FY 2020, FY 2021, and FY 2022)

Year	2020	2021	2022
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Liquidity Management	1.05	1.02	1.07
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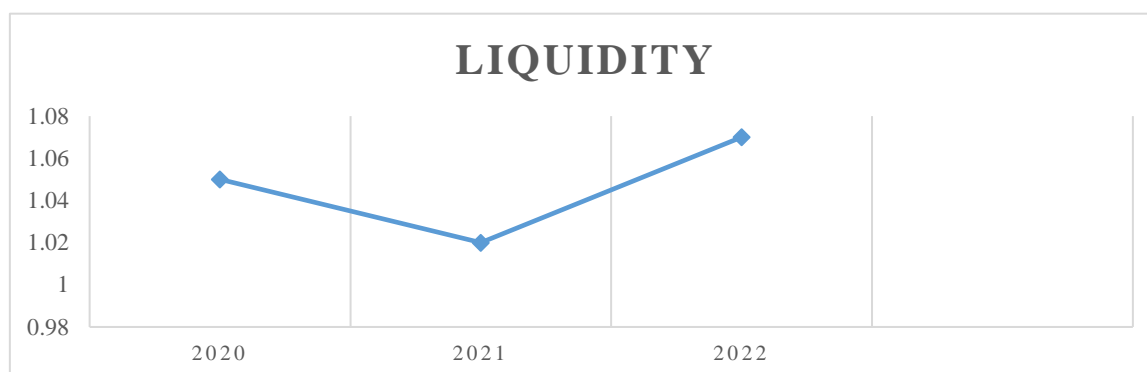


Figure 12 Liquidity Management of CBL (FY 2020 to FY 2022)

In order to ensure the stability of the financial system, it is imperative for banks to maintain a robust liquidity position. The issue arises from the fact that banks may encounter difficulties in repaying short-term creditors, potentially leading to a bank run, in the event that they deplete their cash reserves or other easily convertible assets. The diagram illustrates the presence of consistency and a favorable margin in liquidity management for CBL.

2.5.2 Accounting Practices

CBL primarily implements globally acknowledged accounting standards, namely International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), which demonstrate a dedication to producing financial reports of superior quality. In addition to that, the bank adheres to the comprehensive accounting cycle, which encompasses the processes of recording, classifying, summarizing, and reporting financial transactions.

CBL follows strict accounting procedures, including International Accounting Standards. Strong principles and judicious discretion are used to generate and assess accounting estimates and assumptions. Financial statements are prepared using ordinary accounting rules and discretion. They also monitor compliance with the Companies Act of 1994 and the Bangladesh

Securities and Exchange Commission (Stock Dealer, Stock Broker, and Authorized Representatives) Rules 2000. The functional and presentation currency is the Bangladeshi Taka (BDT), which is used in financial accounts. The above statements include the statement of financial position, statement of changes in equity, profit or loss and other comprehensive income statement, statement of cash flows, a summary of important accounting policies, and more. In conclusion, The City Bank Limited demonstrates a clear emphasis on the observance of international accounting standards and principles.

2.6 Operations Management and Information System Practices (add sub-chapters)

2.6.1 Operation Management of CBL

The Operations department of CBL plays a crucial role in delivering exceptional customer experiences and adherence to regulatory requirements. The primary objective is to attain a competitive edge by delivering exceptional customer service and implementing efficient operational procedures. The primary endeavors in 2021 encompass the integration of SWIFT gpi to enhance cross-border payment systems, the adoption of AbabilNG to facilitate Islamic Banking operations, the establishment of a comprehensive service platform for the initiation of bank account openings, and the creation of a specialized desk to cater to corporate account initiation procedures.

- Branch Operations Managers (BOM) are responsible for ensuring compliance at the branch level, overseeing non-cash transactions, managing regulatory and internal reporting, conducting audits, and monitoring anti-money laundering (AML) efforts. The field of Treasury Operations encompasses various aspects like fund management, foreign currency settlement, money market transactions, fixed income securities settlement, and capital market transaction resolution.

- CBL is the preeminent card issuer and acquirer in Bangladesh, providing exclusive access to American Express (AMEX) cards within the nation. The organization collaborates with prominent financial institutions such as AMEX, Visa, China Union Pay, and MasterCard to facilitate the issuance and processing of payment cards. The Card Operations team plays a crucial role in guaranteeing the smooth and effective processing of transactions, as well as providing exceptional customer assistance.
- The clearing and settlement of image-based payment instruments across scheduled banks in Bangladesh is facilitated by Central Clearing Operations at CBL, which are carried out via the Bangladesh Automated Clearing House (BACH). The City Bank Limited (2021) has established its operations through a network of 105 branches, strategically located throughout four hubs. In an effort to bolster the security of check payments, the bank has recently introduced a digital platform in 2021. This platform aims to strengthen security by implementing a "Positive Pay" confirmation system, which requires validation from retail consumers.

2.6.2 Information System Practices of CBL

CBL possesses a specialized branch within its structure that is entirely devoted to the field of information technology. The IT department places a strong emphasis on the development and implementation of technological developments, as well as the facilitation of digital transformation processes. In addition, CBL manages a section within the HR department responsible for the administration of an Information System, which is responsible for maintaining an accurate and up-to-date personnel database through the use of technological innovations. The aforementioned system efficiently collects and monitors employee data, facilitating the implementation of organizational and procedural measures to reduce risk exposure. The implementation of this information system has significantly improved the human resources department's ability to collect, authenticate, and update employee data,

thereby facilitating the monitoring of various employee particulars, including resignations, rehiring, salaries, and personal information, among other pertinent data. CBL is proactively incorporating technologies derived from the fourth industrial revolution into their operational processes, encompassing:

- **Data Warehousing and Business Analytics:** The implementation of a Database Consolidation System for the purpose of data warehousing and business analytics.
- **Virtual Private Cloud:** The implementation of a virtual private cloud is undertaken to enhance service resilience, scalability, and redundancy, hence optimizing conventional infrastructure.
- **Middleware and Open Banking:** The objective is to enhance the utilization of middleware and open banking technology.
- **Network Infrastructure Upgrades:** The objective is to enhance the network infrastructure in order to conform to prevailing industry standards and incorporate cutting-edge technologies.
- **Call Center System Redundancy:** The objective is to optimize redundancy within call center systems, with a specific focus on enhancing functionality within the core banking system platform. Additionally, the card system is being upgraded to the most recent version.
- **Data Center Relocation:** The purpose of this endeavor is to enhance operational efficiency by transferring a data center to a new location.
- **Robotic Process Automation:** The implementation of robotic process automation (RPA) as a means to optimize operational efficiency.

2.7 Industry and Competitive Analysis

2.7.1 Porter's Five Forces Analysis

According to (Bruijl, 2018), Porter's five forces framework proposes that an organization's strategic approach should encompass the identification and mitigation of external opportunities and threats. In order to formulate a competitive strategy, it is important to possess a comprehensive understanding of industry structures and their dynamic change over time. As per Porter's perspective, the primary objective of a strategist is to evaluate and effectively navigate a competitive landscape, which may be achieved by either concentrating on competitors or adopting a more comprehensive approach that encompasses potential risks to the firm. Porter's Five Forces analysis for CBL reveals the following opportunities and threats related to the banking industry of Bangladesh

Threat of New Entrants: The level of threat generated by potential new entrants is considered to be moderate to high. The banking industry necessitates a significant amount of capital and specialized expertise. Notwithstanding these obstacles, the growing presence of private banks in Bangladesh signifies a substantial likelihood of new participants entering the market, (Mehjabeen, 2018).

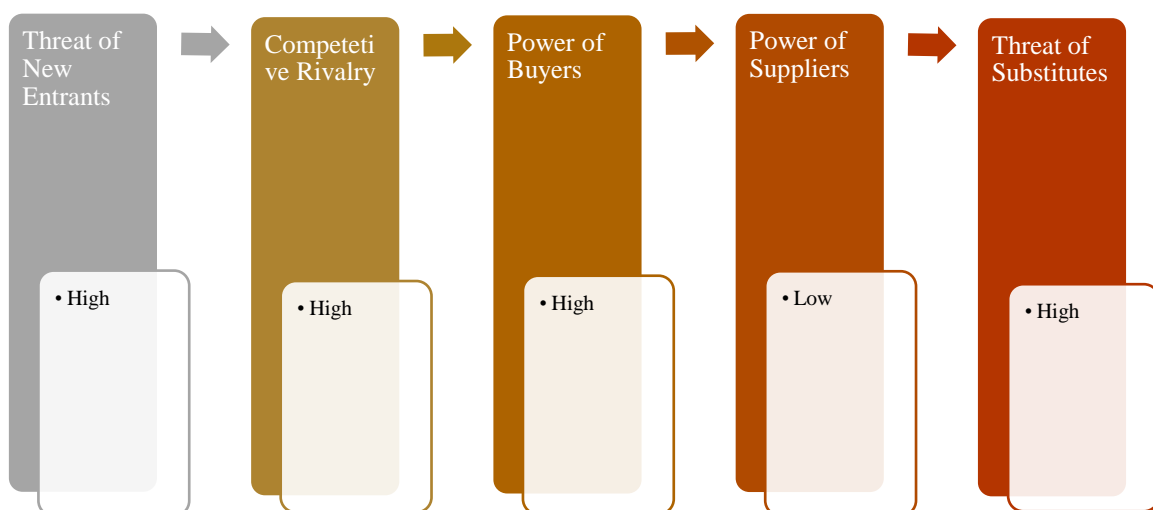


Figure 13: Porter's Five Forces Analysis for Banking Industry

Competitive Rivalry: The banking sector of Bangladesh experienced significant transformation, resulting in a fiercely competitive market, primarily motivated by the imperative to continually expand services, (Uddin, and Suzuki, 2014). The competitive struggle is intensified by the existence of a multitude of banks, non-banking financial institutions (NBFIs), and Fintech enterprises. The fundamental focus of competition primarily pertains to service pricing and brand reputation.

Power of Buyers: Buyers within the financial services sector possess considerable negotiating power as a result of the small expenses associated with switching between providers and their heightened sensitivity to pricing in Bangladesh, (Mehjabeen, 2018). The enhanced availability of comprehensive information pertaining to diverse financial services serves to strengthen the advantageous position of buyers.

Power of Suppliers: For the banking industry in Bangladesh, suppliers exhibit a relatively diminished level of bargaining power, (Mehjabeen, 2018). The existence of a diverse range of banks, encompassing government entities, international banks, and private financial institutions, all providing comparable services, serves to diminish the bargaining power of suppliers for CBL.

Threat of Substitutes: The presence of potential substitutes is significant, primarily attributed to the emergence of mutual funds, insurance companies, and other financial institutions within the context of Bangladesh. CBL tends to face additional threats as a result of this situation.

2.7.2 SWOT Analysis

According to (Leigh, 2009), SWOT analysis typically entails the identification of internal strengths and weaknesses, as well as external opportunities and threats, utilizing objective and

readily available data. Data that is obtained through empirical methods and can be verified independently. A SWOT analysis for the banking industry in Bangladesh has been conducted below to understand the potential strengths, weaknesses, threats, and opportunities for CBL.

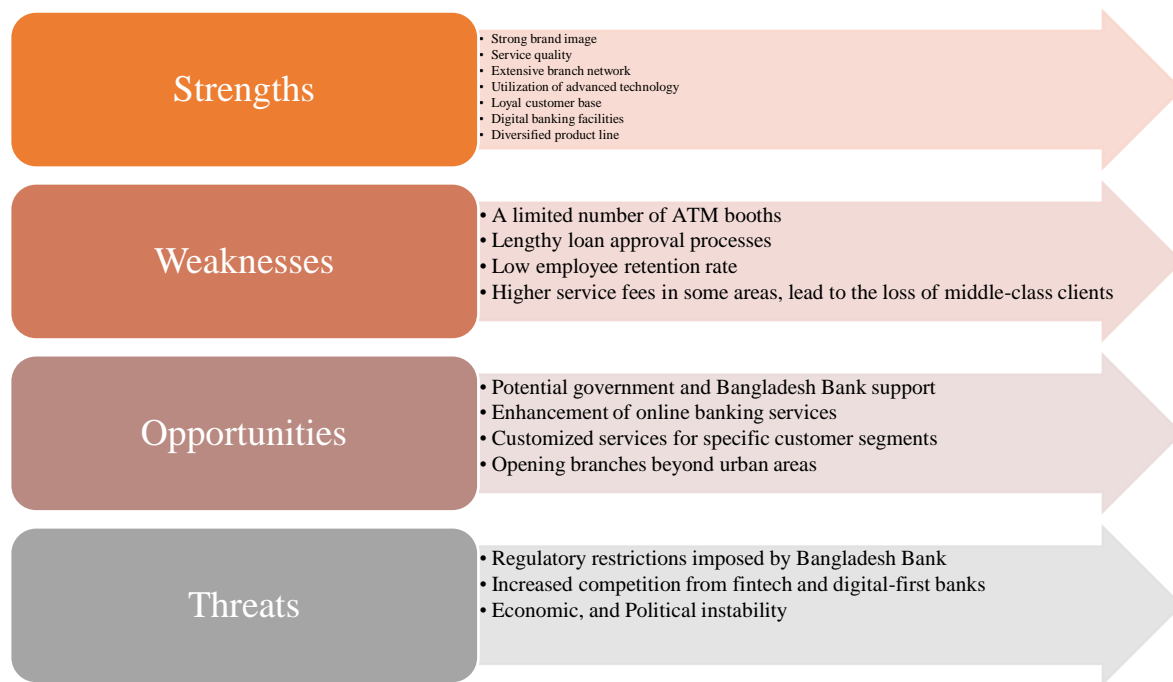


Figure 14: SWOT Analysis

2.8 Summary and Conclusions

This chapter covers banking CBL fundamentals and goals. This study examined CBL's financial performance, operational and management practices, and SWOT analysis. This section covers CBL's history, leadership, branch network, subsidiaries, goal, vision, and fundamental values. The study examined CBL's extensive range of products and services, focusing on customer service and innovation. To demonstrate CBL's commitment to assisting people, CSR projects were highlighted.

CBL hired competent and motivated workers by adopting diverse forms of leadership, smart human resources planning, tight recruitment and selection processes, competitive pay

packages, and thorough training programs. This chapter examined CBL's marketing, finance, accounting, operations management, and information system practices. This proved that the company's operational excellence plan is comprehensive. This chapter analyzed Bangladesh's banking industry's competitiveness using Porter's Five Forces. The SWOT analysis determined how internal and external factors affect CBL's strengths, weaknesses, chances, and threats. CBL's organizational dynamics, business, strategy, and evaluation environment will be revealed to stakeholders. This chapter describes how CBL, a leading Bangladeshi commercial bank, improves social welfare, promotes innovation, and succeeds.

2.9 Recommendations

CBL has been able to give its clients great services, but during the internship time, some potential problems were found that CBL should fix to make their operations run more smoothly. In order to improve CBL's services, the following suggestions have been made:

- Increased consumer convenience and less reliance on actual bank branches are two potential benefits of strategically increasing the network of automated teller machines (ATMs) in certain regions.
- To improve consumer satisfaction, the length of the loan approval procedure should be minimized. It is possible to attract a greater number of borrowers by implementing more efficient procedures and utilizing technology to increase processing speed.
- The recommendation is to make an investment in digital banking in order to capitalize on the industry's present growing trend. This goal can be accomplished by improving the existing online banking services. This includes improving the user interface, incorporating new functionalities, and ensuring the security of online transactions.

- Given the growing threat posed by fintech and digital-first banks, strategic relationships with fintech firms should be considered as a means of cultivating innovation and delivering cutting-edge financial services. This could mean forming collaborative alliances to build digital payment systems or other new commodities.
- In order to reduce risk, it is best to diversify the loan portfolio by including a variety of loan types. Instead of focusing solely on one type of loan, it is advised to investigate prospective opportunities in a variety of industries, including agriculture, small and medium-sized enterprises (SMEs), and consumer loans.

Chapter 3 Project Part

3.1 Introduction

The development of digitalization has brought about significant transformations in the banking and financial services sector, leading to notable shifts in operational dynamics, tactics for consumer interaction, and approaches to risk management. The adoption of this revised strategy is important in order to maintain competitiveness within the contemporary financial ecosystem, and is a direct reaction to advancements in technology. According to Harchekar (2018), The digitalization of banks in Bangladesh is of considerable significance due to the vital role played by the financial industry in fostering economic progress within the nation. According to Ahmed (2023), The City Bank Limited (CBL) has successfully employed digitalization to transform its customer service, with a specific focus on Cottage, Micro, Small & Medium Enterprises. Small and Medium Enterprises (SMEs) play a crucial role in the economy by contributing to employment generation, poverty alleviation, and the overall growth of the nation's gross domestic product (GDP). The industry encounters challenges with regards to the management of risks. In order to achieve a harmonious equilibrium between the credit accessibility of CMSMEs (micro, small, and medium-sized enterprises) and the reduction of associated risks, it is imperative to employ innovative tactics and establish resilient risk management frameworks.

The primary objective of this research is to examine the advent of digitalization within the banking industry and its consequences for risk management. Specifically, the study will concentrate on the impact of digitalization on **Cottage**, and Micro, Small, and Medium Enterprises (CMSMEs), with a particular emphasis on The City Bank Limited. The objective of this study is to investigate the utilization of technology by CBL in order to enhance its services and effectively manage risk, with the ultimate goal of promoting the growth and

resilience of CMSMEs. This will be achieved by exploring the importance of digitalization in the banking sector and analyzing the specific risk environment faced by CMSMEs in Bangladesh.

3.2 Objectives

The primary objectives of this chapter include the following:

- To analyze the digitalization initiatives undertaken by The City Bank Limited (CBL)
- To assess Risk Management practices and frameworks employed by CBL
- To examine the impact on CMSMEs in Bangladesh
- To identify challenges and opportunities that arise with the digitalization of banks in the CMSME sector
- To provide recommendations for effectively managing these aspects

3.3 Scope

Risk management for micro, small, and medium-sized enterprises (CMSMEs) in Bangladesh, as well as CBL's mitigation of such risks, are the subjects of this study, along with the City Bank's digital transformation, which includes the use of digital technologies, changes in customer service paradigms, and technological infrastructure upgrades. It also investigates how digitalization has impacted the financial services, loan approval times, and risk mitigation of CMSMEs. This research identifies challenges and opportunities for The City Bank and CMSMEs in the digitalization process, as well as actionable recommendations to strengthen CBL's digitalization initiatives and risk management practices for Bangladeshi CMSMEs. It seeks to understand the dynamic relationship between digitalization in banking and CMSMEs' risk management by using The City Bank Limited as a prominent case study in Bangladeshi banking.

3.4 Digitalization of Banks and Risk Management of CMSME

Importance of Digitalization of Banks

In the particular setting of the Bangladeshi banking industry, the process of digitalization plays a crucial role in driving significant transformations within the banking industry. This transition offers numerous advantages, such as enhanced customer experiences through the provision of convenient digital banking services, improved financial inclusion by extending services to underserved populations, cost-efficiency through streamlined operations, effective risk mitigation against cyber threats, crucial support for the growth of small and medium-sized enterprises (CMSMEs), data-driven decision-making capabilities, improved compliance with regulatory requirements, and a competitive advantage in a highly saturated marketplace, (Balkan, 2021). According to (Paulet, and Mavoori, 2019), digitalization has contributed to Bangladesh improve financial inclusion. This technology lets financial institutions offer basic mobile banking to marginalized and financially excluded people. The inclusion of this provision helps individuals and small businesses access formal financial services. Traditional banking's physical branches and manual paperwork are costly. The cost of digitalization is greatly reduced. Banks can reduce paperwork, improve efficiency, and optimize resource allocation. Efficiency often lowers customer fees and raises interest rates. Digitalization generates lots of data. Financial institutions can use this data to understand customer preferences and market trends. Financial institutions can use data to make informed decisions, customize services, and create targeted marketing strategies. Digitization also gives companies an edge. Innovative services, fast transaction processing, and 24/7 customer support can distinguish a company. This edge is crucial in the highly competitive banking industry. The process of digitalization not only conforms to dominant global banking patterns but also effectively tackles the distinctive obstacles encountered in Bangladesh, thereby establishing

itself as a crucial approach for fostering sustainable and customer-centric banking practices within the nation, (Forcadell et al., 2020).

Risk Management of CMSME

According to (Fairuz, 2022), risk management plays a crucial role in ensuring economic stability and growth for CMSMEs (Cottage, Micro, Small & Medium Enterprises) in Bangladesh. These enterprises play a pivotal role in the generation of employment opportunities and the alleviation of poverty; however, they encounter a multitude of complex risks. The prevalence of credit risk arises from the constraints imposed by limited collateral and credit histories. As (Khatun et al., 2021) pointed out that, operational risks encompass factors such as process inefficiencies and instances of fraudulent activities. Compliance risks emerge as a consequence of intricate regulatory frameworks. The presence of market and liquidity risks is contingent upon prevailing economic conditions. The presence of supply chain disruptions and environmental concerns introduces additional layers of complexity. Effective risk management involves the utilization of customized financial products, the development of capabilities, the utilization of sophisticated risk assessment tools, and the establishment of collaborative relationships among financial institutions, regulatory bodies, and CMSMEs. The implementation of a comprehensive risk management framework is essential to ensure the sustained viability and beneficial influence of CMSMEs on the economic advancement of Bangladesh.

3.5 Methodology

A qualitative research technique was developed to comprehensively examine the process of digitization in banks and the management of risks faced by CMSMEs inside The City Bank Limited (CBL). This section provides an analysis of the essential elements of the research technique, including data gathering methods, sampling strategy, and sample size.

3.5.1 Data Collection

This study's research methodology includes primary data collection through interviews with both customers and employees of CBL.

Customer Interviews: To gather valuable input from the CMSME owners, a set of open-ended questionnaires comprising ten questions was developed. The objective of these inquiries is to acquire insights about individuals' encounters with digital banking services, the challenges they have encountered, and their perspectives on the evolving landscape of risk management. The mode of interview administration, whether in-person or remote, will be determined based on the optimal approach for the participants.

Employee Interviews: Conducting interviews with employees of The City Bank, particularly those who are actively engaged in CMSME banking and digitalization initiatives, will offer valuable insights into the bank's strategies and risk management practices from an internal standpoint. The insights provided by the individuals will serve as a valuable addition to the customer perspective.

3.5.2 Sampling Strategy

Due to the focus on CMSME customers and bank employees, I will employ purposeful sampling. This requires carefully selecting participants based on the research objectives. The CMSME customer sample will be selected based on criteria involving the participation of Bangladeshi CMSMEs from a variety of industries and regions in order to capture diverse experiences. Early adopters and customers with minimal digital banking interactions. Microbusinesses, small businesses, and medium-sized companies. The employee sample will consist of CMSME banking and digitalization employees from the City Bank.

3.5.3 Sample Size

This study involves 12 participants, 2 of whom are bank employees. This sample size ensures in-depth and meaningful participant insights, allowing for rich qualitative data collection and analysis. Here, the CMSME customers actively engaged with CBL and other institutions share diverse digitalization and risk management perspectives. Alternatively, City Bank staff members, including CMSME banking and digitalization experts balance depth of insight and data collection and analysis feasibility, ensuring credible information and research consistency.

3.6 Findings & Analysis

3.6.1 Digitalization & Risk Management at City Bank Limited (CBL)

City Bank Limited (CBL) is digitizing its banking operations to follow global financial sector trends. CBL has increased its digital adoption to stay competitive and meet changing customer expectations. Key elements of CBL's digitalization initiatives include:

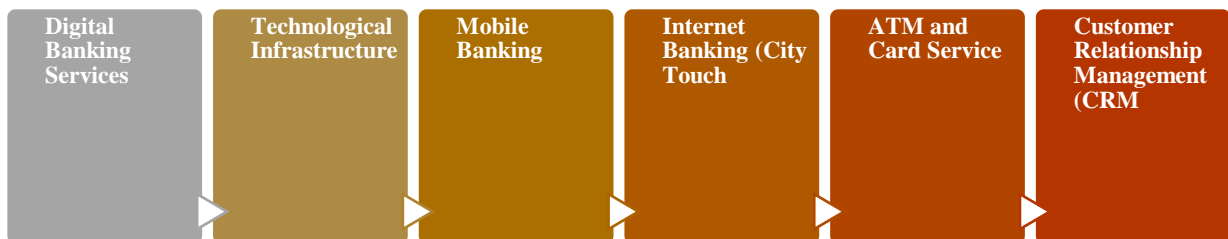


Figure 15 Digitalization and RM at CBL

Digital Banking Services: CBL offers many digital banking services, allowing customers to access their accounts, make transactions, and perform other banking tasks online and on mobile apps. Customers can conveniently check balances, transfer funds, pay bills, and more 24/7.

Technological Infrastructure: CBL has made significant investments in the development of a resilient technological framework in order to effectively facilitate its digital endeavors. The aforementioned components encompass the utilization of protected servers, data centers, and cybersecurity protocols in order to guarantee the security of digital transactions and customer data.

Mobile Banking: CBL provides mobile banking solutions that facilitate customers in performing banking transactions through their smartphones. This encompasses mobile applications (City touch app) and USSD-based services, thereby enabling individuals without smartphones to have access to banking services. The bank has implemented integration with diverse digital payment systems, including mobile wallets and online payment gateways, in order to streamline and enhance the process of making secure payments for goods and services. This is in accordance with the government's objective of fostering a society that relies less on physical currency.

Internet Banking (City Touch): CBL offers Internet banking services, enabling clients to effectively oversee their accounts, settle outstanding payments, and execute a range of financial transactions via an online platform. The implementation of this technology has significantly improved the capabilities for customers to engage in self-service.

ATM and Card Service: CBL possesses a wide-ranging network of automated teller machines (ATMs) and provides a diverse selection of debit and credit cards, encompassing globally recognized brands such as Visa and MasterCard. These cards enable the execution of transactions without the need for physical currency, thereby supporting the growth of a cashless economy and facilitating online shopping.

Customer Relationship Management (CRM): CBL employs customer relationship management (CRM) systems to examine customer data, behaviors, and preferences, thereby

facilitating the provision of personalized services and the implementation of targeted marketing endeavors through smart IVR. CBL provides customer support through a range of digital channels, encompassing chatbots and online chat services, facilitating prompt and efficient responses to customer inquiries and concerns.

3.6.2 Potential Challenges

The digitalization initiatives undertaken by CBL exhibits considerable perspective. However, they also encounter many possible challenges within the banking sector of Bangladesh. Most of the difficulties are typically seen when CMSMEs (Cottage, Micro, Small & Medium Enterprises) apply for loans and have their credit score evaluated. As per (CMSMEs circular 05; cluster financing, 2022), cluster financing can be a considerate method for businesses like CBL to enhance the operations for CMSMEs, and their betterment. For this, the Bangladesh Bank has also formulated policies which is structured to improve the financial conditions of the CMSMEs in Bangladesh. The preceding challenges include the following:

Limitations in IT infrastructure: Bangladesh has a large gap between generations since many people cannot afford cell phones, laptops, or the Internet. The challenge of making digital banking accessible and user-friendly for all demographic groups, especially for rural residents. CBL has invested in technology infrastructure, although Bangladesh's digital infrastructure, particularly internet access and network stability, may still be limited. These infrastructural issues might disrupt digital service delivery.

Lack of Digital Security Measurements: Cyberattacks are evolving, making proactive security measures difficult. Consumer trust is crucial in digital financial services where security breaches and fraud can quickly destroy trust. CBL finds it challenging to fund comprehensive security measures and online safety education to improve client awareness.

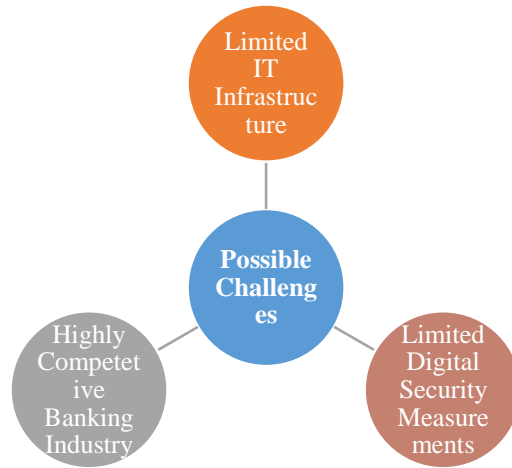


Figure 16 Possible challenges of digitization and risk management at CBL

Highly Competitive Banking Industry: The Bangladeshi banking sector is competitive with traditional banks and fintech companies. CBL need to innovate continuously to be competitive and meet the client needs. Wherein digitalization may be met with resistance from traditional banking workers since implementing change management tactics and provide comprehensive training to overcome this resistance to change along with building and maintaining digital infrastructure is expensive.

CBL needs a proactive, adaptive strategy to solve these challenges. This requires continuing technology investments, cybersecurity safeguards, customer education, and regulatory compliance which can be some proactive measurements in terms of overcoming these issues.

3.6.3 Data Analysis

This section of the study focuses on conducting a comprehensive data analysis to examine the responses of individuals from CMSMEs (Cottage, Micro, Small & Medium Enterprises) and personnel from CBL. The analysis aims to explore their perceptions, experiences, and perspectives regarding the current digitization efforts and risk management measures implemented by CBL. Additionally, the potential benefits of this transformation in terms of

risk assessment for CMSME owners will be investigated.

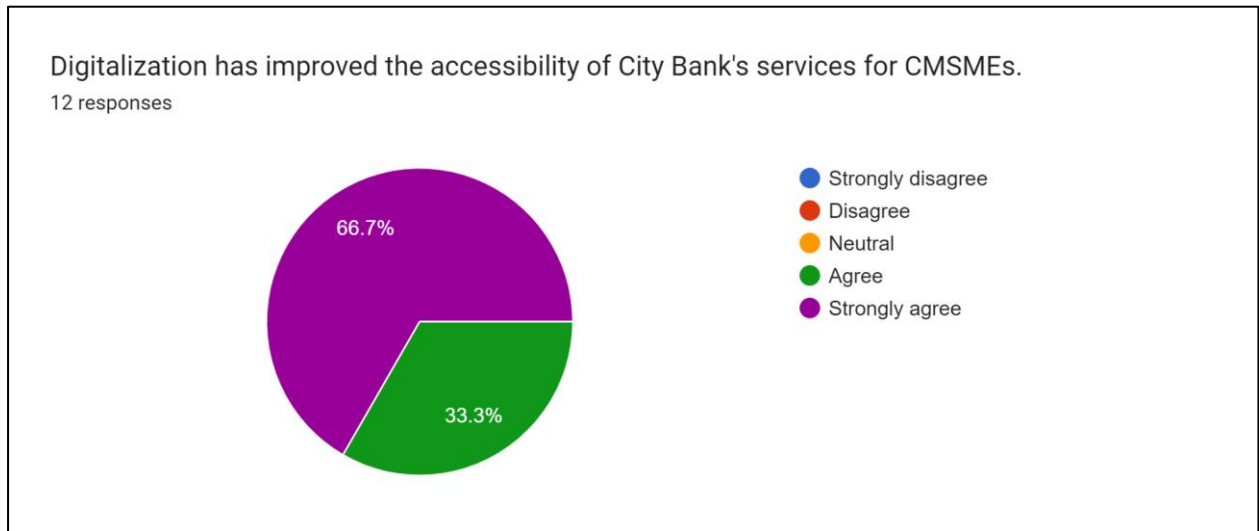


Figure 17 Accessibility of CBL's services for CMSMEs

The above pie chart shows that, more than 90% of the CMSMEs individuals, and the employees of CBL (combining 66.7%, and 33.3%) shared that, the current digital services provided by CBL which includes the mobile banking app, City Touch, and the smart IVR services has improved the accessibility of CBL's services for them. This indicates that, the IT infrastructure has the potential to attract more CMSMEs in engaging in the financial services of the banks to mitigate risks.

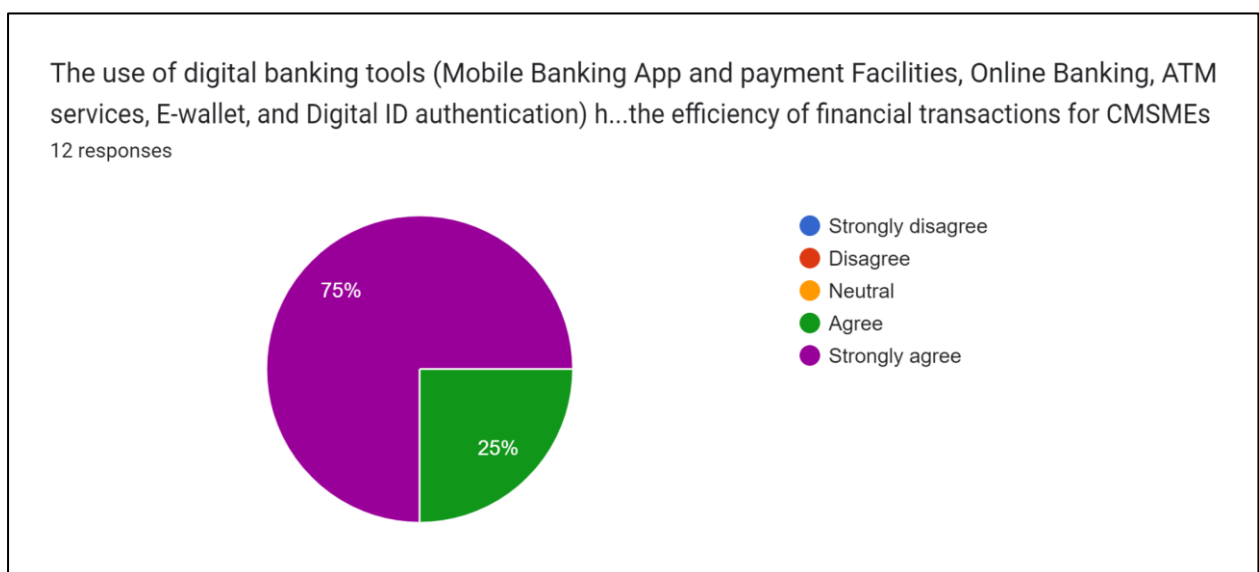


Figure 18 Use of Digital Banking Tools for the efficiency of financial transactions for CMSMEs

The above pie chart shows that, more than 90% (75% and 25%) of the respondents have agreed that, the use of digital banking tools in terms of using the basic banking services meets with the efficiency of safe and convenient financial transaction for the CMSMEs individuals who might locate in both urban, and sub-urban areas.

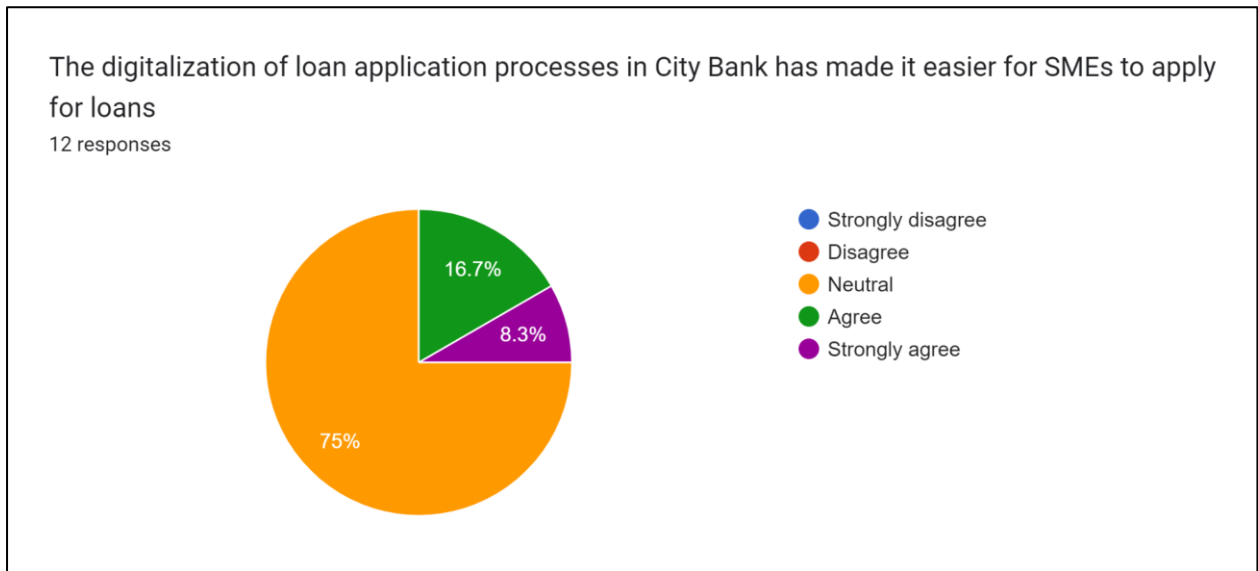


Figure 19 Digitalization of Loan application process in CBL

The above pie chart shows that around 75% of the participants responded to be neutral in terms of experiencing convenient facilities for the loan application process. A small portion of the respondents 8.3% and 16.7% agreed to find the loan application process easy for CMSMEs individuals compared to giant market leaders, or loan applicants. This indicates an immediate change for the bank in terms of grabbing this particular consumer base of the financial service sector.

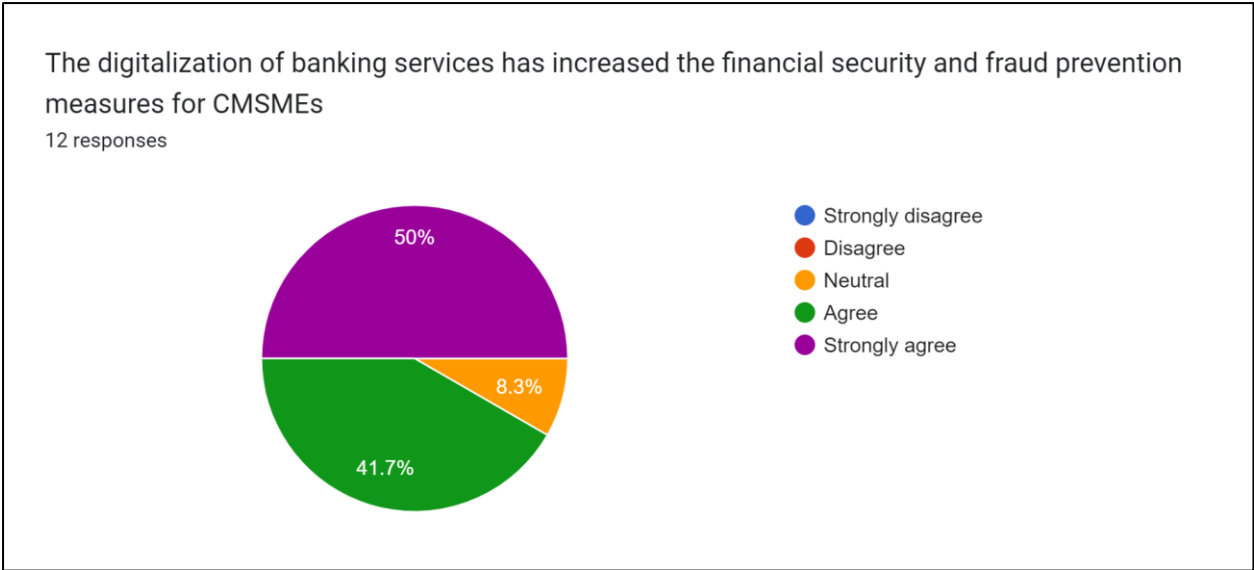


Figure 20 Financial security and fraud prevention

The pie chart reveals that, more than 60% of the respondents agreed to get the security measurements properly in terms of preventing fraudulent intervention in terms of any financial transaction by the bank. This indicates that, the financial security of the bank has the potential to serve the CMSMEs segment of the banking industry along with the giant merchants.

The analysis of the data highlights the favorable effects of CBL's initiatives in digitalization, which have resulted in improved accessibility, efficiency, and security for CMSMEs. The aforementioned data indicate that CBL is making progress in efficiently catering to this particular section of the banking industry. Nevertheless, there remain certain domains, such as streamlining the loan application procedure, in which more enhancements can be implemented to more effectively accommodate CMSMEs and mitigate related risks. The analysis of the data highlights the favorable effects of CBL's initiatives in digitalization, which have resulted in improved accessibility, efficiency, and security for CMSMEs. The aforementioned data indicate that CBL is making progress in efficiently catering to this particular section of the banking industry. Nevertheless, there remain certain domains, such as streamlining the loan application procedure, in which more enhancements can be implemented to more effectively accommodate CMSMEs and mitigate related risks.

In order to gain a deeper understanding of the advantageous features of the CMSMEs regarding loan application and other financial transactions, as well as the establishment of effective risk management policies, the respondents were posed a series of speculative questions. These questions aimed to assess the likelihood of their utilization of the services provided by banks within the banking industry of Bangladesh.

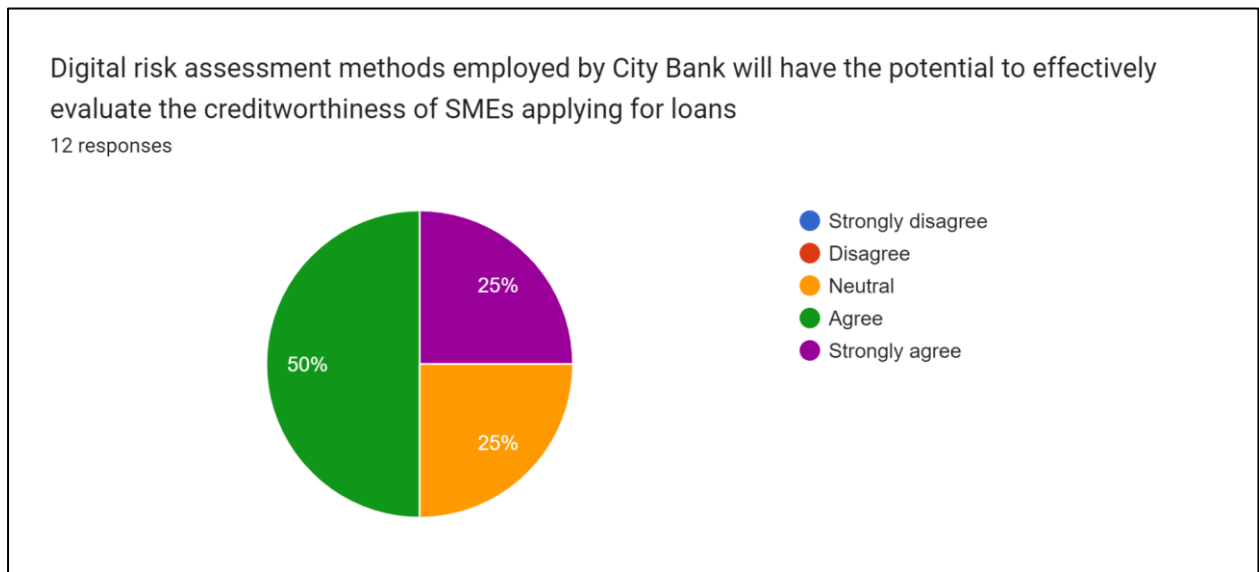


Figure 21 Employed digital risk assesment methods (Assumption)

The pie chart shows that, more than 50% (50% and 25%) of the respondents agreed that, the risk assessment measures adopted by CBL has the potential to effectively evaluate the creditworthiness of CMSMEs applying for loans. The respondents' positive evaluation of CBL's risk assessment measures could help in the long run by facilitating informed decision-making, mitigating credit risk, supporting CMSMEs, and boosting CBL's banking sector competitiveness. The bank's capacity to assess CMSMEs' creditworthiness is crucial to its growth and success in this important market.

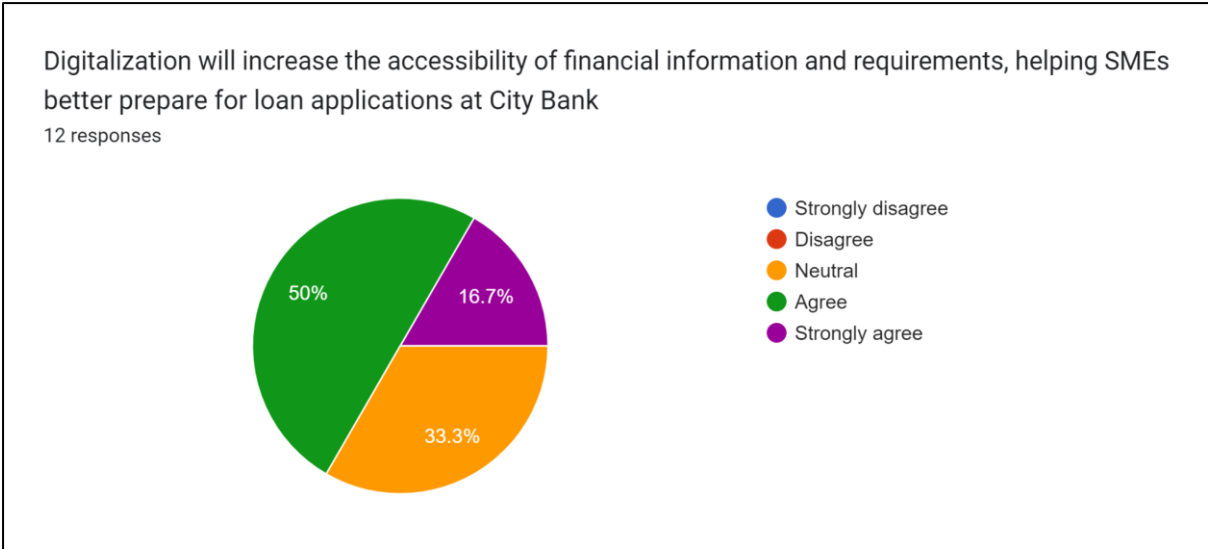


Figure 17 Increase in the accessibility of the financial information and requirement (Assumption)

The pie chart shows that more than 50% of the respondents positively responded to the adoption of digitalization by CBL in terms of facilitating the financial information and requirements associated with the loan application process, and credit assessment procedure of the CMSMEs. The potential Stakeholders' positive feedback on CBL's loan application and credit assessment digitization initiatives reflect favorably for the bank's future. Efficiency, customer satisfaction, competitiveness, cost savings, and risk avoidance have the potential to be facilitated. CBL's adaptability and dedication to meeting CMSMEs' needs in a changing business landscape can also be highlighted.

3.6.4 Summary and Findings

The digitization and risk management policies of City Bank Limited (CBL) show that the bank recognizes about digital technology and its clients' needs. Digitalizing activities include strong technology, mobile banking, internet banking (City Touch), ATM and card services, and CRM systems. These developments have made clients and CMSMEs easier to reach, more efficient, and safer. They have also streamlined banking processes and made digital payments more common. For these possible changes to work in the long run, they must address specific problems and opportunities. The risk assessment methods used by CBL were also found to be

helpful. Most of the participants considered these factors to be an effective method to judge the creditworthiness of CMSMEs that wanted to get loans. Over 50% of the people who took part thought that the digitization of CBL made it easier to handle financial information and met the needs of CMSMEs for loan applications and credit checks. In conclusion, CBL's attempts to digitalize have made CMSMEs and clients easier to reach, more efficient, and safer. Constraints on IT systems, problems with cybersecurity, and competition continue. To fix these problems, CBL needs to spend money on technology, cybersecurity, customer education, and following regulations. This approach could help the bank keep its lead in digital banking. This will help the bank improve and unify the services it offers to CMSMEs and stay competitive in Bangladesh's constantly changing financial environment. Positive responses to risk assessment and digitalization efforts are positive developments for CBL's operational performance, customer satisfaction, economic advantage, financial gains, and risk management. CBL is able to meet the needs of CMSMEs because it is flexible and values regarding what it undertakes.

3.7 Recommendations

Some of the recommendations are proposed below for City Bank Limited (CBL) in terms of adapting, enhancing and implementing digitalization, and risk assessment measures focusing on the CMSMEs (Cottage, Micro, Small & Medium Enterprises) in Bangladesh for a better, and more efficient financial outcome:

Enhanced Risk Assessment and Credit Scoring Measures: Advanced data analytics and AI should be acquired by CBL to increase risk assessment. These systems can analyze social media and transaction records to produce more accurate CMSME credit profiles. Risk assessments can be improved by machine learning, (Chi, and Hsu, 2012). A complete credit history database can reveal an applicant's creditworthiness. For this, CBL should share credit

data with credit bureaus and other financial organizations. This data exchange can improve CMSMEs' credit rating and risk assessment.

Streamlined Digital Application Processes: CBL should develop City Touch, CBL's mobile banking app, as user-friendly as attainable. This includes quick navigation, service access, and loan application document submission, (Jenik et al., 2020). Implement digital document verification to streamline loan applications is also recommended where optical character recognition (OCR) can automatically extract data from submitted documents. Also, creating automated loan approval mechanisms where that can use AI and data analytics to make financing decisions faster and more consistently, helping CMSMEs secure financing.

Tailored Digital Assistance: CMSME clients require assistance through different digital platforms. CBL should give digital literacy training that is tailored to CMSMEs. These courses should teach business owners about digital banking, digital technologies, and security. These events can be found online and through local business groups, which helps them reach more people through online chat, the phone, or the CMSME helpdesk. Also, it offers workshops and webinars on digital banking, such as safe practices, financial management using digital technologies, and digital security, so that people can learn and network, (Jenik et al., 2020).

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Appendix A.

Survey Questionnaire

Please indicate your level of agreement with the statement by selecting the option that best represents your opinion where (Strongly Disagree=1, Disagree=2, Neutral=3, Agree=4, and Strongly Agree=5)

1. Digitalization has improved the accessibility of City Bank's services for CMSMEs.
2. The use of digital banking tools (Mobile Banking App and payment Facilities, Online Banking, ATM services, E-wallet, and Digital ID authentication) has enhanced the efficiency of financial transactions for CMSMEs in City Bank.
3. The digitalization of loan application processes in City Bank has made it easier for SMEs to apply for loans
4. The digitalization of banking services has increased the financial security and fraud prevention measures for CMSMEs in City Bank.
5. CMSMEs in Bangladesh face increased cyber risks due to the digitalization efforts of banks like City Bank.
6. Digital risk assessment methods employed by City Bank will have the potential to effectively evaluate the creditworthiness of SMEs applying for loans.
7. Digitalization will increase the accessibility of financial information and requirements, helping SMEs better prepare for loan applications at City Bank.
8. The use of digital platforms for loan applications will reduce the time it requires for SMEs to receive loan approval from City Bank.