

A Report On  
The Shift from Physical Personal Banking to Online Banking

By

Aswad Islam  
ID: 19104131

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

## **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.

**Student's Full Name & Signature:**

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**Aswad Islam**  
Student ID: 19104131

**Supervisor's Full Name & Signature:**

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**Tanzin Khan**  
Senior Lecturer, BRAC Business School  
BRAC University

## **Letter of Transmittal**

Full name of Supervisor

Designation,

Department

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of the Internship Report

Dear Madam,

It is my pleasure to submit the internship report which is required by the department of BBS in BRAC University. My main focus was on the Shift from Physical Personal Banking to Online Banking,

I worked in the Credit Administrative Department of Shimanto Bank Limited where I had the chance of getting a better knowledge of how the whole banking process works. I collected as much information to work on the topic of why people are shifting towards online banking now.

I hope this report will meet your expectations and looking forward to your feedback.

Sincerely yours,

Aswad Islam

Student ID: 19104131

BRAC Business School

BRAC University

Date: 08/23/2023

## **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 Shimanto Bank Limited and the undersigned student at BRAC University

Aswad Islam.....

## **Acknowledgement**

Firstly, with the grace of Almighty I was able to successfully finish the term paper in time.

Furthermore, I would like to thank Tanzin mam for guiding and helping me with the report. Her feedback has helped to make things easier from day 1.

Lastly, I would like to thank all the people that have helped with the survey as their feedback helped me to complete the report.

## **Executive Summary**

My report is about the reasons why people are shifting from traditional method of banking to online banking. I have worked with the data of the last Four to Five years to make a comparison of the trend towards shifting to online banking. With my internship done in Shimanto Bank Limited I got the opportunity to learn more about people switching to online banking from my colleagues. The key reasons that I came up with why people are shifting towards online banking are impact of covid-19, age and location playing a major part and lastly the security factor.

**Keywords:** Digital Banking Services, Pandemic, Contactless Payment, Cultural Factors,

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# **Chapter 1: Overview of Internship**

## **1.1 Information about the Student:**

Name: Aswad Islam

ID: 19104131

Program: Bachelor of Business Administration

Major: Marketing & Human Resource Management

## **1.2 Information about the Internship**

### **1.2.1 Information about the Company and Department**

Time Period: 3 months

Name of the Company: Shimanto Bank Limited

Department: Credit Administrative Division

Address: Shimanto Shamvar (Level-7), Shimanto Square, Bir Uttam M. A. Rob Sarak (Road No. 2), Dhanmondi, Dhaka-1205, Bangladesh.

### **1.2.2 Information about the Supervisor**

Name: Md. Asirul Hoq Khan

Designation: Assistant Vice President & Senior Manager Credit Administrative Division

### **1.2.3 Job Scope**

As an intern of Shimanto bank limited I worked under the department of Credit Administrative Department also known as CAD. I had the opportunity to work under a talented group of people who has helped from the very first day of the job. My role was to help out every member with

their daily task. For instance, keeping track of all the files, Taking part in the meeting, sharing my opinion on how to make their work more efficient. By completing my tasks I am able to help the team on achieving the goals.

My key work was to check out if the paperwork was done properly and if there was any flaws to find them and communicate with the team. Moreover I got the chance to learn from people outside of my department to some extent.

To sum it up, the whole internship experience was good and beneficial for me to learn the various processes about the banking industry. It helped me gain knowledge about the industry and will surely help me out in my future professional career.

### **1.3 Internship Outcome:**

#### **1.3.1 Contribution to the Company:**

During my internship process with the bank my main priority was to learn how the banking industry works and gain as much as knowledge which I can use in the future. I had my fair share of contribution for the bank during my internship period. I mostly contributed by helping out the employees in their day to day task to make life easier for them. My contributions are listed below.

Stamping Charge: to make things official every loan that has been sanctioned has a stamping charge. For example, Krishi loan gets charged by 100 taka, BGB special loan gets charged by 700 taka, personal loan gets a stamping charge of 1300-1600 taka. I was in charge of putting stamps all over the paperwork for the months of April-August. Making Sanction: After getting my laptop I helped out the team by making sanctions of different paperwork for the loans to get approved by the line manager.

Delivering documents: I have also helped the department by delivering and receiving key documents for work purpose. Also helped with the transfer of important documents to the banks vault system.

In conclusion, I think that my work has helped the team to grow more and the knowledge that I have gained will help me to further my career in the banking industry.

### **1.3.2 Benefits of the student:**

There are several benefits of working as an intern in a bank. Firstly, you get a real world experience as the banking environment is very professional. One gets to develop their skills as well as creates a networking opportunity for the student. That might come out handy in the future as these connection can lead to references as well as potential job offers. By working closely with the other employees you get the industry insights and also how the culture of the organization. After graduation, an internship can act as a pathway toward a full-time career.

In conclusion, a banking internship provides excellent learning opportunities, enhancement of skills, networking possibilities, and the possibility of future professional growth.

### **1.3.3 Problems/Difficulties**

There weren't any problems that I have faced during my internship period. Low-paying internships may provide financial difficulties for some interns, particularly if transportation is required. It wasn't a big issue for me as the office was nearby my house but it can be a big problem for others.

### **1.3.4 Recommendation**

My work experience there was great. The company and my team helped to get a real life understanding of the banking industry. Still there are a few recommendation stated below

1. The remuneration amount should be mentioned earlier

2. Interns should have the opportunity to work in many departments inside the bank and not just one.
3. More training programs for the interns.

## **Chapter 2**

### **Organization Part**

#### **2.1 Banking Industry in Bangladesh**

The banking industry of our country has a significant role in improving the economy of the country. Throughout the years the industry has gone through various changes and has adapted to the market dynamics and the environment. There are various types of banks such as, commercial banks, specialized banks and foreign banks with all of them serving different roles towards the economy. The Bangladesh Bank represents the nation's central bank, in charge of oversight and regulation of the banking system. It develops monetary policy and executes actions to guarantee financial sector stability. In recent years there has been a shift towards the digitization of the banking industry. This has made the banking service more convenient for the population with the help of online banking, mobile banking and online payment system. Outside banks' presence in Bangladesh demonstrates the nation's openness to outside investment and commerce.

Bangladesh, as an emerging nation, has aggressively encouraged the establishment of its banking industry in order to drive economic progress. Within the nation's banking business, there has taken place a spectacular and significant development during the last 30 years. Furthermore, Bangladesh's banking system has made a progressive step forward by aggressively pushing the participation of financially deprived individuals in rural areas.

Microfinance and microcredit have come up as important strategies for achieving this objective. This effort has been critical in widening the incorporation of rural economic activity into the monetary system, resulting in a marked move toward increased market orientation.

The number of banks scheduled in Bangladesh currently is 61. There are 6 State Owned Commercial Bank, 3 Specialized Banks, 43 Private Commercial Banks out of which 33 are conventional private commercial banks and 9 Islami Shariah based Private Commercial Banks and lastly the number of Foreign Commercial Banks is 9 which rounds up the total number to Sixty One.

According to the Bangladesh Bank's 'Monthly Economic Trends - February 2023' report, the number of online banking clients has surpassed 6.2 million as of December 2022, representing a 40.83% increase over December 2021. Internet banking payments went up by taka 855.34 billion over the eight-month period of the present fiscal year, which ran from July 2022-February 2023. Up until February the number of internet customer is almost around five million users.

## **2.2 Overview of the Company**

### **2.2.1 Shimanto Bank Limited**

The bank was founded in 2016 and can be recognized as a commercial bank. Shimanto Bank Limited received their banking license on July 21, 2016 from Bangladesh Bank and started operating as a commercial bank. The bank was inaugurated by the prime minister on a later date of the same year which was 1<sup>st</sup> September 2016. As of December 31, 2021, the bank's Paid-up Capital stood at BDT 4,284.80 million. Shimanto Bank Limited is completely managed through Border Guard Bangladesh benefit Trust, a solid benefit project for Border Guard Bangladesh (BGB) workers.

The main tagline for the bank is “Shimahin Astha” as the bank aims to provide financial facility with the most trust.

With the help of the experienced management team and board of directors the bank has a mission of exceling in the banking arena. These members are also helped by the dedicated staff members. The bank is dedicated to act as a good example of corporate responsibility for the country's other financial institutions. As of 2021 November the bank has 19 branches with 2 Sub branches. Rafiqul Islam was appointed as the CEO and MD of the bank on August 2022.

### **2.2.2 Vision**

The company aims to create a safe and secure financial company which will be giving the people that are tech centric an inclusive solution to their banking problems and provide a growth to the national economy as well as keep a commitment to the society.

### **2.2.3 Mission**

1. At every stage of operation, achieve and maintain good corporate governance, the greatest level of openness, and cost-efficiency.
2. Ensure continuous enhancement of policies, processes, and systems throughout the Bank to ensure regulatory compliance and long-term development in all areas.
3. Maintain the business image by putting fundamental principles and strategic aims into action.

### **2.2.4 Core Values**

1. Customer Based
2. Dynamic and Tech Centric
3. Innovativeness
4. Integrity and Dependability



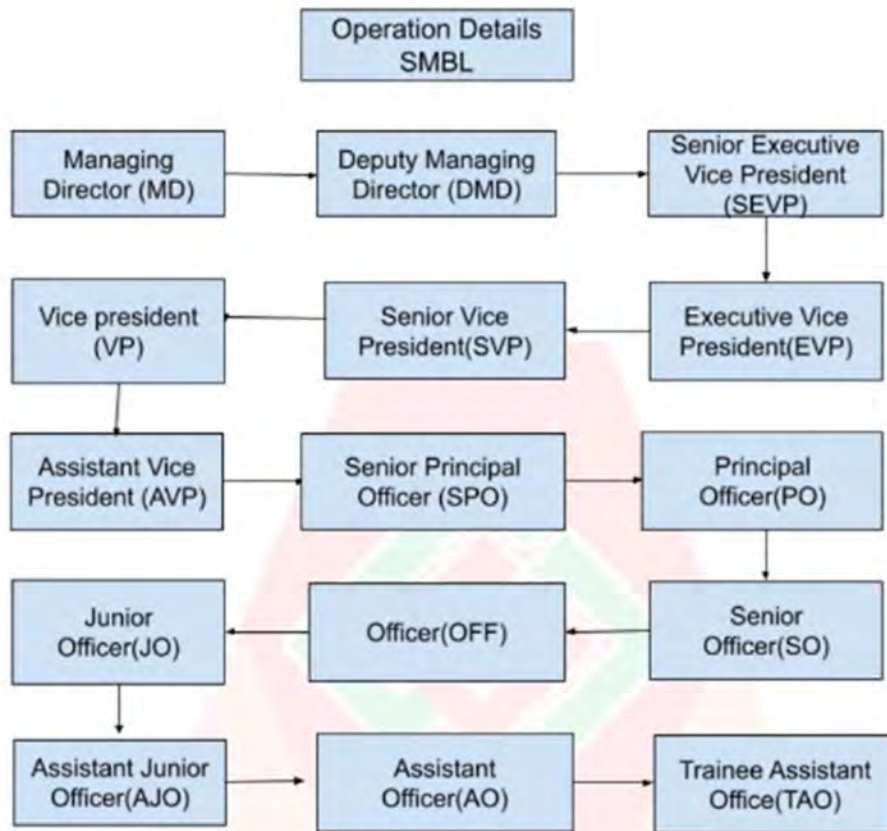


Figure 1: The corporate division of Shimanto Bank Limited



## BOARD OF DIRECTORS



Major General A K M Nazmul Hasan, BAM, ndc, psc  
Chairman



Brig Gen Md Nurul Amin, BGBMS, PhD, MPH  
Director



Brig Gen Ali Reza Mohammad Ashaduzzaman,  
ndc, psc  
Director



Brig Gen Tanveer Gani Chowdhury  
Director



Brig Gen A M M Khairul Kabir,  
BGBM, BGBMS, psc  
Director



Brig Gen K M Azad, BPM (Seba),  
PPM (Seba), psc  
Director



Col Murad Zaman, PBGMS  
Director



Col A S M Faisal, PBGMS  
Director



Col Shafiqul Azam Parvez  
Director



Mr. Abu Hena Mohammad Razeen Hasan  
Independent Director



Mr. Rafiqul Islam  
Managing Director & CEO

Figure 2: Management committee of Shimanto Bank Limited (taken from their annual report)

Shimanto Bank Limited follows the Authoritarian form of leadership. Even though every member of the company has their input and how to do their task but they all have to follow the guidelines set by the upper management.

The bank has a set of rules that they follow for any kind of recruitment process. Firstly, there is a written test that the candidates have to pass in order for them to move to the next stage. After that they have to set for one or two face to face interview sessions with one them being a F2F interview session with the Management Director of the bank. There is also a six month training period before the job is secured even after getting the job the new employees have to go through further training to improve their skills.

## **2.4 Marketing Practice**

Shimanto bank is one of the emerging commercial banks in Bangladesh. The marketing strategies for banks are usually kept very minimal. The main strategy of the bank is to gain positive word of mouth from its existing customer which helps to keep the company grow as time goes on.

**Marketing Strategy:** Throughout the years the banks slogan has been “Shimahin Astha” with this the bank aims to provide its customer with financial facilities with utmost trust they can achieve. All the past and recent work conveys this message. The bank is also trying to capture the youth by providing the process of online banking system which has increased the number of users throughout the years.

**Target customers, targeting and positioning strategy:** Shimanto Bank Limited's primary focus is on serving Border Guard Bangladesh (BGB) employees. All other commercial banking transactions and operations are also carried out. It provides a broad variety of liability and asset services and goods to retail, small and medium-sized and corporate clients throughout the country. The BGB is presently present all throughout the country. As a consequence, Shimanto

Bank Limited can easily broaden its business network by offering complete banking services to the nation's undocumented citizens.

**Marketing Channels:** Shimanto bank has their promotional activities in almost every sector of marketing channels that are available in the country. Starting from TVC, Posters, Print media, and Digital media. They current post their promotional activities mostly on Facebook with a few promotional activity videos posted on their Youtube channel. Using of both traditional and digital method helps the bank to reach the most number of users.

**Product/New Product:**

From the very start Shimanto Bank Limited is continuously updating their services what primarily started as a bank with their main focus being on the loan for BGB employees has started to branch out a lot more throughout the years. They have started new products to reach out to more customers. Some of the new products are discussed below.

**FastPay:** The bank launched their special service for their credit card holders at their main office which is in Dhaka. They launched this service in late 2022. This special service provides its credit card holders to avail products at 0% interest rate in a equated monthly installment which can go up to 36 months. The product was launched by the MD of the bank and people can buy products starting from home appliance to tech products, even furnitures.

**SMBL Nari Shakti:** Muklesur Rahman, the bank's Managing Director and CEO, stated that the new products are aimed at women, employees of the border police, and the creation of a "digital Bangladesh." The product was launched at the start of 2021. The loan's goal is to help rural women become self-sufficient. Any rural woman between the ages of 22 to 50 who has been running any small enterprises for at least three months is eligible for a low-interest loan. The loan amount ranges from Tk 10,000 to Tk 100,000.

## SMBL Connect:



Figure 3: SMBL Connect App

Shimanto bank introduced their internet banking product which was named as SMBL Connect back in 29<sup>th</sup> March in the year pf 2017. This helps the user to fulfill a lot of their day to day tasks. Like, pay electricity bills, internet bills, recharging phone balance, transferring cash to another bank account, transferring money to Bkash and many more.

## 2.5 Industry and Competitive Analysis

In order to understand the company and the industry as a whole SWOT Analysis and Porters Five Forces are given below

## **SWOT Analysis**

### **Strengths:**

1. Bangladesh has seen sustained economic development, creating a stable climate in which the banking industry may function.
2. The nation's central bank, offers regulatory supervision and direction, fostering stability and trust in the financial industry.
3. Commercial lenders provide a diverse variety of financial goods and services to both individual and commercial customers.
4. Over time, established banks have developed strong ties with their clients, generating a feeling of reliability and confidence.
5. The increasing middle class is generating greater demand for financial services such as investments, loans, and digital banking.

### **Weaknesses:**

1. A sizable section of the population is still unbanked or underbanked, restricting access to financial services.
2. To stay up-to-date on digital banking developments, certain institutions may confront obstacles in modernizing their technology infrastructure.
3. Traditional banks may find it difficult to develop at the same rate as fintech companies, potentially resulting in market share loss.
4. Risk management processes are not always rigorous, which can expose a company in non-performing loans along with other financial hazards.

**Opportunities:**

1. Adopting digital banking can assist banks in reaching a larger consumer base and providing more convenient services.
2. Collaboration with or investment in fintech businesses can assist traditional banks in providing new services and remaining competitive.
3. Through new goods and services, there is a potential to reach out to the unbanked and underbanked portions of the population.
4. Banks may tap into cross-border prospects by profiting on trade and investment movements.

**Threats:**

1. Fintech firms and startups have the potential to disrupt established banking structures by providing more accessible and user-friendly solutions.
2. Changes in rules can have an influence on banking operations and necessitate institutions adapting their systems.
3. Economic variations can have an effect on loan repayment rates as well as the general financial condition of banks.
4. Banks are increasingly vulnerable to cybersecurity attacks and data breaches as their dependence on digital services grows.
5. Intense rivalry from both traditional and non-traditional firms can diminish share of the market and profitability.

**Porters Five Forces**

1. **Threat of New Entrants:** The commercial banking business in Bangladesh has modest entry barriers. New entrants must seek licenses and permits from Bangladesh Bank,

which may prove to be a time-consuming procedure. Furthermore, existing banks profit from economies of production, network effects, and client trust, making it difficult for new entrants to establish themselves. However, rivalry among smaller banks and international banks trying to break into the market remains.

2. **Bargaining Power of Suppliers:** In the banking business, suppliers typically relate to the resources of capital for banking institutions, such as client deposits and borrowings from financial organizations. Individual depositors, corporations, and other banking institutions are all sources of money in Bangladesh. This tends to weaken suppliers' total bargaining strength. However, during times of economic uncertainty or interest rate fluctuations, suppliers' negotiating leverage may grow when they seek reduced rates from banks.
3. **Bargaining Power of Customers:** Customers in Bangladesh's commercial banking business have moderate to substantial negotiating power. As it comes to picking a bank, customers have several alternatives, and switching expenses are quite cheap. To attract and maintain clients, banks compete by offering a variety of goods, services, and interest rates. Furthermore, client requests for improved services and reduced prices might have an impact on bank strategies.
4. **Threat of Substitute Products or Services:** The potential danger of replacement products or services is quite minimal in Bangladesh's commercial banking business. Individuals and companies require traditional banking services such as accounts for savings, loans, and money transfers. While technology advances have resulted in the introduction of digital banking and fintech services, conventional banks continue to provide a safe and regulated atmosphere that many clients choose for their financial requirements.



5. **Intensity of Competitive Rivalry:** Bangladesh's commercial banking business is competitive, with numerous established local banks and international bank branches operating in the country. Due to the similarity of the services provided by banks, there is intense competition. Interest rates, service to customers, and supplementary services are the primary sources of differentiation. To acquire clients, institutions utilize intensive advertising and promotional operations. The competitive environment is also influenced by government legislation and policies.

## **2.6 Summary and Conclusion**

Shimanto Bank Limited has embraced its motto "Shimahin Astha" to offer trusted financial services, consistently reaching customers through diverse marketing avenues. The bank's strong online banking system, introduced as SMBL Connect in March 2017, has streamlined daily tasks like bill payments, mobile recharges, interbank transfers, and Bkash transactions. The bank's marketing approach spans traditional mediums like TV commercials, posters, and print media, alongside a robust digital presence on platforms such as Facebook and YouTube. By seamlessly blending conventional and modern methods, Shimanto Bank effectively captures a wide audience. This commitment to trust, innovation, and accessibility reflects in the growing number of users drawn to the bank's offerings.

In conclusion, Shimanto Bank Limited's resolute commitment to "Shimahin Astha" shines through its innovative SMBL Connect platform, merging traditional and digital marketing to reach a broad spectrum of customers. This synthesis of values and technology positions the bank as a trusted and pioneering financial institution.

## **2.7 Recommendations**

Shimanto Bank Limited's majority of works, goods, and services are thoroughly studied and sufficient for its customers. However, some specific advice are provided below.

1. Coverage Area: Since it's a new bank the area it covers it is still not that big. They have to create more branches outside of Dhaka and inside Dhaka they have to make more ATM Booths in order to make it more convenient for the clients to use their services.
2. Redesign their branding method: In my perspective, the banks' workplace branding is insufficient to keep them competitive. The designs and various other elements of social media are not properly conceived or planned.

## **Chapter 3: Project Part**

### **3.1 Introduction**

#### **3.1.1 Background**

The banking sector in our nation plays a pivotal role in bolstering the country's economy. Over the years, this industry has undergone various transformations to adapt to changing market dynamics and environmental conditions. It encompasses different types of banks, including commercial banks, specialized banks, and foreign banks, each serving distinct functions in the economy. The Bangladesh Bank serves as the nation's central bank, responsible for overseeing and regulating the banking system, formulating monetary policies, and ensuring financial sector stability. In recent times, there has been a notable shift towards digitalization in the banking industry, making banking services more convenient through online and mobile banking, as well as online payment systems. The presence of foreign banks in Bangladesh reflects the country's openness to external investment and trade.

Shimanto Bank Limited, established in 2016 and operating as a commercial bank, received its banking license from the Bangladesh Bank on July 21, 2016, and was inaugurated by the Prime Minister on September 1, 2016. As of December 31, 2021, the bank's Paid-up Capital amounted to BDT 4,284.80 million. The bank is wholly managed by the Border Guard Bangladesh Benefit Trust, a robust welfare project for Border Guard Bangladesh (BGB) personnel. The bank's primary tagline, "Shimahin Astha," reflects its commitment to offering trustworthy

financial services. Backed by an experienced management team, a dedicated board of directors, and committed staff, the bank is on a mission to excel in the banking sector and set an example of corporate responsibility for other financial institutions in the country. As of November 2021, the bank operates 19 branches and 2 sub-branches, with Rafiqul Islam serving as the CEO and MD since August 2022.

Bangladesh, as an emerging nation, has been actively promoting the development of its banking industry to drive economic advancement. In the local banking sector, remarkable progress has occurred over the past three decades. Moreover, the banking system in Bangladesh has made significant strides in promoting financial inclusion, particularly in rural areas. Microfinance and microcredit have emerged as crucial strategies for achieving this objective, facilitating the integration of rural economic activities into the formal financial system and promoting greater market orientation. Currently, there are 61 scheduled banks in Bangladesh, comprising 6 State-Owned Commercial Banks, 3 Specialized Banks, 33 conventional Private Commercial Banks, 9 Islamic Shariah-based Private Commercial Banks, and 9 Foreign Commercial Banks.

According to the 'Monthly Economic Trends - February 2023' report from the Bangladesh Bank, the number of online banking clients exceeded 6.2 million by December 2022, marking a 40.83% increase from December 2021. Internet banking transactions increased by Taka 855.34 billion during the eight-month period from July 2022 to February 2023. As of February, the number of internet banking users is nearly five million.

Shimanto Bank is among the emerging commercial banks in Bangladesh, and it primarily relies on positive word of mouth from its existing customers as its main marketing strategy to foster sustainable growth. With the growth of online transaction due to the pandemic and people slowly becoming more technology advanced the bank has taken many steps in the right direction to help grow the online aspect of the banking sector. They have made different tutorials on how to use the app more easily and has also worked towards to make their application more accessible and easy for everyday users. The app has been made very easy to use for every level of customers and also started providing services like amount transfer from one bank to another, Transferring money to Bkash as well as mobile recharge.

## 3.2 Objective

The primary objective of this research is to delve into the factors driving the transition of customers from the traditional method of in-person banking to the more digitalized approach of online banking. Through a comprehensive examination of this transition, the study aims to elucidate the strategies and adaptations consumers are making, while also addressing the existing shortcomings within the digital banking sector of Bangladesh. Furthermore, this research seeks to understand how consumers are behaving and the extent of their satisfaction or dissatisfaction with online banking services. Ultimately, this study endeavors to provide valuable insights into how people are adapting to these changes and the progress of the transition from physical personal banking to online banking.

**Research Objective:** Factors that are causing a customer to switch from physical banking to online banking.

### Research Questions:

1. Did Covid-19 had any effect on the rise of online banking?

Hypothesis 1: the pandemic has led to an increased adoption of using technology

Hypothesis 2: the pandemic has also led to an increase of contactless payment

2. Does age or location play a role in consumers switching to online banking?

Hypothesis 3: customers that live in urban areas are more likely to convert to online banking

Hypothesis 4: factors like age, helps to influence consumers banking preference

3. Is security a key issue why people are scared to switch to online banking?

Hypothesis 5: security concern of the consumers

Hypothesis 6: different generations have different level of trust in online banking security

By addressing these research questions, this study aims to provide a comprehensive understanding of the dynamics behind the shift from traditional to digitalized banking in Bangladesh. The findings will not only benefit consumers and financial institutions but also

contribute to the broader knowledge of the evolving landscape of banking services in an increasingly digital world.

### **3.3 Literature Review**

#### **3.3.1 Research Objective**

The main objective of this paper is to find out the Factors that are causing a customer to switch from physical banking to online banking.

We can see that there is two possible outcomes, why online banking nowadays have developed the banking industry. According to Sathye et al. (1999) blank banks can save a lot of money by offering online services banking method. It has already been approved that it is the least expensive method for Delivery channel that helps banking products once it has been already established in the market. According to Karjaluo et al., (2003) banks have seen the growth of self service amongst the customers after downsizing the number of branch networks and service stuff because customers thought that this took a lot of time and effort. This helps the consumers to save time and customers have a choice of freedom. Based on different studies made in online banking industries has shown that it is the most profitable aspect of banks. Due to this research, Luxman (1999) states that every bank today acknowledges the fact that online channel holds the most power in banks. as mentioned by Momeni (2013), the electronic sector of banking industry is considered a new technology revolution for the modern era of banking services as it benefits the customers to great height, and in the modern era, most of the bigger banks have slowly, but steadily increased the number of online banking services to their available customers in the past decade. Due to people of all regions, a lot of them are behind on using technology to do their day-to-day task so it is essential for every small big company. If they are offering an online banking service to their customers, they have to make sure that the

process of using their application or website is to be made as easy as possible, so all type of people can use the product. They have to also ensure that they are providing services to help the customers who generally don't know how to use this services. They can ensure this by providing tutorial videos or to help them via helpline centres or just to a lot of demos, so the mass people can get an idea on how to use the services. Security can also be seen as a big reason why a lot of the people are afraid of using online banking services, so the banks have to make sure that they are ensuring their customers that the details the customer share will be kept confidential, and they have to also make sure that they are providing the guarantee that all of this data will be stored securely. As mentioned by Kelecic (2020), over the long period of time we can see the growth of technology in e-commerce industry. He also states that during the epidemic it was made more important that it is not just essential to cut cause to improve the experience for the customers, but also to meet the end and needs to prioritise safety of using online banking procedures. The pandemic has also helped to grow the online banking sector for many banks during the harsh times of COVID-19, as it was restricted by most governments in their country for people to go out without a major cause and a lot of people just to be safe, they didn't wanna go out so they use the online banking services to its fullest to fulfil various needs of their everyday life. As of May 2023, in Bangladesh, the online banking transaction has reached a record high 50,000 crore. This is a 142% increase in a year on year basis, and if we compare monthly it shows 12% increase in group every month. If we if we just talk about the last decade it is a three time increase from the year 2014 to 15. MD Mezbaul Haque who is the executive director of Bangladesh bank says that he has seen a marvellous amount of growth in online banking as it helps the people to do their banking while staying at home. He also states that they are promoting digital transaction and different banks are also going digital as it is cheaper than conducting transaction with the help of ATMs. According to him right now,

there are around 40 banks which have an app for their customers to access their bank account digitally.

### **3.3.2 Specific Objective**

#### **Did Covid-19 had any effect on the rise of online banking?**

Hypothesis 1: the pandemic has led to an increased adoption of using technology

As stated by Tarazi (2020), the online and Internet banking applications have created many opportunities for a new method of payment system, as it is a much easier and efficient method for transaction. This method has advanced digitalization and made growth during the pandemic period for the larger banks, but the smaller banks were not prepared to make these changes to pop up with the current situation. Yip & Bocken (2020) talks about the fact that banks had a positive attitude towards innovation during the pandemic. before the pandemic, the use of online banking was still available, but not as many people were opting to use the online services of banking industry as people felt it was more safe and secure to use the traditional method of online banking as they felt it was not safe to share every detail digitally. As the pandemic made it not possible to always visit the banks to fulfil every need of the consumers people started using the online services to their daily needs like online payment or to transfer money from one account another or from one person to another or even just to shop. During 2019 and onwards, banks have helped their customers to use the digital banking services and also teaching them how to use the services efficiently. They have also helped their consumers do their budget and also how to calculate their dept (Bensley et al., 2020). The easier it was to use the online banking services. The more consumers shifted towards using it digitally, and the banks had to make sure that it was beneficial for the consumers. The banking industry has to constantly upgrade their services to make it easier and accessible for all type of consumers. If we compare the banking industry to other industries, the banking industry was more ready to

cope up with the crisis and they were also ready to liquidate buffers and in general, they were much stronger than other industries.

Hypothesis 2: the pandemic has also led to an increase of contactless payment

before the pandemic, the use of online banking was still available, but not as many people were opting to use the online services of banking industry as people felt it was more safe and secure to use the traditional method of online banking as they felt it was not safe to share every detail digitally. As the pandemic made it not possible to always visit the banks to fulfil every need of the consumers people started using the online services to their daily needs like online payment or to transfer money from one account another or from one person to another or even just to shop. In order to deal with the COVID-19, contactless payment was made to ensure that this method would decrease the risk of transferring the fires. According to a spokesperson that works in world health organisation. He stated that if it is possible, it is highly advisable for the normal people to use contactless payment so the risk of the virus transmission goes low. Using contactless payment. It helps to ensure that there is no physical contact between the consumer and person who is providing service to the consumer. Karjaluoto et al. (2019) talks about, can be done by using Wi-Fi or cellular data. It can be also accomplished by using NFC if the person is in the store. A survey done in USA showed that more than 50% of the consumers were worried about paying using the bank notes and about 80% of the respondents believe that paying without any contact is a much more safer way. Another survey which was down in Thailand a little less than 80% of the consumers, where using contactless payment more than they did two years prior and from the respondents who were not using contactless payment yet about 3/4th interest on using online payment from now on to the foreseeable future. We can also see how much the online transaction has increased in Bangladesh in the recent years. First of all people are shopping by online, and they are also paying digitally. Even when customers are dining out their options to pay online using different banking cards, the same services are



also available while shopping in a traditional method. Different food services are also taking payments digitally which was not available before the pandemic, or it was not as popular as before the pandemic hit the country.

### **Does age or location play a role in consumers switching to online banking?**

Hypothesis 3: customers that live in urban areas are more likely to convert to online banking

Difference in geographical location, have played a big part in the consumers switching to online banking. For example, people living in Arvan areas are more likely to switch to online banking as they are remote technology at farms, however, people living in rural areas are less likely to switch to online banking as they are not aware of digital online services. According to Ellison (2005), more than 82% of the large establishment in Italy are located in highly urban areas. As this places are always crowded, it is beneficial for the consumers to buy goods and services via online method. The further away the people are from an off-line store. The more people are bound to purchase their everyday goods digitally. the difference between Urban and rural people are that Arman people are more technologically at advance, so it is easier for them to use those online services, but people that are from rural areas They are less likely to be exposed to the Internet so lesser people are taking advantage of the online services. When we compare it to our country, the people that are living in the capital of Dhaka or cities that are more advance by Chirag select. They are more likely to use the online services of a banking industry, but people that are living in rural areas like villages they are less likely to take advantage of the online services as a lot of people are still not connected to the Internet. This is why we can say that demographical and geographical location play an important role in customers switching to online banking.

Hypothesis 4: factors like age, helps to influence consumers banking preference

The newer generations are more likely to use online banks, according to a survey in America, 21% of Americans, that use digital banking services of which around 20% of the people are aged between the age of 18 to 24 and the other 30% are around 25 to 34. However, if we talk about people of older generation, according to the survey, the people that are aged over 65, more than 80% do not want to bank digitally. Bangladesh currently has more than 60 schedule banks and 35 banks which are non-financial institutions (NBFIs). as people of the younger generation are more familiar with technology and they have a great sense of adapting to new tech they are more likely to accept the changes from traditional banking to digital banking. Banks can also towards the older generation to move to the digital banking by providing them assistance which can be done in a traditional method as well as digital method however, they can to increase the number of the potential consumers. This is due to the banks benefits as moving, digitally helps them to reduce cost in different aspects and to increase their benefits slowly but steady. A study down in America, shows that people that are aged in their 60s around 80% of them own smartphone and people that are aged over 70s, a little over 60% of them own a smart phone and 94% of them, use their devices regularly, so this can be seen as an on potential market for banks to pursue these elderly people to switch to digital banking method. About 66% of them have admitted that they have not used their phone to use any digital banking system in the past month.

### **Is security a key issue why people are scared to switch to online banking?**

Hypothesis 5: security concern of the consumers

Ozuru et al. (2010) states that, development used to be cash driven, but due to the technological advances as people are getting more more done, and the payment method is also becoming more sophisticated and modern instead of using cash, the currency is being converted into

which are being transmitted with the help of mobile phones and satellite transporters. This method is also faster for both the customer and the service provider as this is being enabled with the help of electronic banking services, instead of traditional banking services. Now, if we talk about why people should transfer to digital banking. It is beneficial for both banks and customers because electronic banking helps the bank to get an advantage and increase the market share. Foley (2020) states that, digital banking saves resources for the banks and help to reduce the cost which are needed for traditional banking system and now if we talk about it from the customer point of view digital banking provides a much more easily accessible and faster and reliable service for the customer. Ayrga (2011) talks about how people are still a little hesitant towards using digital banking services, as they are a little concerned about the security issues that may or may not be still live up to the standards. As this is still a new technology for a lot of people, the banks have to keep that in mind and they have to work towards to fulfil assurance. Small assurance would help a lot of consumers to shift towards online banking if they are willing to trust their banks. The banks also have to create a strong relation between the consumer and the service provider, so it is much easier for the mass people to have their faith in digital banking.

Hypothesis 6: different generations have different level of trust in online banking security

The younger generation are more likely to trust using digital banking systems, as they are more technologically advanced, and they know more about how to use those applications which are made by the banking industry. On the other hand, the older generation are less likely to trust digital banking system as they prefer to do it in a traditional system. The banking industry also knows that their target market is the younger generation as they are more advance, so they neglect the older generation. however, as we can see from a previous survey people that are in their 60s and 70s more than 70% have a smart phone and out of those 70% every 9 out of 10 person is using their smartphone on a regular basis so the banks have to also ensure that they

are targeting those older generation to increase their market share and market growth. The reason why younger generation are more likely to trust digital banking services because it is much easier for them to use the applications, however, for the older generation, it is not the same. Another reason why the older generation are hesitant of using digital transaction services is because they think that they might lose their money or face fraud as they are more easily corrupted by people that are technologically advanced. In a survey done in the UK consisting of 1000 respondents more than 30% people are reluctant towards using digital banking services as they feel comfortable using digital services. The survey also shows that about 70% of the people want to undertake their banking services in a traditional method. Instead of digital method. They would rather stand in line in a branch, than finish their task digitally. In order for the banking industry to succeed more and for smaller banks to compete with the larger banks. They have to focus on the elderly generation as it is still a huge number of people that do use their banking services but do not want to use the digital services. So what they can do is to focus a little bit more on the older generation of people and make it easier for them to shift to digital banking service from traditional banking services. This will be beneficial for both the consumer and the bank as it will help the bank to increase its benefit.

### **3.4 Significance**

For my report on the topic of people shifting from traditional banking method to digital banking method is significant on several reasons which I will be talking in more briefly below.

Firstly, the economic impact is huge digital banking services as it can lead the company to save costs for both consumer, and for the institution this as a result, impacts the overall financial aspect of country. Furthermore, digital banking can create more opportunities which were not previously possible due to various reasons like distance or unavailability of the banks in different areas. Digital banking can also lead to technological advancement as this helps to

ensure that the people of the country are becoming more technology advanced. Digital banking system also helps to collect feedback from the consumers which intern helps the bank to cater towards the consumer more by fixing the problems that they have or to create a more flawless product.

Another important aspect to why the research is significant is security and privacy. As we know that digital banking involves the collection of very sensitive data from people they study helps to understand that why should be more improved regularly. Digital banking services are also essential to stay ahead of the market as most of the big banks now have a online transaction system so it is necessary for the smaller banks to also keep up-to-date with the bigger banks. Currently more than 40 of the Bangladesh banks are providing online services. Digital banking also helps to connect globally as people that are residing outside of Bangladesh can also use their account by accessing the application even when they are outside.

Another good reason why digital banking is good for any bank is that the future is never certain because of banking industry being more technology advanced. There were able to handle the pandemic, much more easily than other industries, which, as a result did not hold their every day services.

with the help of collecting data from the consumers which is much more easier in digital services the banks can create an environment which will help the customers in return, and lastly, the data collected from digital services and analysing those data can lead the company to collecting valuable insights which benefits both the bank and the customers in the long run.

To Sum it up, the study is significant because it helps to tackle different aspects like economical, technological, social, financial sector as a whole. The shift also helps to reshape how we used to use cash as a currency, but now we are using contactless payment system which does not use any cash.

### **3.5 Methodology**

The methodology used for this report is the combination between quantitative and qualitative research. Some of the data are collected from their annual report and some data are collected via online using questionnaire survey. It is an exploratory research as this offers me to be more flexible with my topic.

The process of data collection is described more thoroughly below. First of all the data was collected using online sources. For example, the annual report of the bank as well as different articles on Digital banking system and various reports on how digital banking system has changed throughout the years as well as during the pandemic.

The sampling was done with the help of a questionnaire survey. It was distributed amongst 70 to 80 people online and around 20 people in the bank which I worked in. The qualitative data was collected with the help of online survey, and the quantitative data was collected through annual report of the bank

There are certain limitations within my report as the banks do not want to share their data which can be published publicly to ensure safety of their consumers as well as to keep it away from their market competition. Another limitation was that many people did not want to share their banking details. The research was done within ethical consideration, as I took consent from all the people that took part in this research starting from the bank employees to the people that I collected data from online. All of their names are hidden and their details were also hidden. The people that took part in this survey that anonymity was kept to ensure the safety of their sensitive detail.

### 3.6 Finding and Analysis

The questionnaire survey that I conducted on the topic helped me to come up with the following findings talked about below.

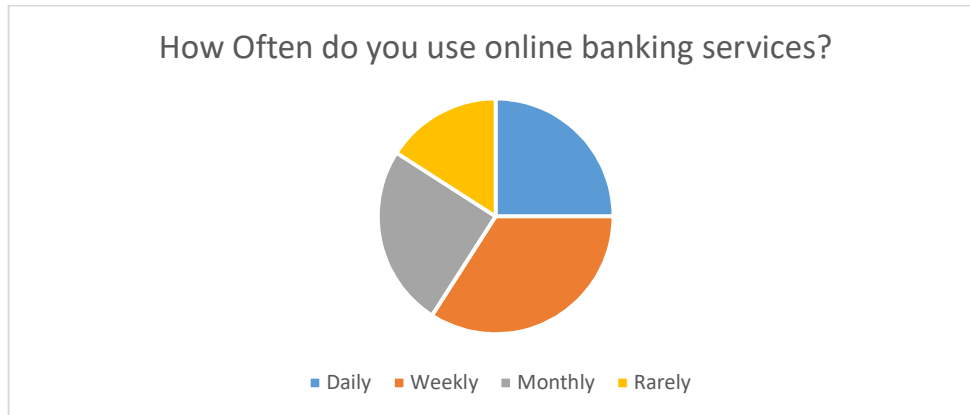


Figure 4: How often does someone use online banking services

As you can see from the pie chart that most of the consumers are checking, their bank balance or using different aspects of digital transaction services in a weekly basis and the people that are using their services on a regular basis are mostly around the age group of in their 20s. The active consumers of digital banking transaction system are in their youths. They are using the services to Pay for different transaction online. This can be ranging from home online shopping to pay paying their bills I could just pay for their meals.

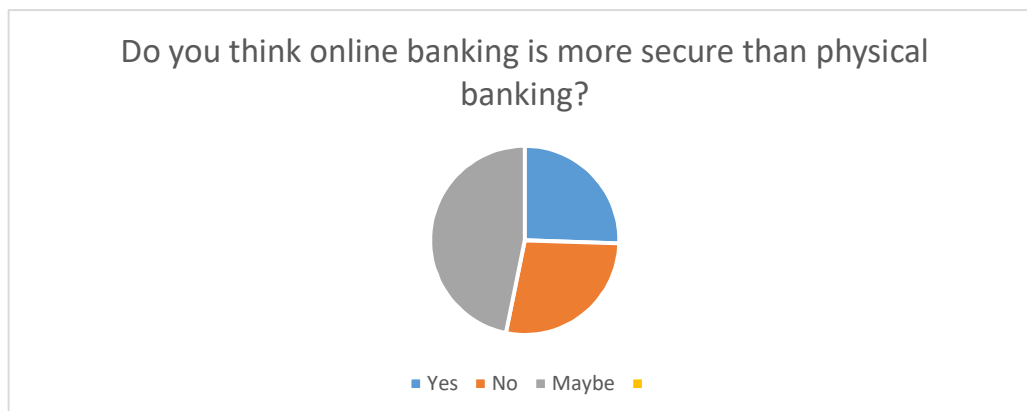


Figure 5: Do you think online banking is more secure than physical banking

security has been a big concern for people shifting towards digital banking services, and it can also be seen from the responses of the respondents as around 50% of them are quite unsure of the security of doing their everyday task digitally around 25% that digital transactions services are less secure than traditional method and only the rest 25%. They think that it is more secure than traditional banking system.

The reason why security is a big concern in the use of digital banking services is that around half of the people downing my survey they are not aware of the secretive measures provided by the online banking platform. As the consumers do not know about this security concerns, this is why they are more reluctant sometimes to switch to online banking system. The survey also shows that the consumers that are currently using digital banking services. They are more likely to recommend their friends and family members to shift from traditional banking service to digital banking service. Only a handful of numbers, do not recommend this service to their friends or family members.

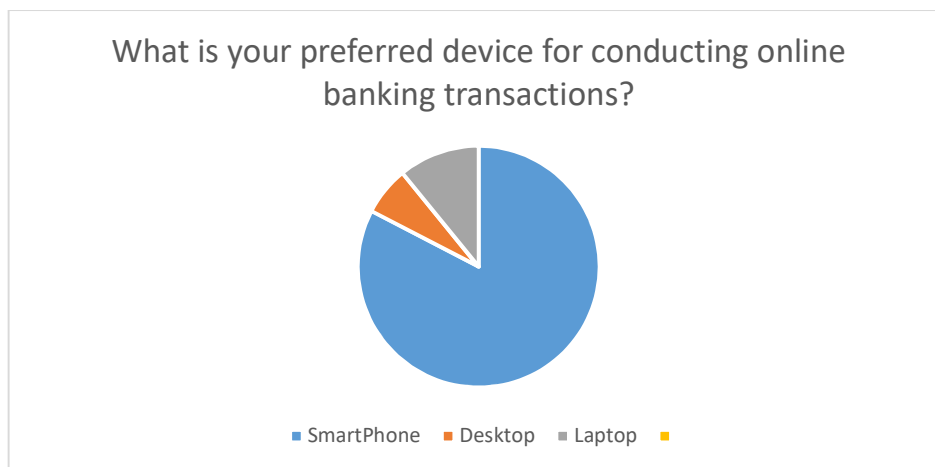


Figure 6: Preferred device for conducting online banking transactions

Most of the people that are using digital banking services they are doing it so by using their mobile phones. Smart phones nowadays are mostly available to everyone, and if the banks want to capture more people to use their online banking services, they have to ensure that their



applications can be run via smart phones are very easily accessible by everyone. It should also work on every platform like android and iOS. From the questionnaire that I did for my research paper more than 80% of the people conduct their digital transaction services using their smart phone. This can be paying their fast food meal payment via their card or they can also pay for their online shipping. Credit cards can also be seen used to purchase games from the Internet or to buy in game points. Age also does play an important role on how much people are willing to shift from traditional banking system to digital banking system. The youth are more ready to accept changes, whereas the older generation are less likely to accept the changes. The shift of online banking can be seen as a long-term trend as people are more becoming technologically advanced they preferred to use digital aspect of banking as it helps them to save time as well as it is more convenient for them. This is due to the process being time-saving and the accessibility is 24/7. People can also avoid long queues.

### **3.7 Recommendations**

In order to ensure that consumers are willing to switch from traditional banking system to digital banking system, Shimanto bank Limited can consider using the recommendations listed below

1. First of all they have to make an application and website which is very user-friendly. The bank has insured that the digital platform are seamless to navigate, as well as provides a very easy user experience.
2. SABL has to insured that the digital banking service can be easily accessible by using mobile phones as this is the basic to that most people in this generation use in their day-to-day life.
3. The bank has to introduce tutorials and they also have to provide resources which will help the consumers to understand and use the digital banking service seamlessly.

4. A very important factor is to provide their consumers with security assurance, which the bank can do so by gaining the trust of their consumer, and also to build their relationship with transparency.
5. A very easy method of maintaining consumers to use digital banking system is to provide them with offers, such as cash backs or rewards for using digital method.
6. Another way the bank can gain the trust of its consumers is to do so by providing 24 seven customer support via their helpline. This help to ensure that the number of consumer stays the same or increases overtime.
7. The transition method has to be easy for normal people, so they can switch from traditional banking method to digital banking method without any hassle.
8. By collecting data from the consumer a more personalised offer should be catered towards the individual's financial needs.
9. The bank can also collaborate with different companies which are accepting digital payment to increase the number of the consumer
10. The bank can also collaborate with Fintech companies to make sure the expansion of their digital service.
11. Since digital transaction is still a new thing in Bangladesh, the bank has to run different marketing campaigns to create awareness between the consumers and why it is beneficial over traditional method.
12. Encourage the regular user to provide feedback and after collecting those feedback, they have to ensure that they are working on those flaws to improve the application.
13. They have to make sure that opening an account online is very easy so that every kind of people can create an account online.

14. If the bank wants to charge any extra payment for using digital services, they have to ensure that it is transparent so it does not confuse the users.

15. The product has to be constantly updated with technological advances so they do not lack behind other competitions.

16. The company should also target every generation of people as there is an untapped market in the older generation.

17. Shimanto bank Limited has insured that the data that they are keeping is private and secure, and it is complying with the laws of data protection.

in order to ensure a successful transition from traditional banking to a digital banking the bank has to ensure different aspects like safety, how easy it is to transition, keeping track of all the generation of people, keeping data private, and lastly to provide incentives and to educate the consumers so they can shift without any hassle.

### **3.8 Conclusion**

The core purpose of this research was to find out why people are shifting from traditional banking system to digital banking system.

First of all, there are three key reasons to why people are shifting from traditional to digital banking system and those are first of all with the help of pandemic. It was made much easier choice for people to shift from traditional to digital banking system. Secondly, the fact that age or location plays and vital role for people to switch. Lastly, safety plays a big factor to buy some peoples shift from traditional to digital, and why some people don't shift. The older generation are reluctant to shift as they do not think that digital banking system is secure enough.

One key take away from our findings and analysis is that the younger generation as well as people that are living in urban areas, are much more willing to do accept changes in their real life on the other hand, people that are living in rural areas like villages, they are much less likely to accept the changes

there were many recommendations provided on how to make the digital banking system, more easier for everyone out of which the key importance were to ensure the safety and security provide various cashbacks and offers so that the consumers stick around to use the service more, and lastly to grow the target from just the younger generation to all the generation, as it is still an untapped market for many banks, which can help them to grow their business, and will help them to stay ahead of their competition.

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