

DIGITAL COMPETITIVENESS IN THE BANKING SECTOR OF BANGLADESH **Md. Mazharul Islam Bhuiyan ^(a) Md. Ali Imran ^(b) Abu Obida Rahid ^(c)**^(a) Lecturer, Faculty of Business Administration, CCN University of Science & Technology, Cumilla, Bangladesh; E-mail: mazharcu05@gmail.com^(b) Lecturer, Faculty of Business Administration, CCN University of Science & Technology, Cumilla, Bangladesh; E-mail: imranemo.cz@gmail.com^(c) Lecturer, Faculty of Business Administration, CCN University of Science & Technology, Cumilla, Bangladesh; E-mail: mailtorahid.cou@gmail.com**ARTICLE INFO****Article History:**Received: 21st October 2022Accepted: 17th November 2022Online Publication: 22nd November 2022**Keywords:**

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ABSTRACT

Digital competitiveness is the capacity of an economy to adopt and explore digital technologies leading to the transformation in government practices and banking models by obtaining the ability to keep up with trends, explore new technologies and change the way we do things. Digital competitiveness has been rising in modern banking, and this trend will likely stay the same for a while. The study examines the technologies used by the banking sector and how the escalation of its application transpired from 2014 to 2020. The present study is mainly based on secondary data collected from the sample unit, and results are interpreted in tabular form, bar, and pie chart using SPSS and MS Excel. The results reveal how, functionally, the banking sector in Bangladesh is flourishing using modern technologies. That shows digitally; our banking system is getting competitive. Digitalization is becoming more popular in our economy, and that's why our banks are working to contribute to modern society's mechanization. Most of our private and state-owned banks practice renovated software for better services. This automation in the banking sector is flourishing the activities and compensating our tempo.

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INTRODUCTION

Organization varies from each other for not providing equivalent services. Banks are no different from it. Banks try to maintain routine activities either which guidelines mention by the central bank or survive in the economy for sustainable development. For this, banks perform several important functions in the economy. Banks conduct all the functions, and they compete with each other for value creation by providing great services to satisfy customers, and they earn profit.

Conventional banking dramatically increases human error and thus loses customer loyalty. That's why adopting digitalization is very important for the banking sector. Technology affects how businesses perform and changes how they function today and involve them in future readiness, attracting new customers. Using many kinds of technology helps sharp prosperity of competition in the bank. Competitiveness makes banks more efficient and productive, which is good for the economy.

Digitalization has a plethora of merits, such as accessibility to information, easy and immediate communication and ability to share information, new jobs, the rapid growth of work, level of customer satisfaction, and increased commercial competition. Today, people have round-the-clock access to banks due to online banking. More convenient and efficient technology can lead to growth, innovation, and the offering of new services to help attract new customers while maintaining the loyalty of existing ones.

Objectives of the study

There is no consensus on the definition of digital competitiveness, but basically, it is the conversion of data into a digital format with the adoption of technology. Though banks in Bangladesh have traditionally focused on the product nowadays, they adopt various features; otherwise, people will switch to another bank. The digital revolution has changed the demand

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for financial services and made the sector more customer-centric. With competition, there are significant opportunities for lower prices, better quality, more choices, innovation, greater efficiency, increased productivity, and additional economic development and growth. The specific objectives of the study were to:

- To identify the advantages of digital competitiveness in the banking sector of Bangladesh;
- To explore the significant role of new technology adopted by banks;
- To ensure the purpose of digital competitiveness in the banking sector; and
- Finally, to examine the profitability to used digital technology.

LITERATURE REVIEW

Malarvizhi and Geetha (2008) investigated that Indian customers are more concerned about the security and privacy issue of accepting e-banking services. They applied Descriptive statistics and Regression analysis using 200 respondents through a structured questionnaire. The study results indicated that customers would adopt e-banking services deliberately if banks could ensure adequate safety and proper guideline.

Ali (2010) examined the present status of e-business and its complementary factor online banking system in Bangladesh. The study was qualitative and surveyed based on 500 customers' comments through preparing a questionnaire. The study found that online banking can build a good customer-management relationship by enhancing the behavior pattern of the bank personnel, improving technological aspects & serving better banking services.

Baten and Kamil (2010) completed research on the economic prospects of e-banking in Bangladesh. Their study was mainly based on secondary sources of data. They found that most banks have their websites, but only some offer internet facilities because they need the IT infrastructure and good security features. The authors also suggested that Bangladeshi banks should actively take advantage of e-banking in Bangladesh's economy as early as possible.

Islam and Mahfuz (2014) conducted a study to determine which e-banking services are used frequently in Bangladesh and why customers prefer those services over other available services. They collected data from more than eighty male and female participants from diverse age groups and educational backgrounds. The study found that internet banking is the most cost-effective form of e-banking, and internet users are increasing geometrically.

Sadekin and Shaikh (2016) performed a study to know the impact of e-banking in Bangladesh. They used Statistical Package for Social Science (SPSS) for data analysis. The study used both primary & secondary sources of data. And primary data was collected from 44 bankers and 76 bank customers of 16 selected banks in Dhaka, Chittagong, Rajshahi, and Khulna Division. The empirical results showed that e-banking is growing & becoming popular in Bangladesh daily and pointed out that all the ATM booths of Bangladeshi banks need to be in a safe position.

Huda and Chowdhury (2017) examined the prospects of e-banking of Dutch Bangla Bank Ltd. and BRAC Bank Ltd. in Bangladesh from 2008 to 2015. The study analyzed data through various statistical measures such as growth rate analysis, trend equation, the square of the correlation coefficient, etc. They found that both selected banks employed almost all types of modern-day banking facilities to provide convenience to their customers. They also suggested that the Bangladesh Bank should set a guideline regarding e-banking services which will help reduce workforce usage by saving time & money and ensuring secure transactions.

Rahman, Saha, Sarker, Sultana, and Prodhan (2017) investigated the problems and prospects of electronic banking of Dutch-Bangla Bank Limited in Bangladesh over the 2010–2014 period. They collected both primary and secondary data and analyzed their collected data by using Microsoft Excel, SPSS version 22, and MINITAB 17. They found that e-banking serves various advantages to the Bangladeshi banking sector. Still, the customers of DBBL do not have enough knowledge about e-banking which is served by the banking sector in Bangladesh.

Jagtap (2018) examined the impact of digitalization on the Indian banking sector. The study found that with the help of digitalization, Indian banks are delivering top-notch services and getting more customers than in previous years. The digital revolution also increases new challenges regarding the stability and integrity of the financial system and the protection of consumers. The digital age's key challenge is protecting all customers against cybercrime. The study also revealed that the big advantage of digitalization and its continuity are to reduce industry costs.

Sarker et al. (2020) conducted a study to evaluate the progress of the internet banking system in Bangladesh from 2014 to 2018. This study mainly focused on internet banking configuration, operations, and bankers' appreciation of internet banking. The study results indicated that Bangladesh entered internet banking quite late but made steady progress. The study suggested that we have to ensure its controlling power when using an online financial system. That means our system will remain under our control and not a spoofed puppet.

Conceptual Framework of Digital Competitiveness

Digital competitiveness in the banking sector introduces the new technology adopted by the banking stratum to maneuver faster, easy and safe banking. It includes Mobile Financial Services (MFS), core banking software (CBS), internet banking, mobile banking, etc. These technologies are revolutionizing and paving the way for the digital banking sector. To make the way successful, there needs to be some competitiveness model, which includes knowledge, technology, and future readiness. In the branch of knowledge, there includes talent, training, and scientific concentration. In the second stratum, we can find the use of technology, which includes the regulatory framework, capital, technological framework, and innovation. The third part is important for sustainable competitiveness, which is future readiness. It considers adaptive attitudes, business agility, and IT integration.

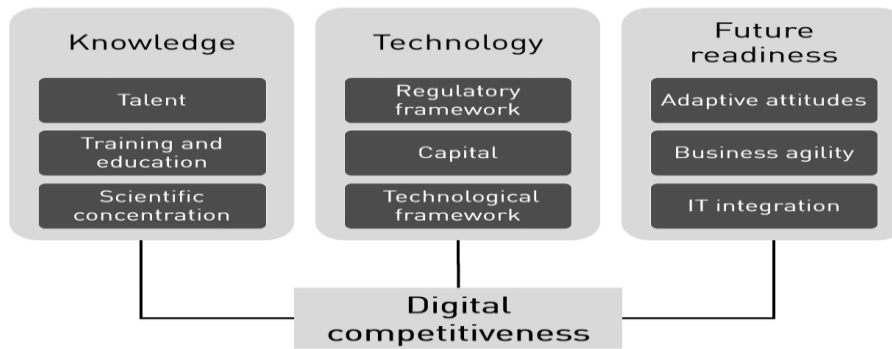


Figure 1. Illustration of the Digital Competitiveness Model

MATERIALS AND METHODS

- Secondary sources of data have been used. Related articles, BIBM, and Bangladesh Bank reports are analyzed & the Internet is the secondary data source.
- We used the SPSS & EXCEL tools to analyze the data. Here we focused on the frequency analysis.
- We talked with the banks' employees and customers for in-depth knowledge and top-notch.

RESULTS AND DISCUSSIONS

Mobile Banking in Pandemic Session (2020)

This graph illustrates that in March 2020, mobile banking transaction was 3978503 crore Tk., which became 44831 crores in June 2020. Mobile banking transactions are increasing at a rapid speed in a lockdown situation. Commercial banks that want a competitive advantage can use mobile banking as a crucial tool. In our country, in the lockdown situation, people were so concerned about the Covid issue that also be the reason for increasing mobile banking transactions.

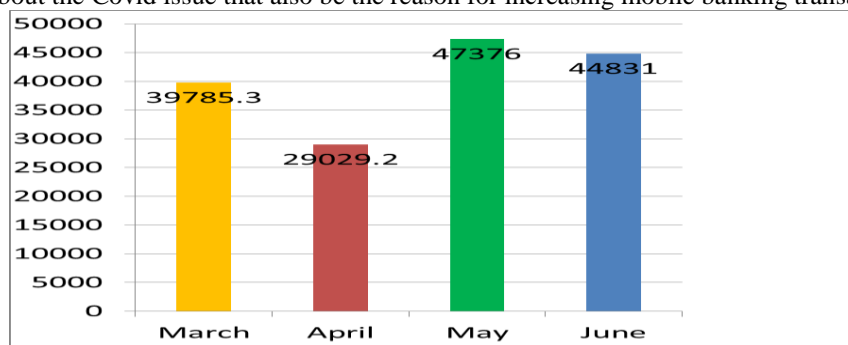


Figure 2. Mobile banking in time of pandemic 2020 (in crore Tk)

Internet Banking

Figure 2 represents the volume of internet banking from 211-2018 increasing. It can be easily said that commercial banks' adoption of internet banking is increasing each year. In Bangladesh, most commercial banks try to catch as many as a customer by upgrading their internet banking facilities. According to the central bank's data, in June 2020, transactions

through internet banking had increased by 12.6 percent since March. The country's internet banking services have been booming amid the Covid-19 pandemic as customers have been seeking online services to protect themselves from the virus. Banks hope this new trend will encourage moving banking activities into a digital arena. According to the central bank's data, in June 2020, transactions through internet banking had increased by 12.6 percent since March.

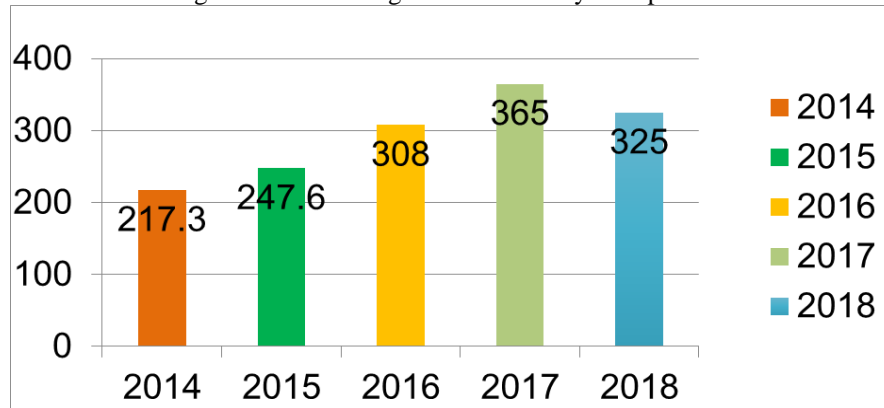


Figure 3. Internet banking (In Billion TK)

Core banking software (CBS)

In today's highly volatile and competitive business environment, a robust centralized CBS that can accommodate all the electronic delivery channels is a must for survival in the competition race. Using CBS Systems, banks provide real-time online banking services to their customers. In 2011, 45% of banks were using foreign CBS and 32% local CBS. Only 8% of banks developed their CBS through experts, and 18% used a combination of local and foreign CBS. In 2012, 49% and 28% of banks used foreign and local CBS, respectively. But in 2013, the use of foreign software increased slightly and stood at 53% of total CBS.

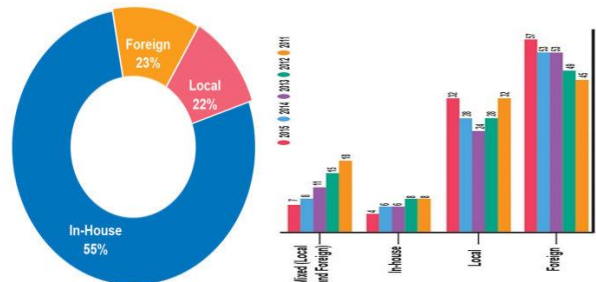


Figure 4. Banking Software Uses in banks

Average Transaction Cost

During 2015, the average transaction cost (USD in Billion) of branch banking, phone banking, ATM, online banking, internet banking & mobile banking are \$4.25, \$1.3, \$1.25, \$0.19, \$0.12 & \$0.10, respectively. So, in the banking sector, mobile banking services (like Rocket, bKash, and others) are more cost-effective and convenient techniques among the selected six categorized banking services in Bangladesh. The above graph indicates that mobile banking services have reached a reasonable digital competitiveness. Going more digital can be an effective and endless cost-transformation strategy, and it also is acted as a powerful weapon to get competitive advantages.

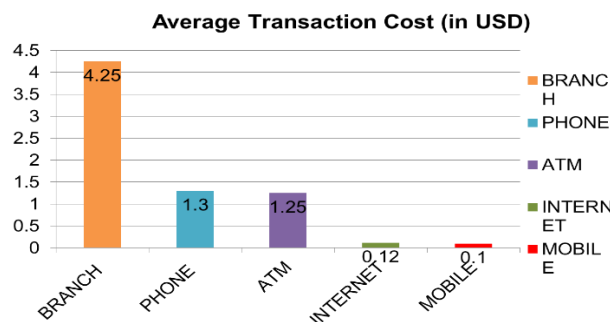


Figure 5. Average transaction cost in different banking

CONCLUSIONS

Information Technology, a revolutionary force, has yet to leave the banking sector untouched. Business operations in the banking and financial sector have increasingly depended on computerized information systems. It has now become impossible to separate Information Technology (IT) from the business of banks and financial institutions. In the last 15

years, tremendous growth has been seen in Bangladesh's digitization of the banking sector. Government initiatives to develop a 'Digital Bangladesh' also boosted this process highly. A recent study of BIBM shows that investment in IT has raised the efficiency of banks over time in Bangladesh regardless of their ownership. These gains in efficiency have also improved banks' productivity and profitability. Still, the efficiency and profitability of state-owned and nationalized banks are less than other groups. As many financial products and services directly or indirectly depend on ICT, banks have to consider how to involve IT to minimize costs, increase efficiency, and provide better customer service, ensuring reliability, safety, and security. Several basic requirements for ICT must be met; these include a sound technical infrastructure, efficiency of the employees, and interaction with technical developments. Moreover, IT security and governance must be ensured for next-generation online banking in Bangladesh.

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