Project Report on

Prospect and Problems of Online Banking in Bangladesh

Supervised by

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Senior Lecturer & Coordinator

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Submitted by

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Batch: 41th

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Program: Bachelor of Business Administration

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Letter of Transmittal

To
Md. Shahnawaz Mostafa
Senior Lecturer & Coordinator
Department Of Business Administration
Uttara University
Dhaka, Bangladesh

Subject: Prospect & Problems of Online Banking in Bangladesh.

Dear Sir,

With due respect, I beg to inform you that, I am a student of BBA, 41th batch & dept. of DBA at Uttara University. I am very glad to submit you my project report prepared on '**Prospect & Problems of Online Banking in Bangladesh'.**

I have given my best effort to prepare the report with relevant information that I have collected from various sources during my project program from 20st June to 30th August 2020.

I pray and hope that the mistake of the report may have, will be kindly excused. So I cordially request to you evaluating this report & enough kind to receive this report.

Sincerely yours

Name: Sultana Akhter
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Student's Declaration

I declare that the Project Report on **"Prospect & Problems of Online Banking in Bangladesh"** includes the results of my own research works, pursued under the supervision of Md. Shahnawaz Mostafa, Senior Lecturer & Coordinator, School of Business, Uttara University.

I also declare that the internship report is prepared for academic purpose only. This report is not submitted by others.

Name: Sultana Akhter

ID: 2163011048

Batch: 41th

Major: Finance

Program: Bachelor of Business Administration

Dept.: DBA, Uttara University

Supervisor's Declaration

This is to certify that, **Sultana Akhter** is a student of BBA (Major in Finance) of the Department of Business Administration & ID no. 2163011048 has successfully completed Project on **"Prospect & Problems of Online Banking in Bangladesh"** from 20st June to 30th August 2020. On the basis of her successful completion of Project program, he has prepared the report under my supervision.

I wish his every success.

Md. Shahnawaz Mostafa

Senior Lecturer & Coordinator

Dept. Of Business Administration

Uttara University

Acknowledgements

At first, I would like to express my deepest gratitude to almighty Allah for giving me the strength and opportunity to finish the report within the schedule time.

I am also grateful to my supervisor Md. Shahnawaz Mostafa, Senior Lecturer & Coordinator, School of Business, Uttara University, for her motivating inspiration, direction, suggestions and advices during my project period.

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Abstract

With contrast to the previous century when the concept of electronic transfer was proposed, nowadays electronic payments are drastically increased due to the rapid increase in online shopping or Internet-based banking. Now in twenty-first century electronic payments became the first option for the transfer of money to/from payer/payee. Visa card, master-card, smart card, debit card, credit card, e-check, and e-wallet, etc. are the options for e-payments. Behind the acceptance of the new payment system depend upon the three factors- cost, time and security per transaction take place of each other. This paper will highlight the background study, types of electronic payment systems available and which payment method users should choose considering the cost, time and security factors. This research will also identify the issues and challenges of e-payments and suggest some solutions to improve performance and quality in developing countries. The motive of this review paper is to introduce the reader to electronic payment and keep update the reader with the current state of the art in the electronic payment system and to provide an overview of past efforts and future trends of electronic payment transfer

Section: 01

Justification of the Study:

In a country, where almost help of the population is involved in the agriculture sector and majority of this segment lives in rural places where financial services remain scarce to none. More than one million peoples of Bangladesh are working abroad and send remittance through banking channel. In banking industry, information technology is the major factor for future development of financial services industry. It is based on sharing of information, which mainly depends on information and communication technology for acquiring, analyzing and delivering date to all relevant users.

So, it is important for information analysis for banking industry. That is why, banking sector are trying to innovate and update their products and marketing strategies for meeting the requirement and demand of the prospective customers. Information technology creates and provides better services to banking industry by ensuring maximum security level of banking industry.

The banking industry is a vital and prominent sector in Bangladesh which contributes a mentionable contribution in the mainstream of economy. So, it is necessary to develop and update it by introducing maximum information technology support which enables it a maximum services providing agency of Bangladesh. The concept of electronic financial services more commonly is known so online banking.

The administrative systems, better information tracking, and time and cost effectiveness. So it is necessary to adopt online banking for industry which will offer the major opportunities in terms of competitive advantages. So online banking was comparatively late adoptee but now all the banks are providing internet banking to their customers

Section: 02

Objectives of the Study:

The objectives of the study were:

- To present the current scenario and extent of online banking in Bangladesh.
- To highlight the importance of online banking.
- To give the the idea of different online payment system of Online banking.
- To identify the problems as well as prospects of online banking in Bangladesh.

Section: 03

Methodology:

Secondary data was collected through analysis of relevant literature and other documentary evidence like website articles. Secondary data service the purpose of providing a general context of the research finding.

To accomplish the semi structured interviews, some general them as were used as a guide for the project so that the discussion remind relevant to the topic being researched. Data collected from different sources such newspapers, magazines, for Bangladesh bank publications of different banks Wikipedia etc.

I selected 5 articles based on my topic .this 5 articles help me to prepare my report.

Section: 04

Discussion:

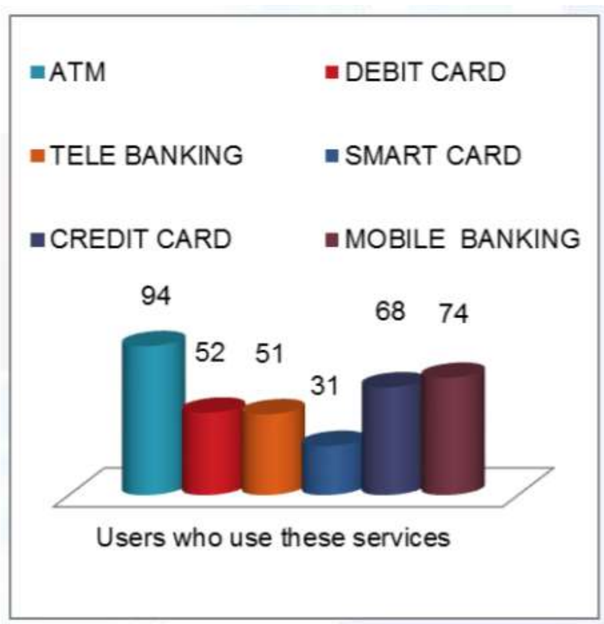
4.1 To present the current scenario and extent of online banking in Bangladesh.

The Following table describes the demographic profile of the respondents which consists of gender, age, level of education. From a total of 100 questionnaires received. According to our analysis of the demographic characteristics of the respondents we can say that, 36% of the respondents are between the ages of 20 and 29 and 29% is between the age of 30 and 39. 15% of the respondents are between the ages of 40 and 49, 14% of the respondents are between the ages of 50 and 59. Then the remaining 6% is higher than the 60 years old. Within the respondents 45% are female and remaining 55% is male. If we check the education level of the respondents we can say that, 45% hold Bachelor Degree, 35% hold Master degree & 20% hold PhD, it is found that Bachelor degree respondent are using highest online banking.

	Online Banking User	**Percentage**
Gender		
Male	55	35%
Female	45	65%
Age		
20-29	36	36%
30-39	29	29%
40-49	15	15%
50-59	14	14%
60-69	6	6%
Education		
Bachelor	45	45%
Master	35	35%
PhD	20	20%

Finding shows that there is no any significance difference between Awareness of e-banking & usage of e-banking.

Services	Atm	Debit Card	Tele Banking	Smart Card	Credit Card	Mobile Banking
Users who use these services	94	52	51	31	68	74



The current scenario and extent of online –banking in Bangladesh: As an internet based technology, online banking is new and quite unfamiliar for some people in Bangladesh due to the digital divide and the different level of internet experience and environments online –banking services have been available in Bangladesh since 2001. As of 2013, all the bank have minimum online banking services. Almost most of the bank provides wide range of online –banking services, rest of the bank are providing few online –banking services.

In Bangladesh, research has been done on electronic commerce issues, computer usage, Internet usage, telephone and electronic banking. The reason for the lack of complete adoption of online –banking in developing countries like Bangladesh is an important research work. In other words, despite this growth of IT worldwide, some Bangladesh banks continue to conduct most of their banking transactions using traditional methods. Understanding the reasons for the luck of such technological innovation in developing countries such as Bangladesh will develop a fruitful research. The aim of this research is to look at the emergence, advantages and acceptance of online –banking in Bangladesh. This report is aimed at to determine economic prospects of online –banking and to explain the present scenario of banking sectors in in Bangladesh and at the same time it demonstrates the scope and benefits of online –banking compared with the existing system. This report also tries to present actual situation of online –banking in the marketing point of view in Bangladesh.

Online –banking is now a global phenomenon. The developed country as a part and parcel of their economy is now using online –banking. A strong banking industry is an important in every country and can have a significant affect in supporting economic development through efficient financial services (Salehi and Azury, 2008,Salehi et. al, 2008).

As a third world developing country, Bangladeshis for behind to reach the expected level of global banking system. At present the banks in Bangladesh are using the limited online –banking services. Online –banking product and services include wholesale products for corporate customers as well as retail and fiduciary products for individual customers. Foreign commercial banks and private commercial banks are relatively in a better position to provide online banking services. Dutch Bangla bank is acting as a pioneer in this sector.

4.2 To highlight the importance of online banking.

E bank provides many advantages for banks and customer's. online banking has made life much easier and banking much faster for both customers and finance institutions.

Main advantages are the following.

- It will save you time spent in banks

- It provides ways for international bank.
- It provides bank over summer and winter 24/7 days and nights from anyplace have internet access.
- It provides well-organized cash management for internet optimization
- It provides convenience in conditions of capital, labour, time all the resources had a need to make a transfer.
- Taking good thing about integrated banking services, banking institutions may remain competitive in new market segments, can get clients and grow their market talk about.
- It provides some security and privateness to customers, by using state-of-the-art encryption and security systems.

Electronic funds transfer transactions are turned on during online banking procedures. The different methods of online banking are

- "Online banking
- Short subject matter service banking
- Telephone banking
- Mobile banking
- Interactive -TV banking"

Of all the above strategies online banking has an important role and maximum used by the account holders. now, discussing these one by one.

Online banking:

Online banking also called as internet bank, allows the clients to make use of all the bank services from your computer which includes internet acess. The customer is capable of doing financial transactions over a secure website controlled by the lender. Online banking offers features such as loan provider statements, applications, funds transfer, e-bill repayments and bank account aggregation allows customers to screen almost all their accounts in one place.

Telephone Bank:

Telephone banking is a service provided by the finance institutions which gives customers to execute transactions on mobile phone. All the telephone banking systems uses programmed responding to system with keypad response or voice recognition functionality. To verify their identification customers must definitely provide a numeric or verbal password or answering the questions asked by the call center agent. In telephone banking customer cann't withdraws and debris cash but can do the rest of the transactions.

Mostly you will see a customer health care representative to which the customers speak, although this feature is not guaranteed. The customer care associates are trained to do what are available at the branch like chequebook orders, address change, debit cards replacements.

Sms Banking:

SMS bank is something permitting banking companies to do decided on bank services from the users mobile by the text message messaging. SMS bank services have thrust and pull announcements. Push announcements are sent by the banking institutions for alerting customer about new offers, marketing messages, alerts to occurrences taking place in customers accounts such as large amount of withdrawals from ATM or visa or MasterCard etc.

Pull text messages are those that are sent by the customer to standard bank for having some information or even to perform a business deal in their bill. Examples include balance enquiry, requesting for current exchange rates and then for new offers that are launched.

The customer has a decision to select the list of services he have to be informed. This is done by integrating to internet banking or talking with the customer care representative of the bank call centre.

Interactive -Television banking:

Interactive Television is a sevice that allows users to connect to Television content as they notice. It is also called as iTV or idTV. In case the customer subscribes to a cable connection tv service some bank facilities like balance enquiry, funds copy between accounts, bills payment are made available all the way through TV. A lot of the major banks in UK have experimented bank services through cable television and satellite television companies.

4.3 To give the the idea of different electronic payment system of online banking.

Internet banking enables customers of a bank or any financial institution to use small banking services that are allowed in their respective banks official websites. There are different types of online transactions that can be made:

Online payments systems

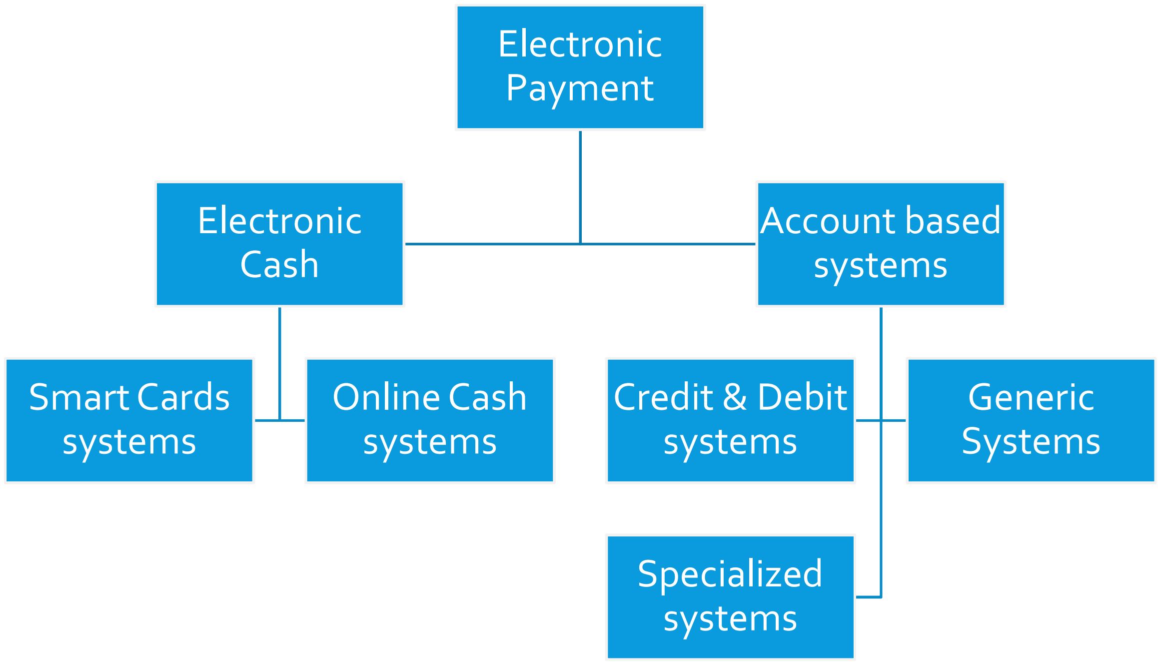


Figure: online payment system

- **National Electronic Fund Transfer (NEFT) -** This is a payment system that allows one-to-one fund transfer. Any individual or company can electronically transfer funds from any bank to any individual or company having an account with any other bank in the country. Individuals who do not have a bank account can also deposit cash at NEFT - enabled branches with instructions to transfer funds using NEFT

- **Real Time Gross Settlement (RTGS) -** It is a fund transfer system where the transfer of money takes place from one bank to any other bank on a "real-time" and on "gross" basis. "Real time" means that the payment transaction is not subjected to any waiting period. The transactions are settled as soon as they are processed. "Gross settlement" means the transactions are settled on a one-to-one without bundling with any transactions

- **Electronic Clearing System (ECS) -** This system used for paying utility bills such as electricity bills, telephone bills, credit card or loan payments, etc

- **Immediate Payment Service (IMPS) -** This electronic fund transfer service can be done through mobile phones

Online Banking ePayments (**OBeP**) is a type of payments network, developed by the banking industry in conjunction with technology providers. It is specifically designed to address the unique requirements of payments made via the Internet.

Online payments systems are:

1. The consumer is authenticated in real-time by the consumer financial institution's online banking infrastructure.
2. The availability of funds is validated in real-time by the consumer's financial institution.
3. The consumer's financial institution provides guarantee of payment to the merchant.
4. Payment is made as a credit transfer (push payment) from the consumer's financial institution to the merchant, as opposed to a debit transfer (pull payment).
5. Payment is made directly from the consumer's account rather than through a third-party account.

4.4 To identify the problems as well as prospects of online in Bangladesh.

Different Forms of E-banking The terms ‘PC banking’, ‘online banking’, ‘Internet banking’, ‘Telephone banking’ or ‘mobile banking’ refer to a number of ways in which customers can access their banks account without having to be physically present at the branch of a bank. online banking may be understood as the term that covers all the ways of banking business electronically.

Tele-banking

Tele-banking service is provided by phone. To access an account it is required to dial a particular telephone number and there are several options of services. Options included

- Checking account balance
- Funds transfer between current, savings and credit card accounts
- Bill payments

- Stock exchange transaction
- Receive statement via fax
- Loan payment information

PC Banking

The increasing awareness of the importance of literacy of computer has resulted in increasing use of personal computers through the entire world. Furthermore, incredible plummet of cost of microprocessor has accelerated the use of computer. The term 'PC banking' is used for banking business transacted from a customer's PC. Using the PC banking or home banking now customers can use their personal computers at home or at their office to access their accounts for transactions. For subscribing to and dialing into the banks' Intranet proprietary software system is use for password.

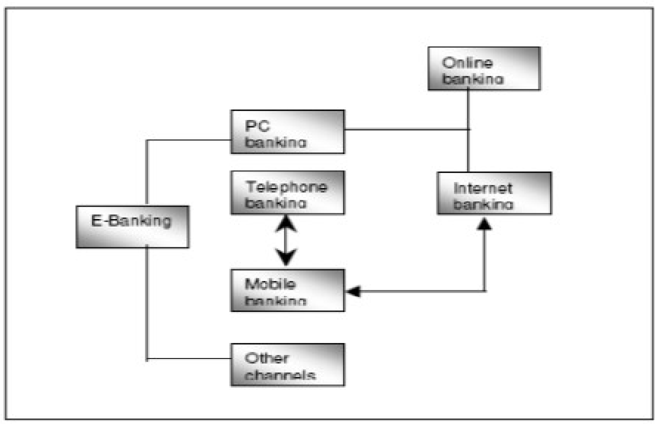


Figure 1: Types of online banking

Internet Banking

Internet banking would free both bankers and customers of the need for proprietary software to carry on with their online banking transactions. Customer behavior is changing rapidly. Now the financial service is characterized by individuality, independence of time, place and flexibility. These facts represent huge challenges for the financial service providers. So the Internet is now considered to be a 'strategic weapon' to satisfy the ever-changing customers' demand and innovative business needs. Adequate legal framework and maximum security are the two essential factors for Internet banking. The comprehensive security infrastructure includes layers of security from the network to the browser, including sophisticated encryption that protects customers' from intrusion when they access the bank over the public network.

Mobile Banking

Actually mobile banking is a variation of Internet banking. Mobile banking is a good example of how the lines between the various forms of e-banking are becoming gradually blurred. Due to the new transmission technologies such as WAP (Wireless Application Protocol), portable terminal like mobile phones, personal digital assistant (PDA) or small hand-held PCs are providing bank customers with access to the Internet and thus paving the way to Internet banking.

Banking sector in Bangladesh

According to the Scheduled Banks Statistics; (October - December, 2006) by Bangladesh Bank, the entire banking sector comprised 48 scheduled banks (commercial banks plus specialized banks i.e. DFIs) and 4 non-scheduled banks. It had all told 6562 branches. Total credit (net assts) and the total deposits (liabilities) of the sector stood Tk.156254.52 and Tk.182925.60 crores respectively as on end December, 2006. The detailed position is given below:

Banking Sector: December, 2006

Bank Types	Number of Banks	Number of Branches
NCBs	4	3384
PCBs	30	1776
DFIs	5	1354
FCBs	9	48
Total	48	6562

Source: Bangladesh Bank Statistics, 2006

Section: 05

Future Forward:

We're now seeing the first generation of 'digital natives', people who can't fathom a time when the internet didn't exist. The wave of developments in the tech industry has completely revolutionized the banking industry. Think about it: when was the last time you deposited a check. Or spoken to a bank teller in person. It's no surprise that banks are closing branches left, right, and center, opting to invest in their online solutions instead. On average, people will bank in person once or twice a year. But they access their online banking about once per day. And there's only one way this trend is going. In this guide, we'll give you an overview of recently added online banking features that are transforming the industry, developments that are in the pipeline you can expect to see in the future, and, without aiming to scare you, some of the things you have to watch out for.

To know what the future of online banking looks like, it's probably worth looking at the present – online banking isn't new. I've been banking online for ten years now, and I was hardly an early adopter. When we think of online banking, we probably think about a computer (either a desktop or laptop), a three or four step security process and then an interface that lets we view the balance of our various bank accounts and credit cards, whilst permitting our to transfer money and pay bills. And we are not wrong either. But the broader definition of online banking should really be any platform that lets we move or otherwise manage our financial affairs digitally. We've no doubt heard of PayPal before, if we're not already actively using it on a daily basis. It's an electronic platform that lets users pay for good or otherwise transfer money between two users. It completely bypasses the need for cash, plastic or cheques. PayPal's co-founder and former CEO Peter Thiel has claimed that it isn't a bank, because it doesn't engage in fractional-reserve banking, but in 2007, the situation was given some clarity when it obtained a banking license for the European Union and upped-sticks and moved to Luxembourg. It said at the time:
"Under this new charter, PayPal will be able to continue its European expansion by offering its services to more online merchants across Europe. In addition, PayPal will be moving its European headquarters to Luxembourg". So it's certainly not a bank in the traditional sense, but it does function like a bank.

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Appendix I
Introducing Consulted Articles

SL. No.	Article Title	Author(s)	Journal Name	Volume & Issue	Year	Publisher
1	E-banking: Benefits and Issues	Dr. Hajera Fatima Khan	American Research Journal of Business and Management	3(1)	2017	
2	Current Status of E-banking Practices in Bangladesh	Mohamamd Shamsus Sadekin & Dr. Md. Abdul Hannan Shaikh	Scholar Journal of Business and Social Science	1(1)	2015	Research Gate
3	Problems and Prospects of E-banking in Bangladesh	Dr. Md. Habibur Rahman , Dr. Mohammed Nasir Uddin, Sayeed Ahmed Siddiqui	International Journal of Scientific and Research Publications	2(7)	2012	
4	Effect of Online banking E-Banking Sector of Bangladesh	Mohammad Shamsus Sadekin & Md. Abdul Hannan Shaikh	International Journal of Economics, Finance and Management Sciences	4(3)	2016	Science Publishing Group
5	Adoption of E-banking in Bangladesh: An exploratory study	A. H. M. Saidul Hasan, Md. Azizul Baten, Anton Abdulbasah Kamil & Sanjida Parveen	African Journal of Business Management	4(13)	2010	

Appendix II

Complication of Objectives/ Purposes/ Questions/Hypotheses Addressed by the Articles

Article	Objectives/ Purposes/ Questions/Hypotheses
1	• This research paper will introduce you to online banking, giving the meaning, functions, types, advantages and issues.
2	• The main objective of present study is to find out the practice and impact of online banking in Bangladesh.
3	• Present the current scenario of Online banking in Bangladesh. • Identify the problems as well as prospects of Online banking in Bangladesh. • Suggest measures for growth of Online banking in Bangladesh.
4	• The main objective of present study is to find out the practice and impact of online banking in Bangladesh.
5	• This paper is aimed at to determine economical prospects of online banking and to explain the present scenario of banking sectors in Bangladesh and at the same time it demonstrates the scope and benefits of online banking compared with the existing system. • This paper also tries to present actual situation of online banking in the marketing point of view in Bangladesh.

Appendix III

Complication of Methods

Article	Methods
1	The primary source of the information in this research study is the secondary data. The available information on internet regarding the E: Banking has been extensively used to complete this paper. Beside this the study also completed by making the use of various sources related to the subject of study like research articles, scientific journals, websites, and some banking and online banking books.
2	• Data for the study collected both from the secondary and primary sources. • Secondary data has been collected from different books, journals, seminar paper, research reports, official reports. • Primary data has been collected from 16 selected bank's branch located the in Dhaka, Chittagong, Rajshahi, Rangpurand Khulna Division those offer online banking facilities to their customers.
3	• The study has been conducted mainly on the basis of secondary information. • Some bank specialists have also been personally interviewed in order to collect some primary information used in this study. • Besides this, internet has been used as another source of information.
4	• Data for the study collected both from the secondary and primary sources. • Primary data has been collected from 16 selected banks located in Dhaka, Chittagong, Rajshahi, and Khulna Division those offer online banking facilities to their customers. Sample were selected from State Owned Com Samples of a total 120 respondents were randomly chosen. • Secondary data has been collected from different books, journals, seminar paper, research reports, official reports
5	• The study has been done mainly based on primary and secondary sources of data or information. • The first is an exploratory research based on secondary data obtained through the Net, books and related journals. • Secondly, survey questionnaire was administered to empirically assess the level of adoption of online banking in Bangladesh including different publications

Appendix IV

Complication of Conclusions

Article	Conclusions
1	The present Study concludes that online banking has fundamentally changed the business of banking by providing immense opportunities to its customers. In the present scenario majority of the customers are accepting online banking transactions because of its many favorable factors. There is a significant relationship between e- banking and customer satisfaction .The customers are committed to using the service, as well as banks is able to retain the major interest of its users. Many customers think that it is not easy to use online banking system as people want their money to be safe and secure. To overcome with the issues, the banks should provide more facilities and convenience to the customers by taking all steps and measures to make online transactions safer and secure for the customers.
2	Online banking becoming popular in Bangladesh; thus almost all Bangladeshi banks offer many facilities of online banking. Domestic private commercial banks and foreign commercial banks are in leading position. State owned commercial banks do not offer all the functions of online banking. Majority of Bangladeshi customers use mobile bank account and ATM account. These types of accounts are not highly secured in Bangladesh. So banks have to be sincere about the security measures of all type of online accounts. Government has to take initiative to make them full digitalized banking system. Otherwise this country will not get full positive impact of online banking. the security concern should maintain straightly to increase the trust of customer in online banking services
3	Online banking and its related technologies are still in its infancy stage in Bangladesh. Since the world is moving towards e-everything, so we should try to overcome all the barriers and also try to develop such environment that is favorable for the development of Online banking. In order for Online banking to continue to grow, the security and the privacy aspects need to be improved. The future of electronic banking will be a system where users are able to interact with their banks "worry-free" and banks are operated under one common standard.
4	Online banking is growing in Bangladesh day by day. Customers can withdraw and deposit money any time within 24 hours of a day. All types of online banking services are being appreciated and applied by people of different walks as this eases the activities. An attractive offer package provided by the government online banking will be popular everywhere very soon. improvement of quality of online banking service, reducing financial insecurities, reducing unemployment problem by creating IT base job for technical experts, reducing tax on banking equipment, close monitoring, legal provisions for controlling frauds and malpractices etc. online banking practices will increase and more positive impact

	will go on the banking sector in Bangladesh.
5	Online banking, the latest generation of electronic banking transactions, opened up new window of opportunity to the existing banks and financial institutions. In Bangladesh most of the people were illiterate and obviously they were technology ignorant. but among the literate portion many of them had computer phobia. To gain the confidence on internet banking the overall computer literacy must be developed. To conclude that online banking also provided other benefits. For instance, creating new markets, and reducing operational costs, administrative costs and workforce are increasingly important aspects for the banks’ competitiveness, and online banking improved these aspects as well. So, Bangladeshi banks should take these advantages of online banking in Bangladesh economy as early as possible.