



## **E-Banking Services and Its Economic Impact in Bangladesh: An Analysis**

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**Abstract:** The main purpose of this was to determine the present status, contribution of GDP growth of e-banking services in Bangladesh. This study has been done based on secondary sources of data or information, which included different publications, journals and different books. Collected data were summarized and analyzed by using SPSS 23 has been used for the evaluation. This paper addressed significant gaps in existing knowledge about the online banking and economic growth of banking activities in Bangladesh. E-banking serves several advantages to Bangladeshi banking sector. However, this study also showed that GDP growth of our economy & contribution of banking industry. Results forsaken in this paper can be of assistance to banking sectors that either operates in Bangladesh or any other countries. This study also will help to know how one bank can improve the level of e-banking services in Bangladesh and its potential issues or services that should be introduced in society to help the customer in a better way

**Keywords:** *E-banking; Return on equity; Return on asset; Gross domestic product.*

**Introduction:** Banking sector plays an important role for providing significant contributions to the development of the economy of Bangladesh and its social development in terms of wealth generation which has positive impact on GDP. Contribute with services sector to the development of Bangladesh economy can be seen from its contribution to four main areas: GDP growth, employment, exports and rural transformation. These aspects are inter related and tend to reinforce each other online banking is web-based banking. In banking industry, information technology (IT) is the major reason for the future development of the financial services industry.

With such information technologies, e-commerce, e-business and financial services industry have increasingly become an essential ingredient of competitive business strategy and a strong catalyst for economic development across the world. Among other mechanisms, e-banking is the most prominent and popular one [1]. The information technology enables the banking sector competitive to split its offer from competitors by making it a market leader. So, it is more important for analyzing the information for banking industry. Among other benefits, e-banking saves time, customers need not to visit the bank branch and banks have the opportunity to enhance their customer base thereby experience improved profits [2]. That's why banking sector are trying to alternate and update their products and marketing strategies for meeting the need and demand of the prospective growth of the economy in Bangladesh. Banking service sector is a part of Bangladesh economy. It provides a convenient bridge for the transformation of the rural agrarian economy to a primarily urban industrial economy. In today's global world where both labor and capital are mobile, both national and global demand and world demand matters for the expansion of the service sector. So, e-banking also helps to improve the

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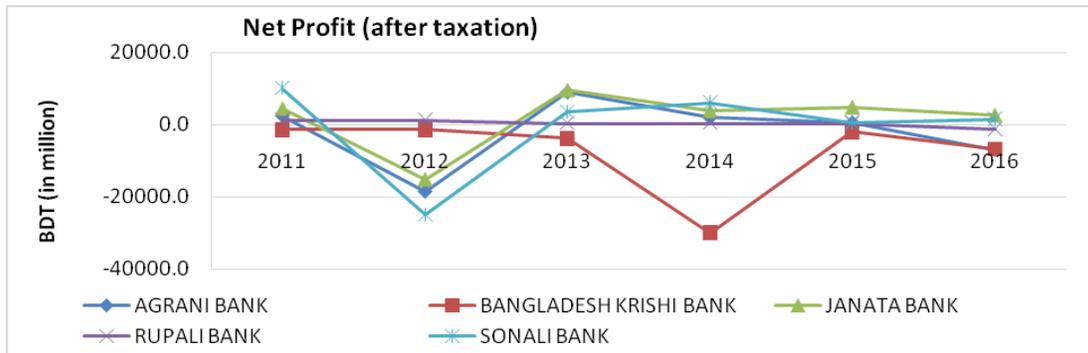
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administrative systems, better information tracking, time-saving, cost effectiveness, increasing profit and asset. Al-Amin and Rahman (2010) defined that e-banking is such a method through which customers can access their accounts and get information about updated products and services provided by banks with the help of a personal computer or other intelligent devices [3]. Bangladesh, particularly who avail the online banking services. Private commercial Banks is acting as a pioneer in this sector. Online banking has not enough knowledge about e-banking which is the interpretation by banking sector in Bangladesh. There are total of 57 different banks working together in Bangladesh while 48 and 9 banks are Private and Public banks respectively. A positive relationship between size and profitability of banks was found in Bangladesh bank [4]. The competition is going up day by day by giving better services and they were trying to develop their own services every now and then. Electronic banking has been known to us since 1990. E-banking services have been available in Bangladesh since 2001. Electronic banking has got tremendous importance in the banking sector and banking customer as well. Understanding the reasons for the lack of such technological innovation in developing countries such as Bangladesh will develop a fruitful research. The aim of the research is to look at the economic growth of e-banking in Bangladesh and the researcher tries to represent of e-banking contribution of economic growth in the context of public and private commercial Banks in Bangladesh. Private Banks are also making a substantial contribution to the economic sector of the country. E-banking is beneficial and advantageous for banks and their clients. The primary advantages to banks include cost savings, time savings, achieving new segments of the society, effectiveness, improvement of the bank's status and better customer service and client satisfaction [5]. As a third-world developing country, Bangladesh is far behind to reach the expected level in the global banking system. Bangladesh ranked 118<sup>th</sup> in the global Network Readiness Index in 2009-10 up from 130th a year ago, showing an upward trend in the information and communication technology sector [6-8]. In very few specific key aims of these studies are as follows:

- To assess the progress of e-banking in Bangladesh.
- To measure of economic impact of e-banking services of Bangladesh economy.

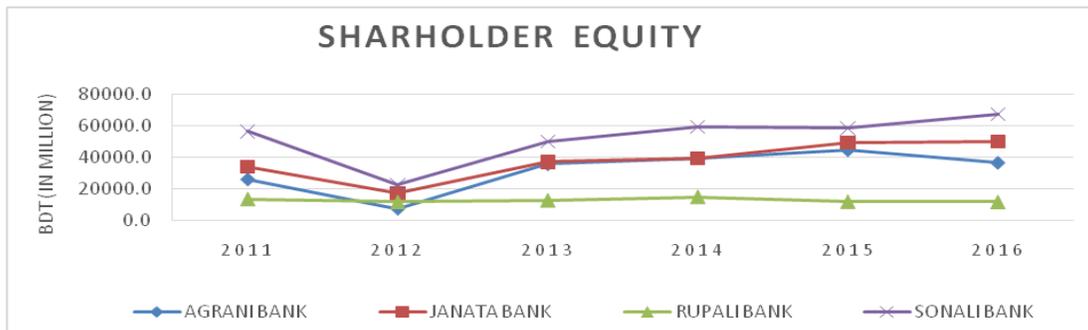
**Methodology of the Study:** The study covered different indicators of economic growth in 2011-2016 of private and public commercial banks in Bangladesh. Secondary data has been collected from 9 selected banks both private and public located in Dhaka, Chittagong, Rajshahi, Khulna, Barisal, Mymensingh, Rangpur and Sylhet division were randomly chosen. Secondary data collected from different published sources like research reports on Electronic Banking, uses annual financial reports, Bank's websites and Bangladesh Bank's website, published and unpublished articles, book chapter, conference paper, newspaper articles etc. Besides, sources have been taken also from internet.

**Results & Discussions:** Figure -1 shows that Agrani Bank, Bangladesh Krishi Bank, Janata Bank, Rupali Bank and Sonali Bank Limited had net profit after tax decreases in the year 2012 from 2011. In 2016, Janata Bank Limited highest profit earned from 2011 to 2016 at the same time lowest profit earned Bangladesh Krishi Bank.



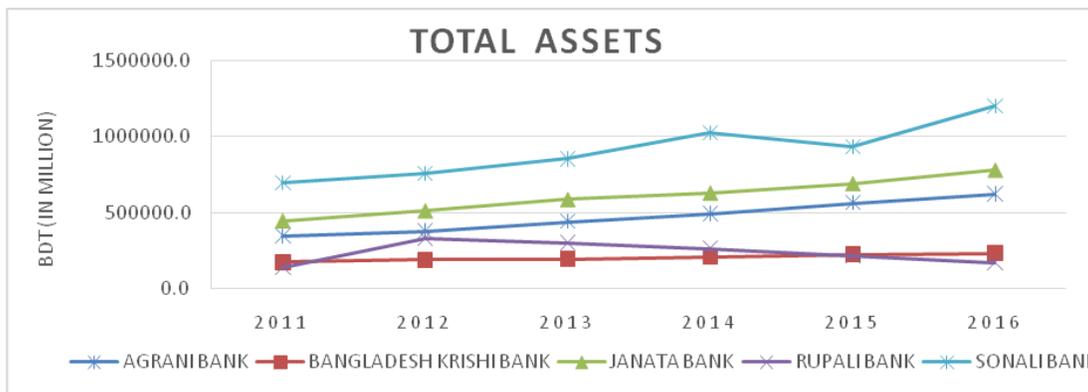
**Fig. 1.** Net Profit of States Owned sample Banks (After Tax)

From figure -2, it can be found that Agrani Bank, Bangladesh Krishi Bank, Janata Bank, Rupali Bank and Sonali Bank Limited have Shareholders equity ups and downs severely in between from 2011 to 2016. Shareholders equity increasing trend is looking very high in the middle of 2012 to 2014. Agrani Bank limited highest level of increases in 2015 at the same time Rupali Bank Limited decreasing trend is lowest position hold.



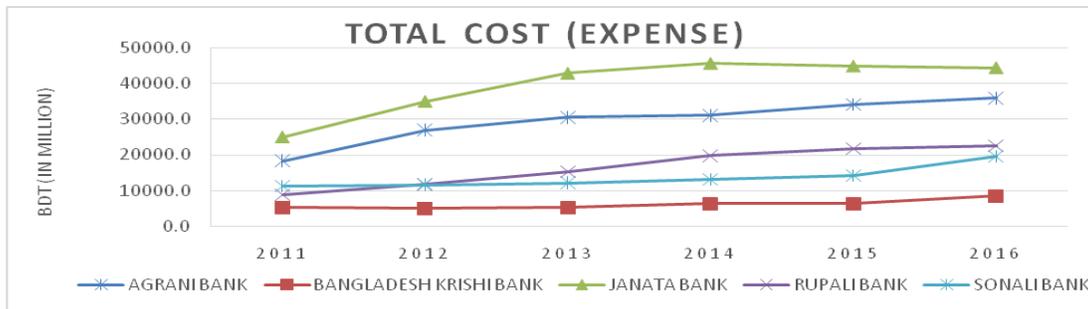
**Fig. 2.** Shareholder Equity of States Owned sample Banks

Figure -3 indicates that Agrani Bank, Bangladesh Krishi Bank, Janata Bank, Rupali Bank and Sonali Bank Limited have total assets ups and downs severely in between from 2011 to 2016. Total Assets increasing trend is looking very high from 2011 to 2016. Gradually, Agrani Bank limited earned the highest level of increases of his total assets at the same time Rupali Bank Limited's decreasing trend is lowest position hold.



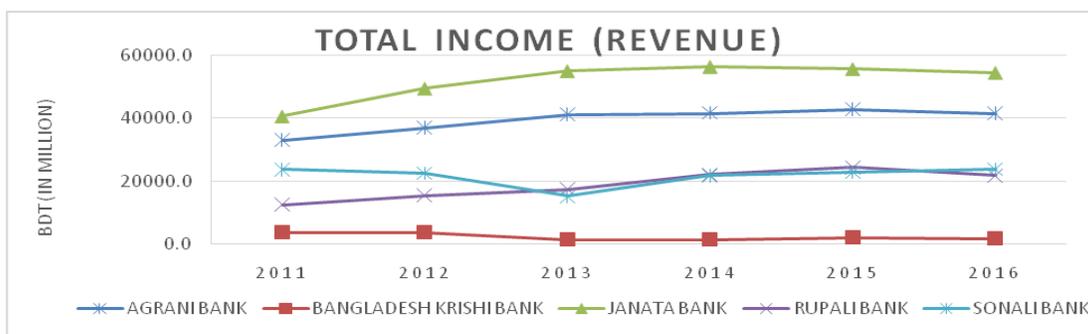
**Fig. 3.** Total Asset of States Owned sample Banks

Figure-4 reveals that Agrani Bank, Bangladesh Krishi Bank, Janata Bank, Rupali Bank and Sonali Bank Limited have total costs ups and downs severely in between 2011 to 2016. In 2016, Bangladesh Krishi Bank has the lowest cost and Janata Bank Limited has occupied the highest cost at the same time Agrani Bank limited the second highest.



**Fig.4.** Total Cost of States Owned sample Banks

Agrani Bank, Bangladesh Krishi Bank, Janata Bank, Rupali Bank and Sonali Bank Limited have total income ups and downs severely in between from 2011 to 2016. In 2016 as seen in figure- 5. Bangladesh Krishi Bank has the lowest income and Janata Bank Limited has the highest income at the same time Agrani Bank limited the second highest.



**Fig. 5.** Total Income of State Owned sample Banks

Figure -6 shows that Agrani Bank, Bangladesh Krishi Bank, Janata Bank, Rupali Bank and Sonali Bank Limited have Loan and advances ups and downs severely in between from 2011 to 2016. In 2016, Rupali Bank limited has the lowest Loan and advances and Agrani Bank Limited has the highest.



**Fig.6.** Total Loan & Advance of State Owned sample Banks

Figure-7 shows that In 2012, Brac Bank, Islami Bank, National Bank and Pubali Bank Limited have net profit after tax decreases from 2011. Gradually, profit after tax was increasing from 2012 to 2016. In 2016, National Bank limited and Islami Bank limited profit after tax is better than Pubali Bank limited.



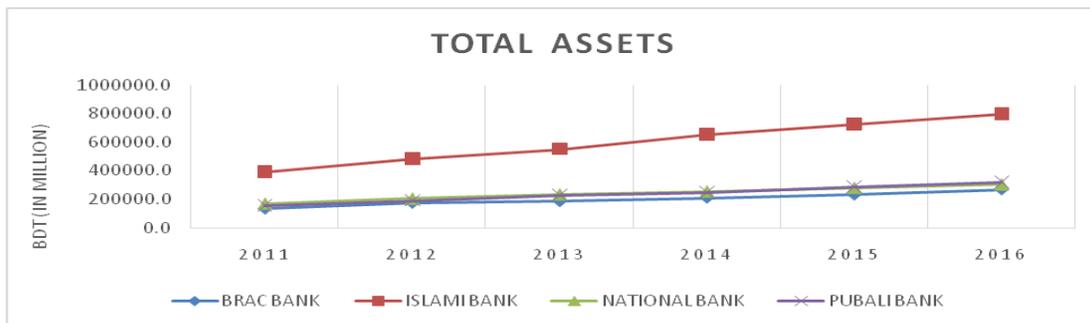
**Fig. 7.** Net Profit of Private Commercial sample Banks (After Tax)

Figure -8 shows that Brac Bank, Islami Bank, National Bank and Pubali Bank Limited have Shareholders equity ups and downs severely in between from 2011 to 2016. Shareholders equity increasing trend is looking very high in the middle of 2012 to 2015. In 2016, Islami Bank limited highest level of Shareholders equity and Pubali Bank is the lowest.



**Fig. 8.** Shareholder Equity of Private Commercial sample Banks

Figure -9 shows that Brac Bank, Islami Bank, National Bank and Pubali Bank Limited have total assets ups and downs severely in between from 2011 to 2016. Total Assets trend was increasing from 2011 to 2016. In 2016, Islami Bank limited earned highest levels of total assets at the same time other banks trend is being decreased.



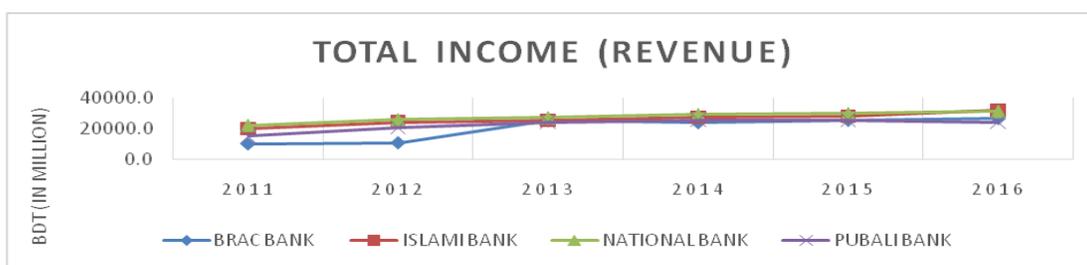
**Fig. 9.** Total Asset of Private Commercial sample Banks

Figure -10 shows that Brac Bank, Islami Bank, National Bank and Pubali Bank Limited have total costs ups and downs severely in between 2011 to 2016. In 2016, National Bank limited has the highest cost and at the same time Brac Bank Limited was the lowest.



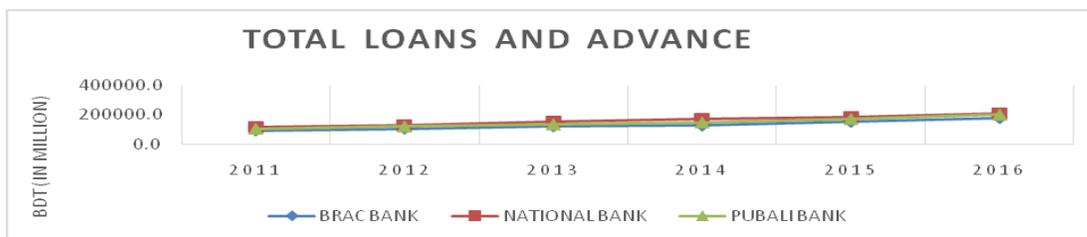
**Fig. 10.** Total Cost of Private Commercial sample Banks

Figure -11 shows that Brac Bank, Islami Bank, National Bank and Pubali Bank Limited have total income ups and downs severely in between from 2011 to 2016. In 2016, Islami Bank limited has the highest income and Pubali Bank Limited has the lowest income.



**Fig. 11.** Total Income (Revenue) of Private Commercial sample Banks

Figure -12 shows that Brac Bank, National Bank and Pubali Bank have Loan and advances ups and downs severely in between from 2011 to 2016. In 2016, National Bank limited has the highest Loan and advances and Brac Bank Limited has the lowest.



**Fig. 12.** Total Loan & Advance of Private Commercial sample Banks

**The following important observations could be made from the lookout:** In this way, private banks are also making a valuable contribution to the economic development of the country alongside state-owned commercial banks [7]. A key finding was that private bank is better than a public bank. It is critical for customer retention in the banking industry. Also, there is a need for developing a cost-effective, technically supportive and reliable online banking system by the banks. Furthermore, the findings also indicate that the banks make efforts in diffusing the online banking technology by developing the faith in usefulness, ease of use, credibility, reliability, access, and speed of service among the customers [9]. Analyzed the data collected from secondary sources we see that net profit after tax, shareholders equity, total assets, total costs, total incomes, total loan and advances are positive impacts on our economy and contribution our GDP growth. Afterward, every construct is analyzed with the value. Finally, the various

parameters of a bank kept in discussion to get an understanding the growth of the bank private bank is better than a public bank. We found a significant positive impact of e-banking on the ROE of sample. Good economic conditions affect banking sector performance positively i.e. TK 8.78 billion respectively from private and national commercial banks in Bangladesh. The research found that respondent of the research sample experienced several aspects when experiencing online banking system that are provided by private commercial banks in Bangladesh. The researcher also found that respondent analyses that Private commercial banks in Bangladesh have sufficient information flow for their customers when operating an online banking services and majority of the respondent show that banks are responsive in customer demand when online banking occurs and gains. Different parameter financial benefited private commercial bank and its contribution to our economy [10].

**Conclusion:** Agriculture is the main sector of our economy. According to the new GDP measurement system, it provides about 22% (percent) of our GDP. But sadly as the total amount of credit increases, the portion of credit to agriculture, fishery and forestry sectors has been decreasing over the years and is reduced to nearly half at present. Industrial sector which serves as the main contributor to GDP in developed countries is still a very weak sector here and its contribution to our GDP is only 17.79% (percent). But the sector remains to be the main recipient of credit from commercial banks. Readymade garment industries last received TK7.86 billion and TK 8.78 billion respectively from private and national commercial banks. Per capita income of the country is more than US \$1752. Banks are one of the main weapons for the government for eradicating poverty by implementing different projects. As the branches of banks are available everywhere from the downtown area to the remotest corner of the country, the government uses these banks to provide financial benefits for the people. The private banks have adopted modern technologies to provide better service for the customers and make their activities easier. In this way, private banks are also making a valuable contribution to economic development of the country alongside state-owned commercial banks. As globally improving of statistics generation used additionally Bangladesh is retaining the serial, right here many banks are participating an exceptional roll with performing net in addition to online banking and they have taken a leading function in online banking. Now- a- day's technical advancement are changing tremendously in banking process and transaction system. E-banking is additionally patronized greatly to address that technological demand that differentiates the clutter environment of a general banking system in Bangladesh. For that financial institution need to take a good deal tasks to contain, free from such situation danger. E-banking is making business so much easier that any time rapid. They must emphasize into on line banking as it will take low operating price for both customers and financial institution as properly it's going to increase profitability if financial institution. Every year, around 500.000 Bangladeshis leave the country to work abroad. Bangladesh economy depends on the emigrants' remittances. If this trend remains continued, e-banking contribution will make significant impact on the economical, social and environmental issues in the near future, in addition to the economic wellbeing of the country.

**Recommendations:** This study investigated that the impact of the economic contribution of e-banking on the performance of banks operating in a developing country, i.e. Bangladesh. Bangladesh is advancing in the use of e-banking system as alternative channels of banking. However, little is known about the impact of the adoption of innovative technology, namely e-banking on a performance of Bangladeshi banks. The study shows over that e-banking has increased efficiency and reduced costs and hassle for customers through the reduced need for queuing in the bank for some transaction, which should have

been done otherwise. Queuing results in customers foregoing some other activities that they should have done, hence the opportunity cost. Facilitation of e-banking has increased the number of customers, which has in turn increased operational cost but at the lowest decreasing rate as portrait by the most. It is also recommended that the policy makers should make policies to enhance the banking sector in Bangladesh because e-banking services are significantly contributing to the economic growth of Bangladesh. The size of the country's gross domestic product (GDP) day by day increased.

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