

# Impact of Pandemic COVID-19 in the Mobile Banking Sector of Bangladesh

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## Abstract

A symbol of prospect for Bangladesh is 'Mobile Banking'. There are several form of digital banking like internet banking, E-banking, digital wallet, and mobile banking. With the flow of time, conventional banking is changing in online or digital banking. Mobile banking is an evolving division of online banking. It is an application of mobile commerce created on wireless networks and mobile devices. However, in COVID – 19 circumstances, where social distancing is consider, as the best way to be safe, banks has no other way but to modernize and enhance their services more in online. Presently there are 16 MFS operators are providing their services in Bangladesh. The article describes the change of users and usages of M-banking in COVID-19 situation, problems facing by the users and suggestions to overcome the problems.

**Key words:** Mobile Banking (M-banking), MFS (Mobile Financial Service), COVID-19, Pandemic.

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## I. Introduction

For the economic development of a country, banks considered as the lifeblood. When it is about the economy of our country, we cannot keep its benefit aside as it is a crucial part of our economy. A huge population was out of banking sector few years ago. However, mobile banking services bring them under banking sector. MFS is a bank in the pocket; customers can keep money in their mobile wallet and send money from the wallet to a bank account. People who do not have bank account can also do transaction through Mobile Financial Services. People who live in rural area and who are not educated are managing money by their own mobile account. A lot has changed to date but a huge push to go digital came from the COVID-19 pandemic. The shape of the entire banking industry has changed by nothing but to go digital. The world – wide economy has smash by the COVID – 19 terribly. In Bangladesh, the first case was confirm in March 2020. As social distancing is the most reliable way to avoid contamination, the Bangladesh government a lockdown to whole country from 23 March to 30 May, consequently the economy came to a standstill. The COVID-19 pandemic has accelerated the process of Mobile banking due to its numerous benefits. Although e-banking or mobile banking is not as the user more than before uses new concept in Bangladesh, but in this recent epidemic situation, it has. Without any geographical consideration of location, the alternative banking system has helped the customer to complete bank related operations anywhere and anytime. Swift transactions, 24/7 banking facilities, banking by staying at home etc. has flourished the mobile banking as well as internet banking last year.

## II. Literature Review

With the availability of 365 days, mobile banking is an alternative of branchless banking which delivery financial services by using information and communication technology. This service is more speedy, reliable, easy, and cost effective than normal conventional banking system. Including all forms of banking with the involvement of electronic media, E-banking has covered a bigger area than Mobile Banking. Internet banking, another form of E-banking provides the expansion of Mobile Banking like its backbone. In addition, to be safe in the pandemic of COVID – 19, the size of Mobile banking consumers are increasing rapidly. As visiting branch without an extreme emergency are discouraged to the consumers, they have no other choice but to adopt internet banking or Mobile banking.

Calisir and Gumussoy (2008) said that, a fresh level to the conventional banking structure has added by technology. Thus among the self-service tools in the world, internet banking is most popular. Ali (2010) has found that, Bangladesh's economy can lead to a strong position by E-business and online banking through satisfied customers. Khan and Karim (2011) stated that, the demand, usage, user, and providers of mobile banking facilities are rising in Bangladesh from last few years. Shaikh et al. (2015) studied that, commitment of customer relationships by bank and how much value they can add to their customers are the mainstream of the

enhancement of practice of mobile banking. Yang et al. ( 2018 ) said that, in terms of return on assets, return on equity and operating management, E-banking has improves bank performance. According to Matthew et al. ( 2017 ), to say that competitive mobile banking in inevitable but it needs plenty of improvements Baten and Kamil ( 2010) has included that, for saving money and time and deducting geographical barriers, E-banking has become more convenient to the customers. Avadhani (2020) has said in the study that, saving bank account statement as e-bank statement at one's mobile phone or laptop or downloading it to print, is helpful to prevent visit in branches in this COVID – 19 pandemic. According to The Daily Star (2021), the top MFS operator of Bangladesh bKash has added nearby 1 crore new clients throughout the unending pandemic and its recent daily transaction is over a whopping TK1, 000 crore.

From the above review of literature, I have found that many researchers have studied about Mobile Banking, adoption difficulties, opportunities and challenges of implementation of M-banking in Bangladesh. However, almost all the study has done before the pandemic COVID-19 happened, which has a remarkable effect on total economy as well as banking industry in Bangladesh. So in my opinion, we should now focus on how to survive economically in this “new normal” situation by analyzing the change of usage of M-Banking in last year. This article has focus on user and usage fluctuations, significance of up gradation of M-banking and suggests some ways for future development.

### **III. Research Objectives**

For over an era, the banking industry has affected significantly by the rapid growth in information and communication technology. Many countries are now building a cashless society and paperless banking services. The outbreak of COVID – 19 has changed the shape of the entire banking industry by making it go digital. In the study, the primary objective is to evaluate the changes of usage of M-banking in Bangladesh for COVID – 19 epidemic. The other supportive objectives are as follow:

1. To discover the importance of upgrading Mobile banking services in Bangladesh.
2. To find out recent progresses of Mobile banking services industry in Bangladesh.
3. To identify the constraints for M-banking in Bangladesh and provide some opinions for the development.

### **IV. Research Methodology**

The study is descriptive and analytical in nature. Data used in this study have collected from the secondary sources. Data collected through various published articles, newspapers, banks websites, Bangladesh Bank reports etc.

Bar diagram used as graphical tools to show analytical data. Application of software MS Word and MS Excel were use to analyze data.

As COVID – 19 pandemic is going on and the government is extending the date of “Lockdown”, face-to-face conversation with bankers & customers and field survey was not possible to conduct, which might have given us better information and result.

### **V. Analysis and Findings**

Throughout the world, the new normal has enhanced digital transactions and financial inclusion, firming up the base of digital financial services. Mobile financial services ( MFSs) is giving the opportunity to use mobile phone to access financial facilities and execute financial transactions and the cash less payments makes life cooler. Banks were slow adapting to online systems before the pandemic but once clear that lockdown starts last year, it was very clear that future of many transactions would be online. To face the growing first wave of the pandemic last year, most banks introduced mobile banking apps, whatsapp banking, and online account opening platforms like Nexus Pay by Dutch Bangla Bank Ltd and U-Click by United Commercial Bank Ltd.

#### **Increased number of clients**

After the start of the pandemic in March 2020, MFS providers witnessed a tremendous surge in the number of clients added by around 1.5 crore from March to November and reach in 9.64 crore. That means more than 56% of total populations are now using Mobile Banking facilities in Bangladesh.

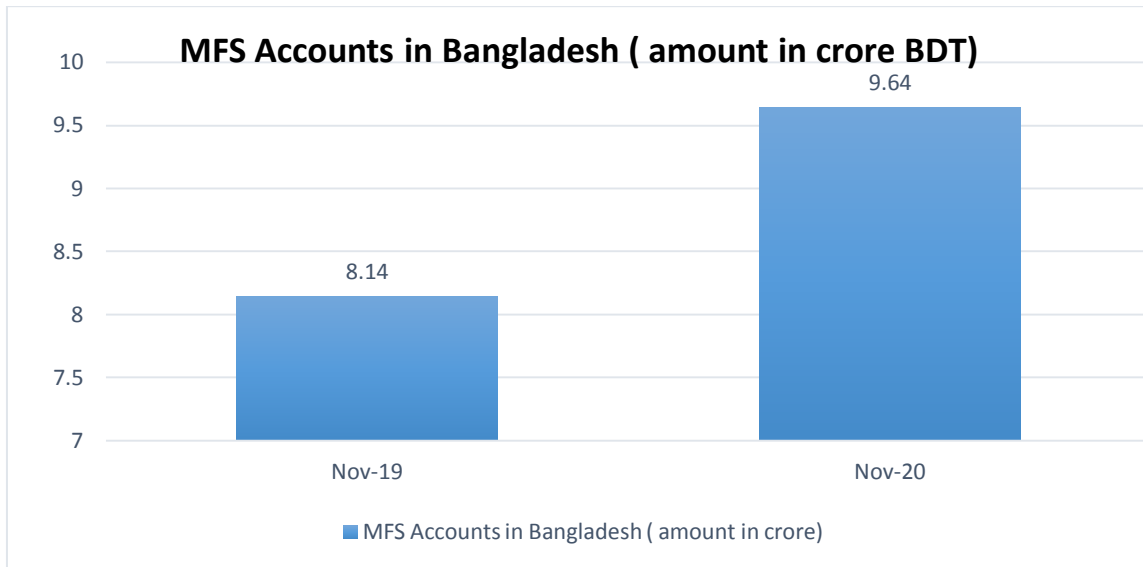


Figure: MFS Accounts in Bangladesh/ Source: Bangladesh Bank

**Increased in number of transactions**

In last year MFS monthly transactions has increased from TK 12,264 crore to TK 53,598 crore in the month of November from February.

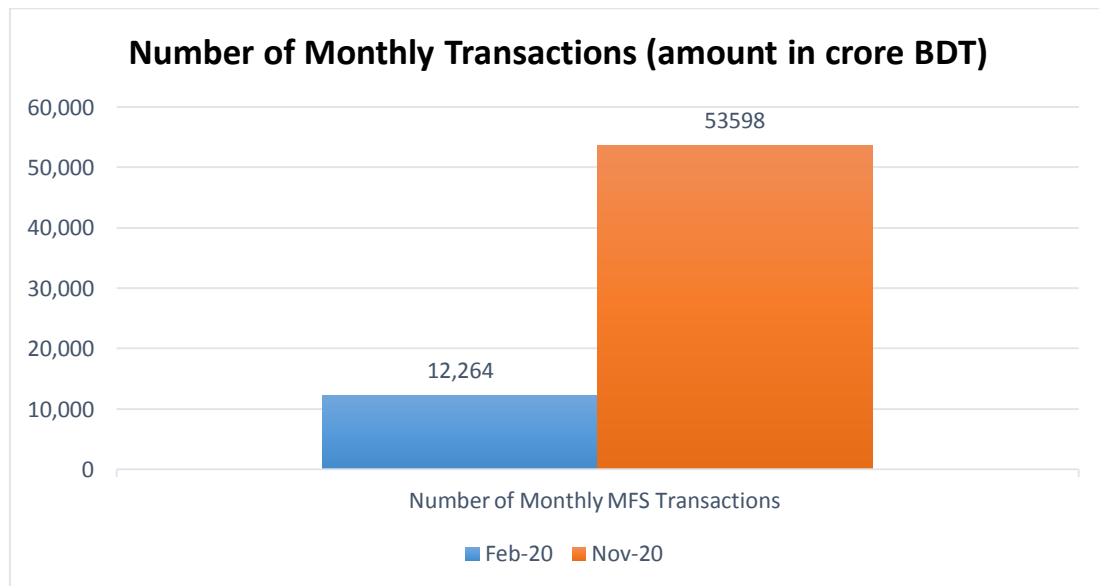


Figure: Number of Monthly MFS transactions/ Source: Bangladesh Bank

**Increased utility bill payment and merchant payment**

Utility bill payments goes double during the pandemic from February to November which become TK 831.43 crore from 441.12 crore. The merchant payments more than tripled from TK 581 crore in February 2020 to TK 1,879 crore in November 2020.

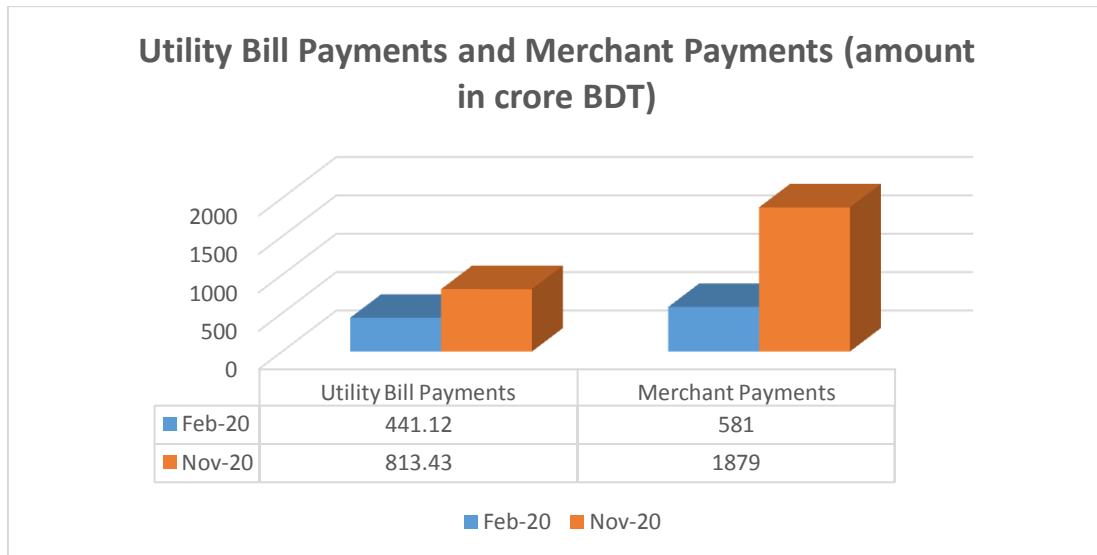


Figure: Utility Bill Payments and Merchant Payments by MFS/ Source: Bangladesh Bank

**Growth to rural areas:**

Growth of MFS in rural areas compared to urban areas is eye catching. The popularity of MFS in semi urban and rural areas are boosted highly as people are able to obtain remittance through

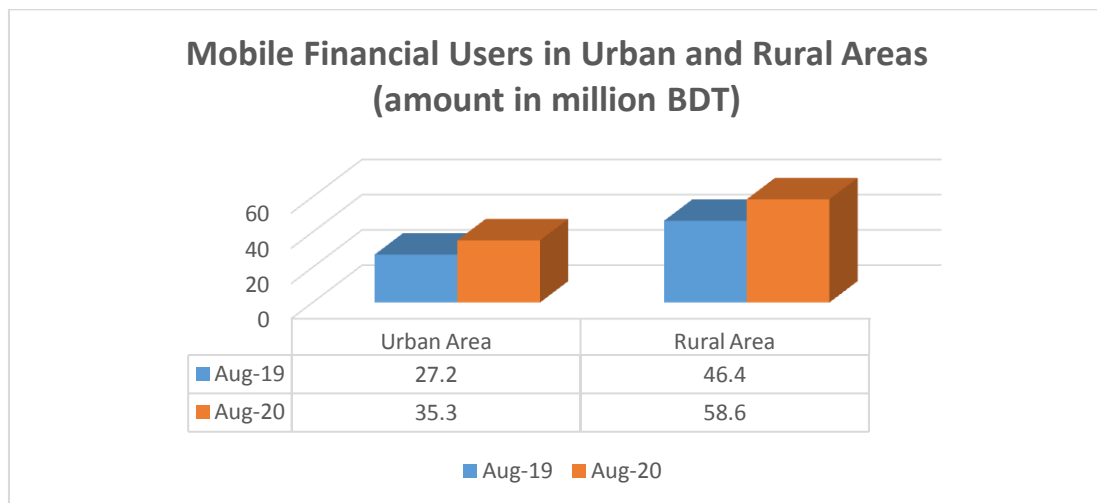


Figure: Mobile Financial Users in Urban and Rural Areas/ Source: Bangladesh Bank

**Volume of digital transactions**

Despite of the facts that due to pandemic trade and commerce has decreased throughout the country, the digital payments has increased which give a clear indication that more and more people are shifted to digital payment in their everyday activities

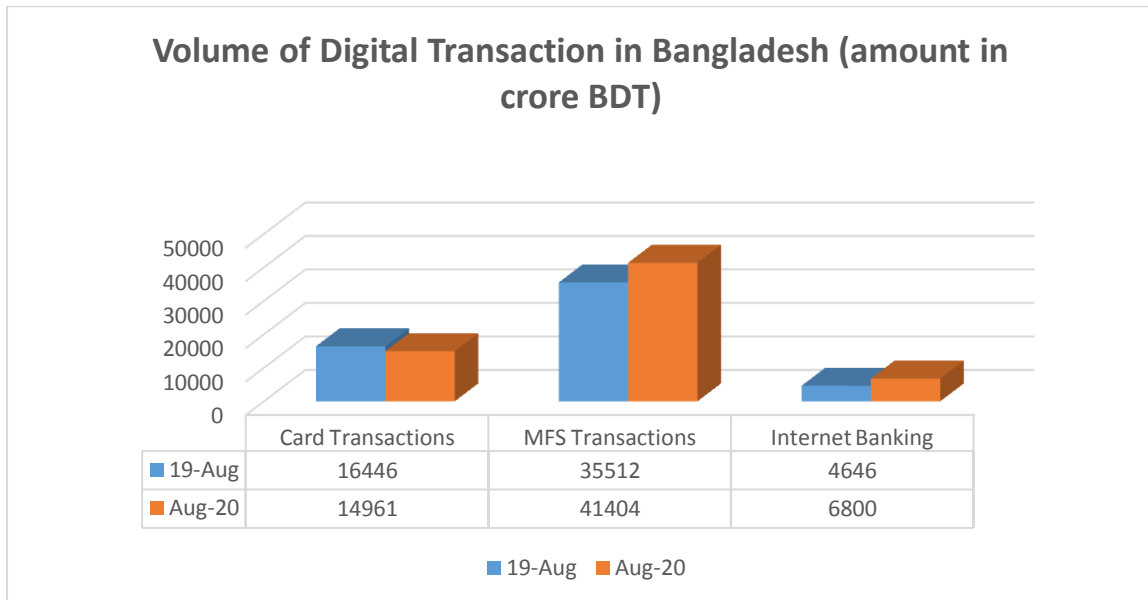


Figure: Volume of Digital Transaction in Bangladesh/ Source: Bangladesh Bank

**Comparative Summary of Mobile Financial Services of last two months of 2020:**

In every services of MFS, the amounts have increased from November to December in the first year of COVID-19 epidemic faced by Bangladesh. Although being a developing country it is a positive sign that people of Bangladesh are adopting new technology to face the global crisis.

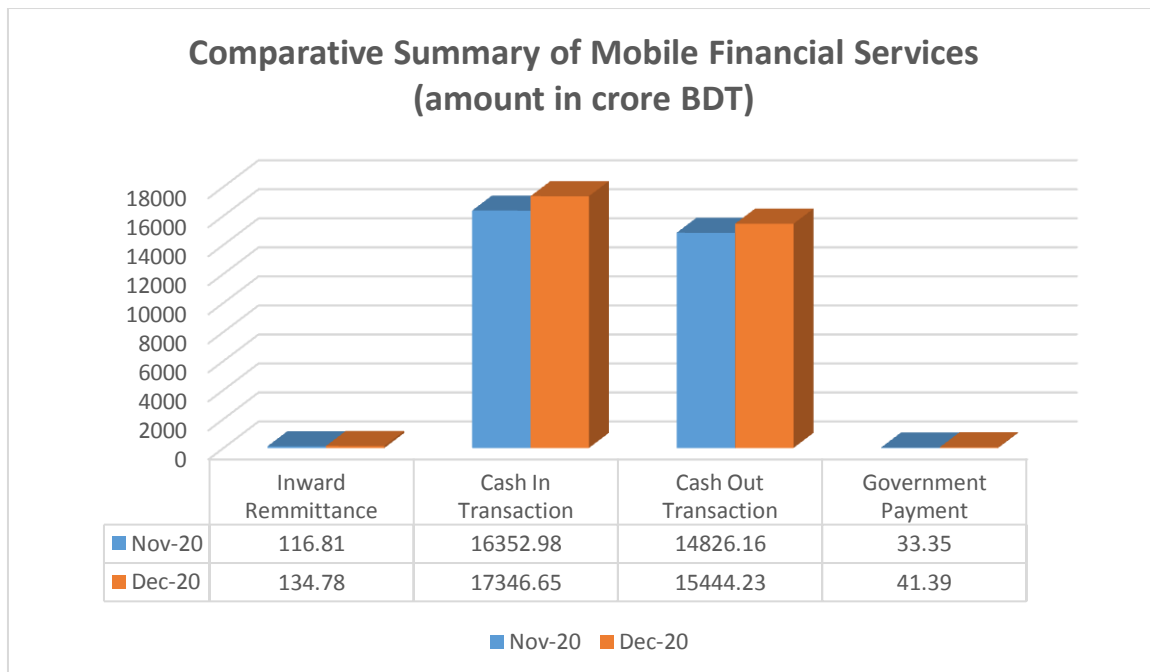


Figure: Comparative Summary of Mobile Financial Services / Source: Bangladesh Bank

**VI. Discussion and Suggestions**

MFS is only 10 years old in Bangladesh. However, the people have recognized necessity of MFS extremely in the last year due to pandemic COVID – 19. MFS includes services such as inward foreign remittance cash in/ out, private-to-private, business to private, government to private payments, money transfer mobile recharge, credit card bill payment, utility bill payment, donation payment, Uber bill payment, Insurance Premium payment etc., and many more services. One has the complete ability to accomplish all banking activities 24/7 without literally going to the bank. This ensures a low risk of COVID – 19 infections and the liberty of transaction anytime and anywhere.

Although the users of MFS has increased and the banks are developing themselves by introducing new services under Mobile Banking, but still there are some threats and problems remains. The Counter Terrorism and Transnational Crime (CTTC) has found that, in almost 20 types of criminal activities such as human trafficking, kidnapping, smuggling, drug trafficking and online fraud Mobile Financing has been used. As online businesses are increasing day by day, online fraud might be a threat for this growing industry. Another matter is to be focus that, overgenerous charges are the major obstruction for greater financial inclusion and growth of MFS. To bring the cash – out charges in single digit, users and consumers' right group have already urged to the government of Bangladesh. Comparing with our neighboring country India and China, Bangladesh is lags behind in providing loans over MFS providers. According to the some experts, from providing small loans, this is the high time for Bangladesh Bank to give permission to MFS. They think it will be game changer for MFS in Bangladesh. According to the Law Enforcement Agencies, in MFS sector the implementation of law is yet to achieve up to a minimum standard. A vast crack is present between how MFS should work as per current rules and regulations, and how it is really functioning. To control criminal activities in Bangladesh Bank should take necessary steps to verify all accounts of MFSs. Another threat for MFS is cyber – attacks. It may affect mobile banking includes loss of information, hacking, PIN (Personal Identification Number) recovery attacks etc. Some other problems have found as less adoption by older people, non-literate population, difficulties in using smart phones, poor internet services etc.

Moreover, almost 50% of the banks are making digital banking their top priority. If we go through the recent data, the growth of user and usage of MFS has clearly shown that customers have adopted their own way of using MFS platforms. It may be either having an own mobile banking account or not but to go digital.

However, despite of many challenge like security, privacy, trust, risk, illiteracy, non-viability of internet service etc. and being a developing country, Bangladesh has set a prime example of successful implementation of mobile banking.

## VII. Conclusion

Among 16 MFS operators in Bangladesh, the three leading MFS operators bKash, Nagad and Rocket has added 1 crore, 70 lakh and 30 lakh new customers respectively throughout the pandemic. Their current daily transactions reached to TK1, 000 crore, 200 crore and TK 410 crore respectively in previous year. The other MFS providers are also rising promptly. Therefore, it is clear that due to the pandemic general people is gradually becoming dependent on mobile banking. I hope that the mobile banking sector will continue to grow in the upcoming years with the up gradation of technology and ensure fast and secure services by eliminating current issue.

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