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Branchless Banking: Opportunities and implementation Challenges in Bangladesh Context

Sohel Akoil
Global Banking School (GBS), London, United Kingdom

Abstract

The economy of Bangladeshi is growing fast. Therefore, the need for the branchless companies is increasing. However, the number of the branchless banks are not increasing much in this economic growing country. In this regard, this study aims to conceptualise the opportunities and implementation challenges in the process of branchless banking in Bangladesh. The study provides the background literature justifying the need for the study. This study also articulates the rationale of the study followed by the objectives. Furthermore, the solid research gap has been developed and presented in the literature review of the study. The study also provides the explanation on the methodology to be adopted for the accomplishment of the research.
Keywords: Branchless banks, Economy, Opportunities and implementation challenges, Bangladesh

Background of the Study

Bangladesh is one of the fastest developing countries in South Asia. It is now the 42nd largest economy in the world in nominal terms, and 31st largest by purchasing power parity (Shahanur, 2017; World Economic Forum, 2018). Furthermore, the country is also classified among the Next Eleven emerging market middle income economies and a Frontier market (World Economic Forum, 2018). The physical and digital infrastructural development of the country has accelerated its economy along with the lifestyle of the local people, whom purchasing power has been increased in recent years dramatically. As a result, the demand of the people in rural and urban areas has been enhanced that has been urging the banking organizations to alter their traditional banking services and processes in a positive way for the quicker completion of transaction and greater satisfaction with high security (Muid & Md, 2017; Hasan, 2018; Ullah & Khanam, 2018). In recent years, the customer satisfaction to the conventional bank branches has been dramatically reduced not only for the poor services but also security aspects (Saleh, Quazi, Keating & Gaur, 2017; Hasan, 2018). This has also been identified in the case of Bangladesh and another developing countries' context (Saleh et al, 2017). Moreover, the conventional banking organizations have been unable to increase the variety of services to the clients, whose demands have been changing overnight due to the technological development (Al Karim, & Alam, 2013; Faruk, & Alam, 2014). Hence, the requirement of the alternative banking has been critical for the different countries.

It is no exception in the case of Bangladesh because the country has been developing like other emerging countries with its national and international challenges. In this respect, the branchless banking has been one of the popular banking channels in western countries, where they deliver the banking services without relying on the bank branches. The branchless banking (BB) is defined as the process of delivering financial services outside conventional bank branches, often using agents and relying on information and communications technologies to transmit transaction details – typically card-reading point-of-sale (POS) terminals or mobile phones (Niroula, 2014; Giné, Harten, Rusu, & Cull, 2017; Kochar, 2018). This banking system was introduced in Bangladesh in 2011 and by the recent years, it has been popular only in case of mobile financial services such as transferring a limited amount money (less than $200), mobile top etc. However, in developing countries, the branchless banking has opened the door for clients to use for the multipurpose functions. As a result, the consumer satisfaction and organisational benefits have been enhanced much better than Bangladesh over the period. Hence, this study particularly concentrates on the opportunities and challenges in Bangladesh context where clients and banking organizations can be benefited in many ways.

Rationale of the study

The economy of Bangladesh has been growing in every year along with its increasing population. Hence, the development of the branchless banking can play pioneer role to the acceleration of the economy of the country meeting demand of customers maintaining the security aspects along with different other issues, which have not been explored in the context of Bangladesh. This study would be effective to identify the existing opportunities and implementation challenges of the branchless banking in Bangladeshi rural and urban areas from the previous literature in the different industry and academic research contexts. It is because there are some studies, which have mainly been conducted in the western countries context but the results have not been tested or applied in the developing or emerging countries context. Thus, it creates a knowledge gap that urges to fill through the academic researches.

On the other hand, this study will also explore the forthcoming opportunities and challenges for implementation of the branchless banking in the era of the conventional banking industry. In this respect, the study will include specialists so that in-depth data can be derived regarding the Bangladesh context. This will not only enhance the existing literature relating to the particular area of branchless banking but also contribute to the development of the decision-making processes of government and private management bodies. Hence, this study denotes a high viability to be conducted for the greater development of the banking industry and greater customer satisfaction in both rural and urban areas of Bangladesh.

Objectives of the study
- To identify the existing opportunities of branchless banking in Bangladesh context,
- To explore the forthcoming opportunities of branchless banking in Bangladesh context,
- To identify the challenges in implementing the branchless banking in Bangladesh,
- To determine highest and lowest influencing challenges in implementing the branchless banking in Bangladesh
- To recommend the best practices for overcoming challenges for the greater achievement of the opportunities.

Literature Review

Technology has played a role in this expansion, though we should not overstate its role to date. Information technology has primarily helped to enable expansion through more conventional banking channels, such as branch and ATM. For example, in growing from 0 to millions deposit customers in last 8 years from the beginning of the branchless banking in Bangladesh where a robust electronic banking system to connect a large network of mini-branches in stores, a large seller of consumer durables, and other retail chains (Chen, 2013; BSS, 2017). On the other hand, for Equity Bank in Kenya, the ongoing rollout of conventional and vehicle-mounted mobile branches combined with a rapid deployment of ATMs has fuelled tremendous growth: from fewer than 100,000 customers to 3.4 million in less than a decade (Herbling, 2017). Both banks serve primarily a middle and lower income clientele. Furthermore, in South Africa's context, Mzansi account is a debit card bank account that is used mainly at ATMs (Bankable Frontier Associates, 2009). The country's largest banks designed the account to be affordable and appropriate for the unbanked, and the take-up has been very high: since launch in 2004, more than 6 million accounts have been opened, mostly by people who had never previously had a bank account (Bankable Frontier Associates 2009).

However, future growth of conventional channels faces inherent limits because of the technological development would demotivate existing customers to take the existing services and inspire to take the branchless services. In this regard, after a decade of increasing the number of its branches, Bank of America recently decided to close 10% of its U.S. network, citing changing consumer preferences toward new channels such as Internet and mobile (Wall Street Journal Market Watch 28 July 2009). Equity Bank believes it may soon reach a ceiling on the number of viable branches and ATMs. The investment required for developing countries to reach the level of deployment per capita of conventional touch points in more developed countries is prohibitive. In this respect, sufficient and updated primary data and identification of existing opportunities and implementation challenges of branchless banking are also required for the developing countries for the adaptation of the branchless banking for the long-term growth of banks and excellent customer satisfaction. However, it is clear in the previous literature till today what are the opportunities are there for the branchless banking and what are the implementation challenges for it in the Bangladesh context that mainly impulses the researcher to conduct the study so that both practical and academic can be met.

Research Methodology

The social world is seen as constructed by authorless discourses which themselves become agents rather than tensions between actors, agents and discourses, concretely negotiated in particular historical settings (Carter, 2000:39). Closely related to the above issue is the study of branchless banking and its opportunities and implementation challenges in Bangladesh. Creswell and Poth (2018) and Saunders et al, (2012) argued that researching the opportunities and challenges of something is best achieved through the use of both qualitative and quantitative research paradigms due to the potential strengths and the exploratory powers of both methods. In this regard, the quantitative approach will facilitate the process of testing and generalising existing literature in the Bangladesh context. The use of the statistical analytical tool can be effective for the analysis of the numeric data for the achievement of the respective objectives of the study. However, in the explorative study, all the objectives cannot be gained through the quantitative method, hence, the researcher requires qualitative research to gain all the objectives.

On the other hand, Lee (Snape and Spencer, 2003) characterised qualitative research methodologies as fieldwork based where the research interacts with participants, operations and activities, with the aim of understanding. This research will adopt the qualitative research methods to allow the researcher to interact with specialists regarding the banking and branchless banking along with customers or clients of the banking industry, with the purpose of understanding. Qualitative research is useful when seeking to explore or describe, the purpose of this research is to explore, understand as well as investigating the challenges and opportunities of branches banking in Bangladesh context. Creswell (2014) supports exploration as a key aspect of qualitative research because it gives the researcher a detailed view of the phenomenon and helps to understand the multi-dimensional as well as the multi-level interactions relating to the issue.

Therefore, from these perspectives, the mixed method would be effective for this study to meet the research objectives. In this regard, the researcher intends to conduct both survey and interview as the process of primary data collection. Therefore, the data will be analysed through the AMOS and thematic processes for the achievement of the research objectives. Furthermore, the study will also maintain all the ethical issues to make sure everyone associated with this study is free from harm. Moreover, the personal information will also strictly be maintained confidentially.

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