

Online banking service: A comparative study between developing country (Bangladesh) and developed country (South Korea)

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Abstract

Purpose – This describes a comparative study about the Online banking system between developing country (Bangladesh) and developed country (South Korea).

Research design, data, and Methodology - Use comparison as the descriptive situation, secondary data were used to determine the differences between both countries with respect to Online banking. And also show the representative cases of online banking, kakao bank and bKash.

Result - The results showed that the data indicate that both nations are dissimilar in providing basic and additional services offered by their traditional commercial banks. And different cultures and traditions in financial industry will play a major role in the adaption and development of online banking industry among different nations. Belief on lack of effort on educating the consumers toward online banking further affected the usability of online banking in both countries.

Conclusions - this comparative study provides insightful guidelines for the future development of online banking industry in developing nations and worldwide. Also, managerial and empirical implications are discussed with suggestions for future research

Keywords: Online banking, Comparative Study, Case Study.

1. Introduction

Online banking is internet banking which is an electronic payment system. It enables customers of financial institutions to acquire their financial transaction through internet. Online banking is a new form of traditional banking. Banking industry is the industry where the online payment system used most in contrast to most industries still involve in traditional transportation of physical merchandizing. Banks can deliver services through internet. With the advancements in digital age, banks have redesigned their operations globally through provisioning Internet-primarily based banking services. Online banking system makes every banking faster and easier. Some banks are providing 24/7 real time services. Also customers are able to get the real time information from anywhere if they have any internet connection. If we compare with ancient banking now online banking is replaced by computer

networks which is comparatively low in value and obtainable in 24/7. There are presently calculable that over eighty million adults who conduct banking service on-line in 2007 (eMarketer, 2007). Online banking reduce the paper works and also easy to store. Research shows that people who use online banking are mostly between 18-30 and also the people who are bachelor students or completed their masters or more. Literacy is one of the most important fact on adoption of online banking system easily. According to the source Internet world stats- (www.internetworldstats.com/stats.htm) In Asia the internet users are 49.0%. Another statics shows the global online banking penetration as April 2012, by world region, globally, 423.5 million people accessed online banking sites during April 2012, reaching 28.7 percent of the internet audience.

Table 1: A comparison between Bangladesh and South Korea

	Bangladesh	South Korea
Internet users (% Population)	21,439,070 (13.2% of the total population)	81.5% of the population
Education	Primary 16,230,000 Secondary 7,400,000 Post-secondary 277,151	Primary 3.3 million Secondary 4.0 million Post-secondary 3.6 million
Income level	Bangladesh's Annual Household Income per Capita reached 601.937 USD in Dec 2016, compared with the previous value of 439.888 USD in Dec 2010	The average household net-adjusted disposable income per capita is USD 21 723 a year, lower than the OECD average of USD 30 563 a year.
Age Structure Population (2017 est.)	0-14 years: 27.76% (male 22,283,780/female 21,521,977) 15-24 years: 19.36% (male 15,309,543/female 15,241,971) 25-54 years: 39.73% (male 30,094,014/female 32,614,286) 55-64 years: 6.93% (male 5,405,900/female 5,527,330) 65 years and over: 6.23% (male 4,666,033/female 5,161,744)	0-14 years: 13.21% (male 3,484,398/female 3,276,984) 15-24 years: 12.66% (male 3,415,998/female 3,065,144) 25-54 years: 45.52% (male 11,992,462/female 11,303,726) 55-64 years: 14.49% (male 3,660,888/female 3,756,947) 65 years and over: 14.12% (male 3,080,601/female 4,144,151)
History	Around 50 years	Around 70 years
Core value of culture	Freedom, democracy, competition, independent	Freedom, democracy, competition, independent
religion	Bangladesh is a hierarchical society. People are respected because of their age and position. Older people are naturally viewed as wise and are granted respect. Bangladeshis expect the most senior male, by age or position, to make decisions that are in the best interest of the group. This is also valid in businesses, the majority of which will be family owned/run.	South Korea supports religious freedom Confucianism, Buddhism and Christianity are the main formal religions Many Koreans believe in the ancestral spirit and observe Confucian rituals Confucianism is a political and social philosophy that pervades Korean culture
Payment method	Cash, debit card, credit card	Cash, debit card, credit card
Banking industry	Most banks are fully or partially government owned	Most banks are fully or partially government owned

2. Financial Structure

2.1. Financial Structure of Korea

Korea boasts of a relatively diversified and deep financial infrastructure comprising financial institutions as Commercial Banks [nation-wide city banks, local banks, foreign banks; Specialized banks [Korea Exchange Bank, Small and Medium Industry Bank, Korea Housing Bank; savings institution, life insurance companies and investment companies. Commercial banks and specialized banks are together also commonly referred to as "Deposit-Money Banks"(DMB's). In addition, there are a small number of development banks were established with and assigned the major role of industrial policy execution, with Korea Development Bank, Korea Long-Term Credit Bank and Korea Export-Import Bank assuming particular importance. The Table below gives the Financial Structure.

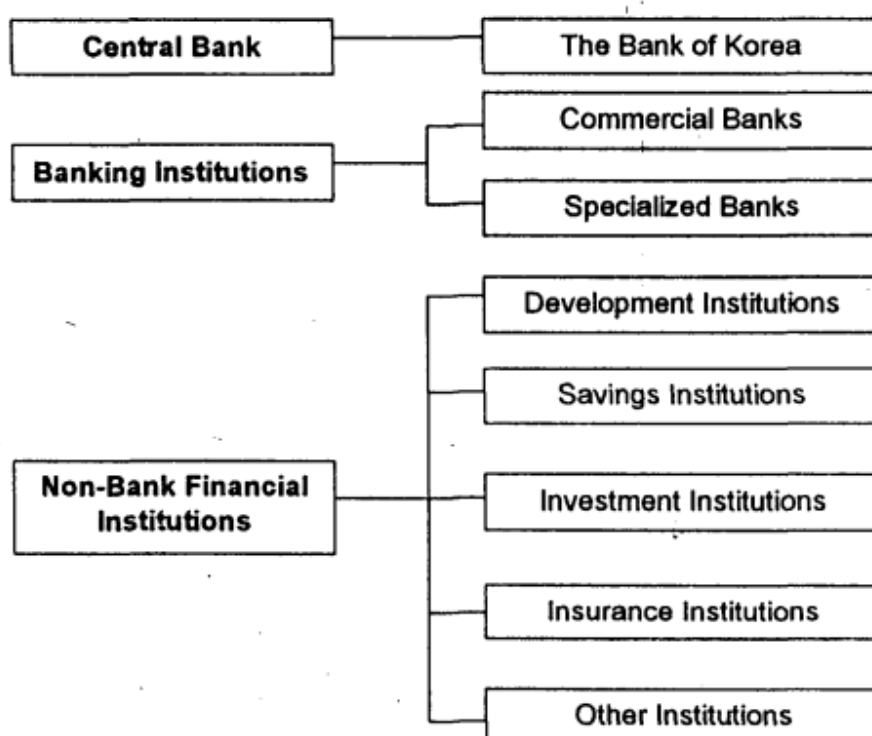


Figure 1: Structure of Financial Institution in Korea

Table 2: Number of Financial Institutions in Korea

SL No	Name	Number
1	Financial holding companies	9
2	Banks	18
3	Merchant banks	1
4	Securities companies	50
5	Asset management companies	80
6	Life insurance companies	22
7	Non-life insurance companies	16
8	Mutual savings banks	106
9	Credit unions	962

2.2. Financial Structure of Bangladesh

Formal Sector Semi Formal Sector Informal Sector Specialized Financial Market Regulators & Institutions Money Market Bangladesh Bank House Building Financial (Banks, NBFIs, Primary Dealers) (Central Bank) Corporation(HBFC) Capital Market Banks Palli Karma Sahayak Investment banks, Stock Exchanges, 47 scheduled & Credit Rating Companies etc.) 4 non-scheduled banks Foundation (PKSF) Foreign Exchange Market NBFIs Samabay Bank (Authorized Dealers) 31 NBFIs Insurance Development & Grameen Bank Regulatory Authority Insurance Companies 18 Life and 44 Non-Life Insurance Companies Securities & Exchange Commission (Regulatory of capital market Intermediaries) Stock Exchanges, Stock Dealers Brokers, Merchants Banks, AMC s, Credit Rating Agencies etc. Microcredit Regulatory Authority (MFI Authority) Micro Finance Institutions 599 MFIs.

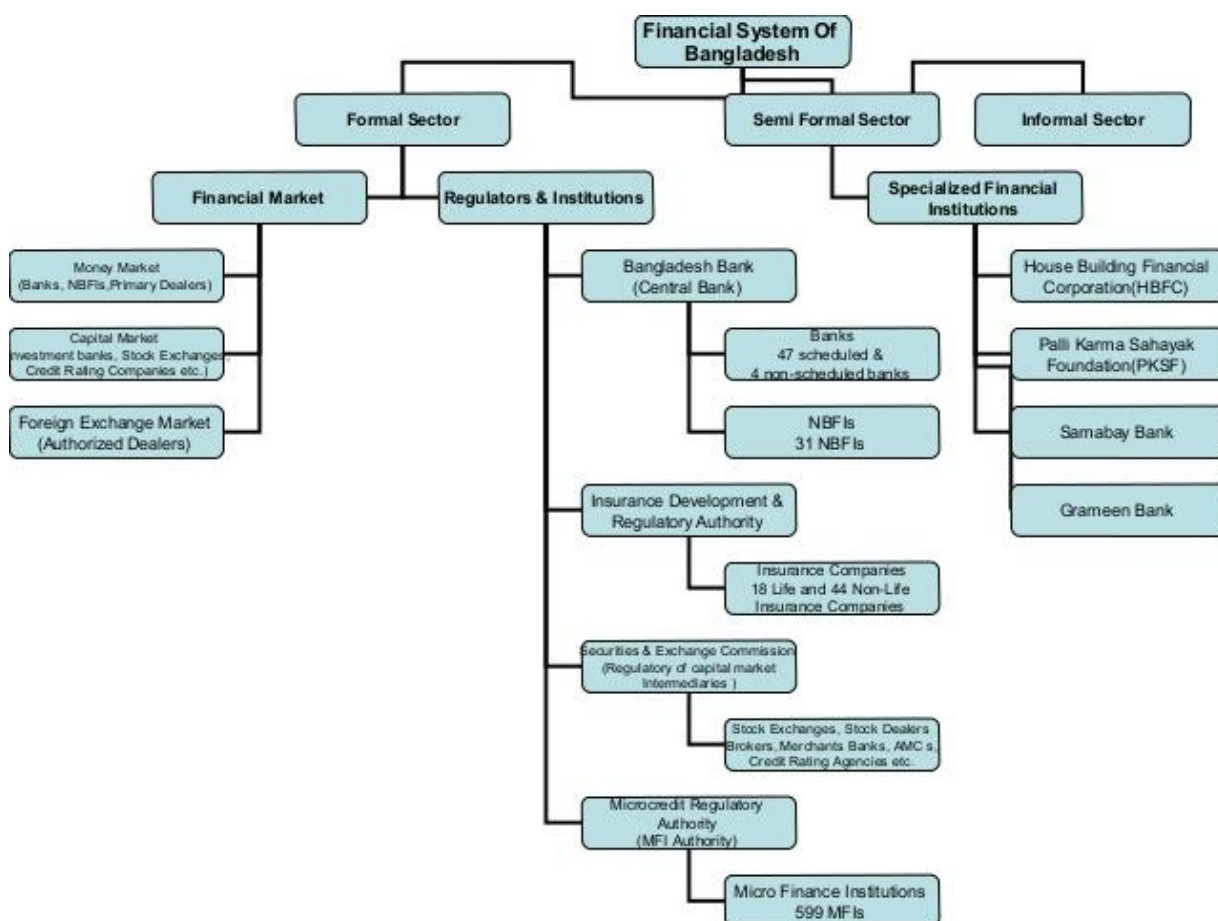


Figure 2: Structure of Financial Institution in Bangladesh

Table 2: Number of Financial Institutions in Bangladesh

SL No	Name	Number
1	Bank	59 scheduled & 5 non-scheduled banks
2	NBFIs	34

3	MFIs	599 institutions (as of October 10 2011)
4	Insurance Companies	18 Life and 44 Non-Life Insurance Companies
5	Specialized Banks	4
6	Stock Exchange	2

3. Key Differences between Mobile Banking and Internet Banking

The difference between mobile and internet banking can be drawn clearly on the following grounds:

Internet banking is nothing but a banking transaction, carried out over the internet, via, respective bank or financial institution's website, under a personal profile, with a personal computer. Conversely, mobile banking is a service that enables the customer to perform banking transactions using a cellular device. Mobile banking can be performed with the help of mobile telecommunication devices, i.e. Mobiles or Tablets. On the contrary, for conducting internet banking transaction, one needs to use devices like computers or laptops. Mobile banking uses Short message service, mobile application or the web. In contrast, Internet Banking uses bank's website. In mobile banking, fund transfer is possible with the help of IMPS (Immediate Payment Service), NEFT (National Electronics Funds Transfer System) or RTGS (Real Time Gross Settlement). As against, in internet banking, funds can be transferred from one bank or branch to another, with the help of NEFT (National Electronics Funds Transfer System) or RTGS (Real Time Gross Settlement). While the number of functions performed by Mobile banking system is limited, internet banking offers an array of services to their customers

3.1. Growth of Online Banking in Korea

Internet banking is growing worldwide through the support of online auctions, online shopping, and other e-commerce applications. Widespread utilization of credit cards as the prominent payment method and Electronic Fund Transfer(EFT) through ATMs are also responsible for Internet banking growth). Mobile banking is expected to accelerate online financial transactions, particularly in Asian countries. Internet banking has improved the ability for organizations to satisfy customers' needs in an online environment. Trust, security and privacy, technological attributes, and infrastructure are all important factors for Internet banking in the United States. South Korea has many more online banking users in comparison to Indonesia, but Indonesia has the highest growth rate of online banking users in Southeast Asia (Klaus and Nguyen, 2013). Differences in culture and socio-economic conditions also influences Internet banking implementations which may impact how consumers in both countries build perceptions relative to technology system use. Higher income and purchasing power influences e-commerce sales, which are dependent upon Internet banking to facilitate transactions (Klaus and Nguyen, 2013). The rate of Internet penetration has increased significantly in South Korea.

3.2. Growth of Online Banking in Bangladesh

Numerous factors including competitive cost, customer service, and demographic considerations are motivating banks to evaluate their technology and assess their electronic commerce and Internet banking strategies. Many researchers expect rapid growth in customers using online banking products and services. Evaluating a bank's data on the use of their Web sites, may help examiners determine the bank's strategic objectives, how well the bank is meeting its Internet banking product plan, and whether the business is expected to be profitable Studies show that competitive pressure is the chief driving force behind increasing use of Internet banking technology, ranking ahead of cost reduction and revenue enhancement, in second and third place respectively. Banks see Internet banking as a way to keep existing customers and attract new ones to the bank. National banks can deliver banking services on the Internet at transaction costs far lower than traditional brick-and-mortar branches. The actual costs to execute a

transaction will vary depending on the delivery channel used. National banks have significant reasons to develop the technologies that will help them deliver banking products and services by the most cost-effective channel.

4. Kakao bank and bKash

4.1. Kakao bank

Messaging app Kakao Talk is as popular in South Korea as Line in Japan or WeChat in China. But Kakao Talk's parent company still took a risk when it branched into financial services in 2017--would customers trust an app famous for its cute cartoons with their personal banking needs? So far, the answer has been a resounding yes. Kakao Bank, Kakao Talk's sister app, attracted more than 300,000 customers in its first 24 hours. After just four days, the mobile-first bank had lent out KRW 260 billion (\$232 million) and accepted KRW 275 billion (\$245 million) in deposits. Several months later, Kakao Bank continued to beat expectations, with millions of customers pulled in by low interest rates on personal loans and low commission fees on international money transfers. U.S.-based messaging services, like Facebook-owned WhatsApp, may one day follow Kakao's lead.

4.1.1. Services

1. The Company offers various Services through the Internet or through mobile devices, such as a social networking service, bulletin board, online content service, and location-based services.
2. The Company grants a personal, worldwide, non-assignable, non-exclusive and royalty-free license necessary for use of the software provided by the Company as part of Services.
3. The Company may provide with updates of the software needed to use Services once a new feature is available or an unnecessary feature is removed.
4. For quality services, the Company may send service announcements, administrative messages, advertisements and other information related to ones use of Services by email or post them on the Services.
5. If you encounter problems like system errors while using Services, please contact the Customer Service at any time.
6. If ones choose to connect to a 4G/LTE network provided by carrier when using Kakao Services.

4.2. bKash

bKash is a mobile money system in Bangladesh operating under the jurisdiction of Bangladesh Central Bank as a subsidiary of BRAC Bank, a local bank. The service aims to serve users at the bottom of the economic pyramid (BOP) ensuring a broader range of financial services across Bangladesh's population as a whole. The service uses a USSD interface, accessible via a basic handset, offers no cashing-in fee and low cashing-out and person-to-person transfer fees. These elements provide a system by which BOP users can send money in a way that is fast, secure, and affordable. Launched in July 2011, the service now has 2.2 million registered customers.

4.2.1. bKash is offering following services:

1. Account Balance Enquiry
2. Account Statement Enquiries.
3. Cheque Status Enquiry.
4. Cheque Book Requests
5. Transferring fund between Accounts.
6. Credit/Debit Alerts.

7. Balance Alerts.
8. Alerts of bill payments.
9. History of recent transaction
10. Requesting information like Interest Rates/Exchange Rates

4.2.2. Role of bKash as Mobile banking:

1. Mobile banking has significant advantage over internet banking.
2. bKash is the first introducer of mobile banking , so it is on the leading position.
3. It is cost effective, user friendly, time saving
4. bKash is the franchisee of brac bank so it is safe from the risk of fraud as brac bank has a brand value.
5. It benefits the bank too. It cuts down on the cost of tele - banking and is more economical.
6. Bank can be very closer with their clients and customers with mobile banking, bKash.
7. Brac Bank can also promote and sell their products and services like debit card, ATM cards, loans, credit card etc. to customers.
8. bKash provides Account Balance Enquiry, Credit/Debit Alerts, Bill Payment Alerts, Transaction History, Fund Transfer Facilities etc. those can be accessed from your mobile.

Table 3: Mobile Financial service between South Korea and Bangladesh

Type	Kakao Banking	Bkash
Definition	A mobile payment service that allows Kakao Talk users to make convenient and secure online purchases with their preregistered credit/debit cards	bKash is a mobile money system in Bangladesh . The service aims to serve users at the bottom of the economic pyramid (BOP) ensuring a broader range of financial services across Bangladesh’s population as a whole.
Start Time	On November 29, 2015, the FSC announced that it has granted Kakao and KT-led consortiums (called Kakao Bank and K-Bank) preliminary licences to run Korea’s first Internet-primary banks	Launched in July 2011, the service now has 2.2 million registered customers.
Users	187,000 customers on the launch date alone, with the number growing to 3.29 million about a month later. Since then, it has lured an average of 289,000 new users per month.	24 Million Customers Using Mobile Money
Operating By	Kakao Bank consortium is made up of 10 top companies representing finance, online commerce, contents, ICT and fintech industry including KIH, KB Bank, Tencent, Ebay, NetMarble, Yes24, SGI, Konai and Korea Post	bKash is a mobile money system in Bangladesh operating under the jurisdiction of Bangladesh Central Bank as a subsidiary of BRAC Bank, a local bank
Key features include:	<ul style="list-style-type: none"> • Make purchases using only a user-set password for preregistered cards without downloading multiple security programs • Able to make payments exceeding KRW 300,000 without public certification • Combines user’s card and transaction information then stores segments of the encrypted data separately to prevent misuse of information • Automatic credit card billing, carrier billing, membership management, public bill 	<ul style="list-style-type: none"> • Deliver financial services through basic phones. • Partner with mobile network operators. • Offer low-cost transactions. leverage commercial distributors

payment etc.

5. Conclusion

As the world becomes more of a global village being ruined by paperless systems, the idea of a cashless society is the hope of the future. Thus more innovations will still evolve which will make cashless transactions easily accessible and affordable. Electronic Banking has greater impact in the economy and in the banking sector as well. Making financial services available to the poorest people is recognized as an important part of poverty reduction strategies. Technological innovation offers significant hope, although it will result in fundamental changes to banking delivery mechanisms as well as to the very role of banking service providers and their relationships with customers. In case of productivity, efficiency, economic growth, giving optimum service to the customers, electronic banking has huge contribution as a whole.

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