

**United International University**

Internship Report

On

CREDIT RISK MANAGEMENT PROCESS OF SME FINANCING IN IDLC FINANCE LIMITED

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Submitted in Partial Fulfillment of the Requirements for the Degree

Bachelor of Business Administration

Date of Submission: 05/09/2019

**Acknowledgement**

This temporary job report is the collected co-activity of numerous sort spirits. Right off the bat, I might want to express gratitude toward Almighty God for offer his approval to me to compose this report with great wellbeing, and to complete it by given time.

Besides, I offer my thanks to Md. Abdullah Babu Sir as my temporary position manager. She is one of adaptable, helpful and interesting staff I. I regard and express gratitude toward him warmly for helping me with respect to setting up this report.

I might want to pass on my most extreme thankfulness to Shazzadul Karim, Manager, CIB and CIF activity, my chief in IDLC Finance LTD for putting stock in me and giving various assignments on me to develop working capacities and make me increasingly genuine. At that point I broaden my appreciation towards Mr. Zahid Hossain, Senior Officer in IDLC for his magnificent direction, fair help and important advices to complete the entire voyage.

Last however not the least I stretch out my best respects to my folks to deal with me and for legitimate help and to my companions and well-wishers for their persistent support and participation. At long last, I put my best exertion to set up this report precisely and educationally. In any case, I am sorry if any blunder finds because of my restricted information and fitness just as time limitation. In such manner I look for your thoughtful thought since I am in the persistent learning process.

**Letter of Transmittal**

September 05, 2019

Md. Abdullah Babu

Assistant professor

School of business and Economics

United international University

Subject: Submission of Internship Report

Dear Sir,

It is my pleasure to present this report which has been set up according to the prerequisite of the program. I have pursued your rules and the guidelines set by the host association IDLC Finance Limited to set up this report. While doing my three months in length temporary job in Credit Information Bureau under Credit Risk Management of the organization, I have found out about CRM office. Additionally, I have built up my ability. All in all, my entry level position in this association was an eye opener for me. It was likewise an extraordinary open door for me to tackle my abilities and dispose of my deficiencies.

This report depends on my activities, experience and perceptions during my entry level position in IDLC Finance Limited. I tried my best to make this report informative. If you need any further elaboration on any issue, I shall be very glad to oblige.

Sincerely Yours

Umme Kulsum

ID: 111 151 135

**Declaration**

The Internship Affiliation Report entitled “Credit Risk Management process of SME in IDLC Finance Limited’’ A study on IDLC Finance Limited” has been submitted to you for the partial fulfillment of the requirements for Bachelor and Business Administration (BBA), Major in Accounting, United International University on September 5, 2019 by Umme Kulsum, ID: 1111511 35.

I also declare that this report is prepared and organized by me and prepared for academic purpose which is a part of my BBA program.



…………………………….

Umme Kulsum

ID: 111 151 135

Major in Accounting

School of Business & Economics

United International University

Date: 05/09/2019

# Executive Summary

Financial Leasing companies deal with tangible assets. The legal owner of the asset is the leasing companies, but the ownership is effectively conveyed to the lessee. SME stands for Small and Medium sized organization which plays a vital role in the business field now a day. Financing in SME is a pleasure for leasing companies and at the same time this is an advantage for entrepreneurs. In this report many things related to credit risk management and SME financing has been described. First of all, the organization IDLC’s introduction has been given with the analysis of porter’s five forces model and the SWOT Analysis. Then the part of tasks and responsibilities what I did there has been explained with an observation and also some problems I faced during my internship and how I did overcome those has been also mentioned. After that the offered SME loan products by IDLC has been mentioned as the report belong with SME. How the SME team of IDLC choose proper client and what are the things they investigate before sanctioning a loan are also in this report which I gathered by interviewing two employees of IDLC. Also, some financial analysis has been given to compare IDLC with another top-ranking leasing company United Finance. The overall scenario of leasing companies in Bangladesh has been explained in this report. According to the objective the recommendation has been stated.

**List of Acronyms**

IDLC: Industrial Development Leasing Company

NBFI: Non-Banking Financial Institution

CIF: Customer Information File

CIB: Credit Information Bureau

CRM: Credit Risk Management

RM: Relationship Manager

SME: Small and Medium Sized Enterprises

OCAS: Online Credit Appraisal System

NID: National Identification Number

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# Chapter 1:

# Introduction

## 1. Background of the Topic

The topic is credit risk management in SME funding. It’s necessary to grasp individually what credit risk management is and what's SME funding before explaining the importance of it. Credit risk is that the uncertainty of not obtaining back the cash that has been given to the shopper or failing to satisfy its obligations on united terms. As we all know SME stands for little and Medium sized Enterprise; funding during this sector is being inspired currently every day attributable to some further benefits like this is often simple to start, simple to finance, simple to focus, giant turnover, giant gross margin then several. This is often a field wherever improvement can work plenty. If the acceptance of operating during this sector once gets the acknowledgement loosely then this may be one in all the snug areas to figure in. There square measure more benefits those should be declared here like during this sector quicker call may be created, fewer staff is required for this operations, higher access of loan is that the tastiest advantage and therefore the country's state may be removed by this no matter that's a coffee proportion. The individuals of SME take this state as a bonus, as they are doing not would like practiced individuals from the start. The SME team trained the workers as they require and suited separate work. By this, the SME team will create the simplest use of the idle individuals. The aim that SME loan has been demanded may be closely monitored in some cases, for instance the investor will visit their places to appear at however truly they're mistreatment the cash for. In most cases the cash has been given for the getting of raw materials or for establishing a mini business-like grocery look or an eating house or a shop then on. Another factor is SME doesn't would like any important business structure to control their business. These square measures the items why this subject is very important and SME is very important for a corporation likewise. this is often a best fitted job for them WHO doesn't need to figure during a routine job once more doesn't need to be during a business sector which is why this may be a best suited and principally needed field to everyone in close to future. The contribution of SME isn't negligible although. SME provides plenty to the economy. Compare to the massive trade the contribution of tiny trade isn't that dangerous.

My organization IDLC needed ME to figure on this subject as they suppose they need scopes to enhance in SME sector. They require traveling in further miles in SME funding field. Through my report the organization needs to ascertain the important condition of leasing trade in Bangladesh and therefore the condition of SME funding and therefore the comparison by analyzing some ratios. I even have accepted this subject and understood the importance of this subject and eventually acting on it. For the on top of mention reasons the subject is very important to be mentioned. The findings of the report could facilitate my organization by providing the required data. Similarly, i will be able to be benefitted by learning the analysis of the organization's performance, condition then on.

## 1.1 Introduction of the Organization

Non-Bank monetary establishments (NBFIs) play a big role in meeting the varied monetary desires of assorted sectors of associate economy and so contribute to the economic development of the country likewise on the deepening of the country's economic system. Because the development method taking NBFIs become distinguished aboard the banking sector. Each will play important roles in influencing and mobilizing savings for investment. Their involvement within the method usually makes them competitors as they struggle to cater to identical desires. However, they're conjointly complementary every to every} alternative as each will develop its own niche, and so could venture into a vicinity wherever the opposite might not, that ultimately strengthens the monetary quality of each.

Over the span of the previous thirty-three years the IDLC bunch has turned into the most significant multi-item multi-stage Non-banking money related association in Bangladesh and one in all the important partnerships on local securities exchanges. the main item renting that began in 1986 with 5 workers individuals has nowadays advanced into a multi-item $750 million business that has heterogeneous into the organization, SME, Retail and capital market portions. IDLC is nowadays speak to out of forty branches and corners in twenty urban areas with over one 400 staff.

The Company is focused on property rehearses and incredible money related execution. IDLC has been efficiently perceived by independent bodies for the qualities supporting its business and is pleased to be a normal conveyor for the Bangladesh fiscal division. The IDLC focused on maintaining the absolute best benchmarks of morals and consistence by its staff.

## 

## 1.2 Objective of the study

**Primary Objective:** the first objective of the project is to finish the partial demand of UIU faculty of Business for finishing the BBA degree.

**Secondary Objective**: The secondary objective of this study is to search out the realm of investments of IDLC in SME sector and most significantly the secondary objective of this study is, to search out the scope wherever IDLC will invest a lot of in SME sector to boost their SME attractiveness.

Some other Objectives are:

* To translate the theoretical concept into real life experience
* Learn to analyze the financial concepts practically
* To make difference between real life business method and theoretical study
* Stand in a position by finding the problems of SME sector in terms of investing and how can an organization improve that.

## 1.3 Scope of the study

Since reasonable direction is partner essential a piece of the BBA degree request, I used to be deputed by the United International University to IDLC Finance confined to require world introduction of the exercises of the association as a money related association. All through my spot at IDLC Finance confined I even have chance upon with very surprising elements of the corporate. From them I even have resolved to figure inside the field of Credit Risk Management (CRM) and Credit Administration Department (CAD) and giving exceptional weight on Credit information Bureau report. This report has been started in light of the fact that the course requests of the BBA program. I trust the report can gives a reasonable arrangement concerning the exercises and job of Credit Risk Management and Credit Administration Department in decreasing the threat identified with the rent and advance in this manner keeping up the IDLC's advantage.

## 1.4 Limitations of the study

To make a report entirely unexpected perspectives and experiences square measure required. Regardless, I even have gone up against numerous deterrents for making an entire and faultless report. These limits or limitations, that table my work, square measure according to the accompanying:

1. Struggle in going to information on its internal activities.
2. Non-accessibility of some previous and most forward-thinking information.
3. Some data was retained to convey the characterization of the affiliation.

I was set for not exactly around a quarter of a year of your time and working kind of a standard laborer ruined the opportunity to put the inconvenience for the examination. The time length wasn't not too enough to be told every one of the exercises of the association appropriately. Along these lines, it completely was appallingly difficult to hold out the all-out examination.

# Chapter 2:

# Literature Review

## 2.1 Literature Review

The find out about which has been chosen for the overview tries in order to grant some educated appreciation about the get entry to of SME financing. Though this article has written primarily based on the SSA countries, however some primary topics are usually steady for SME financing. This is based on the West African sub-region to see whether there are similarities or variations in the determinants of SMEs get right of entry to to finance throughout the SSA (Sub-Saharan Africa) countries. To exhibit the authentic thing related to the financing this article protected both subjective and objective measures. By the usage of the statistics from World Bank’s internet site this article cited there are some sure things on which the get entry to varies; like the size of the business, ownership, electricity of felony rights, the depth of savings statistics and of course the experience of the top-level managers. This finding out about has centered on strong implications of policy. There is a vital element to appear at, SMEs are by using nature unable to supply any collateral which is very handy to furnish for the other corporations like banks or firms. This might also one of the reasons to not get the easy get right of entry to for loan. This study introduced why financing in SME is riskier in SSA countries. This proves in many nations or in many locations nevertheless SME is not in a favorable position. To exhibit the proportion and the situation of scope and the get admission to SME financing this article has proven some economic analysis. (Quarter, 2017)

This article is about the access to finance and associated issues particularly being an SME proprietor or managers. Research proven that there are similarities as nicely as differences between SME financing in each UK and China. At the first-hand human beings are extra reliable on their family or household for financing their commercial enterprise exclusively. Then it might also be from their immediately family. After two years of business respondents relied on their personal funding or financial savings which they made while they have been strolling their business. After five years of uninterrupted commercial enterprise or economic activity, most of the owner or managers in UK finance their business by borrowing cash from banks or any financial organization examine to China. In China human beings are primarily depended on their immediately household from the place they are seeking the monetary support. So, with the aid of inspecting this state of affairs it is underneath steady that SME financing is extra splendid and lively in UK than China. The situation is doing enterprise may differ in China though the financing gadget of UK looks greater preferable. The research concludes via announcing that the financing preferences may also fluctuate with the aid of the human beings who are in business. The looking for of financing help from banks or related agency may additionally add a better price to a business than a family. (Javed Hussain, 2013)

This find out about fashions suggests 5 overall performance warning signs based on eighty practicable factors derived from a number of fields like firm characteristics, finance, informality, innovation, infrastructure, taxes, regulations, alternate and group of workers regarding small and medium sized enterprises. Regarding statistical magnitude and magnitude between small and medium sized organizations the elements vary. As an example, the percent of using firm’s internet for the reason of interact with clients/suppliers has a fantastic effect on medium sized agencies than small enterprises. A destructive have an effect onon small organizations is seen when it is financed through equity or inventory sales. Though the initiative of doing small and medium enterprises is being inspired by the policymakers but this is being said that SME’s function in non-public zone boom is regularly underrated. To enhance evidence-based perception on SME’s overall performance in rising and growing economies is the principal objective of this study. Also, this file seeks to become aware of the trouble arises in phrases of SME financing and the performance of SME. The factors these are affecting the performance of medium agencies differ from those of small enterprises. (NdeyeNdiaye, 2018)

This article showed how the development of small and medium organizations has a developing fashion in Indonesia and in Pekanbaru. SME has very significant role to play in the country wide financial system and create new jobs for unemployed people. Also, the reason of this study is to perceive the effect of entrepreneurial advantage on business performance and additionally threats and opportunities. This has been proven that small and medium sized businesses have high-quality and sizeable effects. This can't be denied that the empowerment of SME quarter has to face many challenges. As Competition in today’s enterprise world is increasing day through day. By retaining tempo with giant business small agencies are doing so properly in their respective fields. SME is one of the aiding economic growths in Indonesia. SMEs are located in extra challenging state of affairs and that is why this commercial enterprise has extra correct strategy to clear up so quick problem and maintain a steady position. ME businesses can be succeeded in any other fields like restaurant business, agricultural business, manufacturing, electricity, fuel and so on. Two (Diana Eravia, 2015)

# Chapter 3: Methodology

## 

## 3.1 Methodology of the study

For the entire examination there are numerous sources those have been utilized. Data has been assembled from the current representatives of IDLC and from the site which is known as online source. I got some printed copies from my association from where I got the monetary reports to get the money related investigation all the more precisely. From my University library I have gathered some past temporary job report to have the pragmatic learning of composing the report. In this way, the report has demonstrated more in the emotional manner.

**Primary Sources:**

The primary data sources are the employees of IDLC and the inside database they use for their day to day purposes.

**Secondary Sources:**

IDLC Finance Limited respectable website, PDF records, journals, articles and university’s library.

I interviewed two personnel of IDLC Finance Limited and gathered required information. It was once an unstructured interview for us. When I commenced gathering statistics associated to my study, I confronted some hassle as the theme is no longer at once associated to my department. My work was once related to Credit Information Bureau and the subject is related to Credit Risk Management and SME department. I was in bother when asking random humans about my queries. Then one of our senior sirs dispatched me to the CRM branch for asking all my questions. I went to them and two of them helped me through answering all my questions. I had short dialogue concerning topic associated issues. The people of IDLC were very beneficial and friendly to gather authentic information.

# 

# Chapter 4: Organizational Background

## 4.1 Company Overview

**History**

IDLC Finance Limited is the first leasing organization of Bangladesh which commenced its experience in1985. Its establishment was the collaboration and lead sponsorship of extraordinary neighborhood and multinational monetary institutions particularly Finance Corporation (IFC) of the World Bank, German Investment and Development Company (DEG), the Aga Khan Fund for Economic Development, the City Bank Limited, IPDC of Bangladesh Limited, Kookmin Bank, Korean Development Leasing Corporation of South Korea and Sadharan Bima Corporation. Korean Development Leasing Corporation (KDLC), the largest leasing business enterprise of the Republic of South Korea provided technical assistance for the establishment of the company. The steady development of the organization used to be censured through the different organizational structure involving many economic institutions. IDLC was once licensed as a Financial Institution with the aid of the country's central financial institution in 1995. Along with the progression of the company, the preliminary overseas shareholding of 49% was once regularly being withdrawn. Finally, in 2009 the ultimate overseas shareholding used to be bought out via the neighborhood sponsors. In the closing two decades, the organization done a big growth along with the company’s growing economy.

## 4.2 Mission, Vision and Objective of IDLC

**Mission**

“We will focus on quality growth, superior customer experience and sustainable business practices.”

For Customers: “Relentless pursuit of customer satisfaction through delivery of top-quality services.”

For Shareholders: “Maximize shareholders’ wealth through sustained return on their investments.”

For Employees: “Provide job satisfaction by making IDLC a center of excellence with opportunity for career development.”

For Society: “Contribute to the wellbeing of the society, in general, by acting as a responsible corporate citizen.”

**Vision**

“We will be the best financial brand in the country.”

**Goals**

“Long-term maximization of stakeholder’ value.

**Corporate Philosophy**

“Discharge functions with proper accountability for all actions and results and bind to the highest ethical standard.”

**Objectives**

Create synergy by combining high quality and strategically balanced portfolios. Provide a range of financial products and services to our customers under one roof. Maximize corporate value through sustained high-quality growth.

## 4.3 Business Overview

IDLC Finance Limited offers a wide range of financial solutions through its four business weapons which include SME, Consumer, Corporate and Capital Markets.

**SME Division**

SME Division two is two considered two as two the priority two business two phase two of IDLC two Finance Limited. The SME phase of IDLC is additionally the quickest growing section amongst other Non-Banking Financial Institutions. This division affords expert lending services to small and medium-sized agencies thru a large range of industries which includes steel, cement, light engineering, plastics and textiles, amongst others, geographically spread across Bangladesh. This division operates their offerings thru time period loans, working capital loans and hires financing in order to satisfy assorted purchaser requirements. However, this division gives personalized monetary offerings if necessary. This division also considers the significance of ladies entrepreneurship. So, it helps and encourages ladies entrepreneurship by means of imparting loans with alluring schemes and lower activity rate.

SME Division offers the following financial facilities:

**Small Enterprise Finance**

IDLC considers the significance of small-scale businesses and offers economic facilities to those agencies so that they can rise out their trading, manufacturing or commercial enterprise activities. However, the small entrepreneurs can additionally avail this economic facility for growing business real estate.

**Medium Enterprise finance**

The medium organization section of SME Division gives mid and long-term economic solutions to a wide vary of clients. It creates a robust assist for these entrepreneurs and helps them to set up their very own corporate houses.

**Supplier Finance**

Supplier Finance is some other economic facility offered by the SME Division. The financing relies upon on the furnish of goods or transport of services.

**Commercial Vehicle Loan**

Commercial Vehicle Loan is a rent facility presented by means of the SME Division of IDLC. The most important purpose is to supply monetary guide so that the customers can buy car for industrial use.

**Consumer Division**

Consumer Division deals with the retail monetary offerings and it gives a large range of economic products which consists of Car Loan, Home Loan and a small share of Personal Loan and Loans against deposits. Currently, this division has the absolute best market share and growth charges within the Home Loan enterprise of Bangladesh. By presenting retail savings merchandise with variable pastime quotes and maturities this division serves as a mobilizing company.

Deposit Schemes

IDLC offers different Deposit Schemes with attractive interest rates andmaturities.

|  |  |  |
| --- | --- | --- |
| **Product** | **Term** | **New Interest Rate (p.a.)** |
| Regular Term Deposit | 3 months | 8.50% |
| 4-5 months | 8.75% |
| 6 months | 9.00% |
| 7-11 months | 9.00% |
| 12 months and above | 9.25% |
| 500 Days Term Deposit | 500 days | 9.25% |
| Monthly Earner Deposit | 1 year | 9.25% |
| 2 years | 9.25% |
| 3 years and above | 9.25% |
| Quarterly Earner Deposit | 1 year | 9.25% |
| 2 years | 9.25% |
| 3 years and above | 9.25% |
| Double Money Deposit | 8 years | 9.05% |
| Triple Money Deposit | 12 years 9 months | 9.00% |
| Interest First Deposit | 3 months | 8.25% |
| 6 months | 8.50% |
| 9 months | 8.50% |
| 12 months | 8.50% |

(https://idlc.com/deposit, 2019)

## 4.4 Car Loan

In this modern age, car is no longer considered as a luxury product rather it has become necessity of our daily life.

A vehicle isn't a benefit any longer; it's your entitlement to drive serenely. Include those days of family trips, longer-infers with companions and you have the ideal formula of joy. At IDLC we accept that automobile financing ought to be quick and bother free. In this way, let us fund adventure to your fantasy vehicle, yet in addition those drive choices that change your way of life. IDL Chelpsto its customer to buy a good car by providing car loan. It has comfortable interstate.

|  |  |  |
| --- | --- | --- |
|  | **Mini car loan** | **Max. car loan** |
| Amount | 10,00,000tk | 200,00,000tk |
| Loan tenure | 1 year | 5 years |
| Interest rate | Varies from 10.75% to 11.75% | Varies from 10.75% to 11.75% |
| Income Req. | 40000tk gross per month | 40000tk gross per month |
| Age Req. | 22-60 Years | 22-60 Years |
| Application from BDT 500 + VAT  Documentation fee 0.50% or BDT 200000 whichever is lower + VAT Duplicate issue of transfer documents BDT 830 + VAT  Change of quotation of car loan asset after approval BDT 1000 + VAT CIB charge BDT 300  Delivering of service against facility closed before 5 years of more BDT 3000 + VAT | | |

## 4.5 Home Loan

IDLC is one of the outstanding Home Loan companies in the country. It affords alluring and handy Home Loan amenities in order to meet the expectation and requirement of the clients.

**Personal Loan**

IDLC also gives Personal Loan in order to improve the great of existence of their clients. They provide a profitable activity charge which influences the shoppers to accumulate their savings.

**Corporate Division**

The simple characteristic of company division is to ensure large and satisfactory service for the financial institutions. It also provides time period loans, lease financing, working capital financing, undertaking financing and different economic services for the corporate customers in the course of the country. Moreover, this division additionally offers company bond issuance and debt syndication which belongs to the Structured Finance” solution. Corporate division gives the following services:

**Lease Financing**

It is essentially asset backed financing or hire supplied to the lessee towards workplace equipment’s, two industrial machinery, industrial equipment’s, vehicles, engines etc.

**Working Capital Financing**

IDLC gives working capital financing in order to assist the organizations to lift out their daily enterprise activities.

**Term Loan Financing**

IDLC provides time period loans for a set time period with regular payments.

**Project Financing**

Corporate division affords venture financing for the Joint mission of an existing company, new product traces of an existing company, setting up a new strategic commercial enterprise unit etc.

**Capital Markets**

IDLC Finance Ltd. Established two of its wholly-owned subsidiaries namely IDLC Securities Ltd. and IDLC Investments Ltd. with which it runs its capital market operations. These two subsidiaries furnish all kinds of trading and economic offerings to its clients. They furnish the high-quality infrastructural and execution trip to their different patron base thru their sturdy trading facilities. Their services additionally include underwriting, major issuance and merchant banking. The division has recently brought Discretionary Portfolio Management services. They are paying one of a kind attention in order to grow this.

## SHARE HOLDERS COMPOSITION OF IDLCLTD.

|  |  |  |  |
| --- | --- | --- | --- |
| **IDLC FINANCE LIMITED** | | | |
| **SHAREHOLDING COMPOSITION** | | | |
| **As on March 31, 2019** | | | |
| **SL.NO.** | **NAME OF SHAREHOLDERS** | **NO. OF** | **AS A % OF TOTAL** |
| **SHARES** |
| **1** | Sponsors/Directors: |  |  |
|  | The City Bank Limited (CBL) and its subsidiaries: | 87,510,575 | 23.21 |
|  | The City Bank Limited (CBL) | 33,935,329 | 9.00 |
|  | City Bank Capital Resources Limited (CBCRL) | 37,328,028 | 9.90 |
|  | City Brokerage Limited | 16,247,218 | 4.31 |
|  | Transcom Group: | 50,273,164 | 13.33 |
|  | Eskayef Pharmaceuticals Limited | 30,164,062 | 8.00 |
|  | Transcript Limited | 15,132,033 | 4.01 |
|  | Bangladesh Lamps Limited | 4,977,069 | 1.32 |
|  | SadharanBima Corporation | 28,727,494 | 7.62 |
|  | Reliance Insurance Limited | 26,393,553 | 7.00 |

## 4.6 IDLC Code of Conduct and Ethics

* + - Employees shall act with integrity, competence, dignity while dealing with customers, prospects, colleagues, agencies and the public
    - Employees should represent themselves in a more professional and ethical manner which

Will positively affect IDLC workers, their calling and on IDLC on the loose

* + - Try to safeguard and improve the skill of the business
    - Practice sensible consideration and exercise autonomous expert judgment
    - They ought not bind others from playing out their expert commitments
    - They should obey all the applicable laws, rules an deregulations
    - Reveal all conflicts of interest
    - Their professional services should comply with IDLC policies and relevant technical and professional standards
    - They should respect the confidential issues and privacy of customers
    - They should not engage themselves in any kind of dishonesty, fraud, deceit or other unethical issues.

(IDLC Finance Limited, 2018)

## 4.7 SWOT Analysis

**Strengths:**

**1. Reputation and brand image:** IDLC is a well reputed leasing company and already earned the brand image for the customer acceptance. This has established in 1985. Since 1985 IDLC is introducing very new and innovative services and made the ability to meet up the demands of a large corporate client.

**2. Board of director:** IDLC has a strong board of director who has a very good image in corporate world and also has strong background around this country. They have contribution in many sectors like decision making, setting objective.

**3. Product portfolio:** IDLC has a diverse and amazing product portfolio for their customers.

**4. Human Resources:** This is one of the real qualities of IDLC. The Company has capable supervisory crew. The general work power of the organization is considered as secret weapons for the association. IDLC staff is spurred, skillful, lively and inventive.

**5. Training:** IDLC provides effective training to their employee. In a year they arrange five or six training session to make sure the skilled performance of their employee.

**6. Service:** IDLC finance Limited is increasing their performance each year because of their unique services. IDLC provides hassle free service and here is no hidden cost, all the costs are visible so that customers can have the idea about their cost.

**7. Operational Efficiency:** IDLC Finance Limited provides customer friendly solutions to meet their demand, so that the sanction and disbursement of the loans can be hassle-free.

**8. Employee Empowerment:** Every employee has their individual opinion for every task and the organization has equal level of acceptance for their employee.

**9. Working Environment:** IDLC Finance Ltd has a friendly working environment. Everyone is very co-operative and helpful.

**Weaknesses:**

**1. High Cost of fund:** IDLC has a bit higher cost for operating the activities compare to the banks because of being an NBFI.

**2. Change in management:** In recent times there is a huge change in management. As a result, there will be some changes in the organization too. As a result of this employees take time to adopt the tasks and the environment.

**3. More Focus on Volume:** Although IDLC has office called Credit Risk Management to screen the benefit nature of the organization, still the organization now and then give advances to client to the purpose of additional benefit.

**4. A lot of Diversification:** Too much broadening of item and administrations offering risk deeply administrations of the association.

**5. Less People in Liability Marketing:** IDLC still utilizes lesser number of workforces for the forceful obligation advertising in contrast with banks and NBFI.

**Openings:**

**1. Coherence of Liberalization:** The congruity of advancement positively affects economy and for the NBFI.

**2. Outside Investment in Prospective Sectors:** An as of late there are a ton of remote interest in different areas the NBFI likewise have a decent opportunity to get into it.

**3. Neighborhood banks Inefficiency:** One of the significant explanations behind developing of renting organization in Bangladesh is nearby banks wastefulness of giving venture credit. This marvel continues. Nearby banks can't satisfy the interest of purchasers. This is useful for NBFI because it's making a chance.

**4. Capturing New Geographic Areas:** There is a huge prospect for this organization as day by day consumers are increasing as well as their demands. Expanding the business will create an opportunity for this organization. IDLC already started their process and started planning how to expand their business.

**5. Growing Consumers Demands:** Now-a-days people are more interested to take loan such as apartment loan, car loan etc. As the demands of taking loans are increasing rapidly it creates a big opportunity for IDLC.

**Threats:**

**1. Banks and other NBFI:** The competition between banks and NBFI is getting higher than before as now a day’s banks are also involved in handling leasing stuffs.

**2. Regularity control of government:** The legal framework of Bangladesh is somehow not very friendly all the time which may create unexpected obstacle in regular operations.

**3. Payment overdue:** This can be a big threat for any organization. This happens when clients do not pay their EMI in a regular basis.

**4. Intend to switch:** If a customer has intention to switch from IDLC to any other NBFI that could be obviously a threat for IDLC Finance Limited.

**5. Fake documents:** There are many cases where customers provide fake documents which may cause serious problem to this organization.

**6. Money laundering:** This is one of the major threats for any Banks and Financial institutions. There are people who earn money in a corrupted or illegal way and later on try to make the money white by using the financial institutions. If the government can catch any one of them one from IDLC who is highly corrupted and tried to make his money white in that case that specific customer will obviously be punished and IDLC Finance Limited can lose their license for a year and get huge amount of fine.

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# Chapter 5: Credit Risk Management

## 5.1 Introduction

This part subtleties major store hazards the board approaches and methods that are suggested for selection through all FIs in Bangladesh. The tips contained in this framework ordinary rules that are intended to oversee the execution of extra integrity loaning approaches and chance reviewing frameworks inside individual FIs. It is the general obligation of FI's Board to support FI's credit chance technique and broad protection strategies worried to reserve funds threat and its administration which ought to be founded absolutely on the FI's common undertaking system. To hold it current, the general inclusion and methodology must be investigated through the Board, ideally every year.

## 5.2 Lending Guidelines

All FIs must have introduced "Loaning Guidelines" that as a general rule characterize the senior administration's perspective on business improvement needs and the expressions and essentials that should be clung to with the end goal for offices to be affirmed. The Lending Guidelines must be refreshed at any rate yearly to reflect changes in the money related standpoint and the advancement of the FI's office portfolio and be dispensed to all loaning/showcasing officials. The Lending Guidelines should be acknowledged by means of the Managing Director/CEO &amp; Board of Directors of the FI essentially dependent on the underwriting of the FI's Head of Credit Risk Management and the Head of Business Units.

Any flight or deviation from the Lending Guidelines should be expressly recognized in reserve funds purposes and a legitimization for endorsement gave. Endorsement of offices that don't agree to Lending Guidelines should be restricted to the FI's Head of Credit or Managing Director/CEO or Board of Directors. The Lending Guidelines need to give the key establishments to record officials/relationship chiefs (RM) to figure their rules for endorsement, and ought to incorporate the accompanying:

**Industry and Business Segment Focus**

The Lending Guidelines should unmistakably distinguish the business/business divisions that need to comprise most of the FI's office portfolio. For each area, an unmistakable sign of the FI's inclination for sustenance for development should be demonstrated (for instance, Textiles: Grow, Cement: Maintain, Construction: Shrink). This will outfit necessary course to the FI's promoting staff.

**Sorts of Facilities**

The sort of offices that are allowed ought to be plainly shown, for example, Lease, Term Loan, Home Loan, and Working Capital and so on.

**Single Borrower/Group Limits/Syndication**

Subtleties of the FI's Single Borrower/Group breaking points ought to be incorporated according to Bangladesh Bank rules. FIs may wish to build up increasingly traditionalist criteria in such manner.

**Division Lending Caps**

A significant component of credit hazards the board is to build up presentation limits for single while staying inside as far as possible set by Bangladesh Bank. The size of the breaking points ought to be founded on the credit quality of the obligor, veritable prerequisite of credit, monetary conditions and the organization's hazard resistance. Proper points of confinement ought to be set for separate items and exercises. FIs may build up breaking points for aindustry, financial division or geographic locales to maintain a strategic distance from focus chance.

**Item Lending Caps**

FIs ought to set up the presentation top to maintain a strategic distance from over fixation in any one item.

**Debilitated Business Types**

FIs should plot businesses or loaning exercises that are debilitated. The FI may have isolated segments to be debilitated dependent on the accompanying:

**Government Specified**

1. Military Equipment/Weapons Finance
2. Lending to organizations recorded on CIB boycott Best Practice
3. Highly Leveraged Transactions

**Organization Specific**

1. Finance of Speculative Investments
2. Share Lending
3. Taking an Equity Stake in Borrowers
4. Lending to Holding Companies

## 5.3 Credit Assessment

A careful investment funds and hazard assessment must be performed preceding the giving of an office and at any rate yearly from that point for all offices. The results of this appraisal should be in a Credit Application that starts from the relationship chief/account official ("RM") and is investigated by methods for Credit Risk Management (CRM) for distinguishing proof and presumably moderation of dangers. The RM must be the owner of the client relationship and should be considered responsible to make certain the precision of the entire investment funds utility submitted for endorsement. RMs should be familiar with the FI's Lending Guidelines and need to propensities due steadiness on new borrowers, principals, and underwriters.

It is essential that RMs know about their clients and propensities due industriousness on new borrowers, principals, and underwriters to guarantee such occasions are in truth who they symbolize themselves to be. All FIs must have built up Know Your Customer (KYC) and Money Laundering tips which ought to be clung to consistently. Credit Application should synopses the consequences of the RMs hazard appraisal and incorporate, least, the accompanying subtleties:

* Amount and sort of facility(s)proposed
* Purpose of offices

Office Structure (Tenor, Covenants, Repayment Schedule, Interest)

* Security Arrangements
* Government and Regulatory Policies
* Economic Risks

Also, the accompanying danger regions must be tended to:

1. **Borrower Analysis:** The greater part investors, organization gathering, and group or partner associations must be evaluated. Any issues identified with absence of organization profundity, muddled belonging structures or between gathering exchanges be tended to, and dangers moderated.
2. **Industry Analysis:** The key risk components of the borrower's venture must be surveyed. Any issues with respect to the borrower's situation in the business, typical industry concerns or forceful powers be tended to and the qualities and shortcomings of the borrower in respect to its resistance should be recognized.
3. **Supplier/Buyer Analysis:** Any benefactor or supplier fixation should be tended to, as these ought’s to impact the future reasonability of the borrower.
4. **Historical Financial Analysis:** Preferably an examination of at least three years chronicled monetary proclamations of the borrower must be introduced. Where dependence is set on a corporate underwriter, underwriter money related articulations ought to likewise be broke down. The examination should address the decent and manageability of income, cash float and the power of the borrower's security sheet. In particular, income, influence and productivity should be breaking down.
5. **Projected Financial Performance:** Where term enhancements (tenor &get; 1 year) are being proposed, a projection of the borrower's future fiscal in general execution should be given, demonstrating an assessment of the adequacy of cash float to support obligation reimbursements. Offices need to not be allowed whenever anticipated cash buoy is insufficient to reimburse obligations.
6. **Credit Background:** Credit application should really country the ubiquity of the borrower in the CIB (Credit Information Bureau) report. The product ought to likewise contain legitimate duty prevalence with different Banks and FI's and furthermore ought to harvest their assessment of past credit conduct.
7. **Account Conduct:** For existing borrowers, the antiquated exhibition in get together repayment obligations (exchange installments, check, intrigue and significant installments, and so on.) Be evaluated.
8. **Adherence to Lending Guidelines:** Credit Applications unquestionably state whether or no longer the proposed programming is in consistence with the FI's Loaning Guidelines. The FI's Head of Credit or Managing Director/CEO or Board need to support Credit Applications that do now not hold fast to the FI's Lending Guidelines.
9. **Mitigating Factors:** Mitigating factors for risks recognized in the investment funds evaluation ought to be distinguished. Potential threats incorporate, anyway are presently not obliged to: edge maintainability and additionally instability, inordinate obligation load (influence/outfitting), overloading or indebted person issues; quick development, procurement or extension; new ad endeavor line/item extension; the executives’ alterations or progression issues; supporter or provider fixations; and absence of straightforwardness or industry issues.
10. **Facility Structure:** The sums and tenors of financing proposed should be defended base absolutely on the anticipated repayment capacity and office reason. Extreme tenor or sum in respect to business needs expands the danger of reserve preoccupation and may moreover antagonistically affect the borrower's reimbursement capacity.
11. **Purpose of Credit:** FIs need to make positive that the credit is utilized for the reason it used to be acquired. Where the obligor has used cash for capacities never again demonstrated in the interesting proposition, FIs need to find a way to choose the suggestions on reliability. In the event of organization luxuries where borrower claim gathering of associations such tirelessness turns out to be progressively significant. FIs need to arrange such connected organizations and propensities credit assessment on merged/bunch premise.
12. **Project Implementation:** if there should arise an occurrence of a gigantic development, which establishes venture of over 30% of complete capital of an endeavor or for an unpracticed field venture, challenge usage chance be totally surveyed. Venture usage chance may likewise contain advancement danger (Gestation period, administrative and specialized clearances, and innovation to be received, accessibility of foundation offices) subsidizing danger, and submit task business, monetary, and organization dangers.
13. **Foreign Currency Fluctuation:** Credit application really expresses the assessment of outside for peril of the candidate and sees the alleviating factors for its presentation to abroad cash.
14. **Security:** A contemporary valuation of guarantee ought to be acquired and the incredible and need of security being proposed must be evaluated inside and in a perfect world by means of a third festival cost Facilities ought not be conceded put together completely with respect to security. Sufficiency and the degree of the protection be evaluated.

**Sort of Control on Cash Flow:** The store utility needs to contain and confirm if there is any control on the borrower’s money accepts circumstances for what they are for verifying the reimbursement. Incorporate charge task from fare continue, installment adventure from clients of the borrower and so on.

**Leave Option:** Credit utility need to for all intents and purposes express the leave alternative from the borrower in the event of early recognizable proof of disintegration of evaluating of the borrower.

**Name Lending:** Credit proposition should now not be unduly impacted through an over dependence on the supporting head's notoriety, revealed fair-minded methods, or their apparent ability to infuse cash into a significant number of business organizations in the event of need. These conditions be debilitated and managed extraordinary alert. Or maybe, investment funds recommendations and the giving of luxuries should be founded absolutely on sound basics, upheld by utilizing an exhaustive monetary and peril investigation.

**Hazard GRADING**

The Credit Risk Grading (CRG) is an aggregate definition dependent on the pre-indicated scale and shows the fundamental credit-chance for a given introduction. A Credit Risk Grading sends a number/letter set/image as a basic précis marker of dangers related with a financial assessment introduction. Credit Risk Grading is the essential module for making a Credit Risk Management framework.

Credit peril evaluating is a fundamental gadget for acknowledge risk the executives as it causes the Financial Institutions to catch an assortment of measurements of threat stressed in one of kind store exchanges. The collection of such reviewing over the borrowers, exercises and the hints of business can outfit better assessment of the high caliber of credit arrangement of a FI. The reserve funds risk evaluating machine is fundamental to take choices each at the introduction organize just as post-endorse arrange.

At the pre-endorse organize, credit evaluating causes the authorizing expert to decide if to loan or now not to loan, what must be the loaning cost, what ought to be the degree of presentation, what must be the lovely credit office, what are the in excess of a couple of offices, what are the an assortment of risk relief instruments to put a top on the threat level.

At the post-authorize of organization, the FI can choose about the profundity of the outline or restoration, recurrence of audit, periodicity of the evaluating, and various precautionary measures to be taken. Hazard evaluating should be doled out at the origin of loaning and refreshed in any event every year. FIs should, notwithstanding, review evaluating as and when damaging exercises happen. A different element fair of office beginning must assess chance reviewing. As a feature of portfolio checking, FIs must create surveys on reserve funds attention with the guide of risk grade. Satisfactory style and relocation assessment furthermore be done to see any decay in reserve funds quality. FIs may set up points of confinement for chance evaluations to highlight mindfulness specifically reviewing groups. It is significant that the consistency and precision of reviewing is inspected occasionally by means of a trademark, for example, an autonomous store assessment gathering.

## 5.4 Approval Authority

Every single mechanical movement, which submitted to the FI to convey risk sensitive items, which requires earlier endorsement with the guide of authorized panels/people. A FI may moreover have the Board, Management/Executive Committee, and Credit Committees for checking on and favor in financing proposition. The FI can likewise have edge dependent on extent of decency those unit limits for review and endorsement of reserve funds proposition in stand-out boards of trustees. The Board should favor as far as possible. In addition, endorsement expert may likewise be designated further to man or lady official dependent on security, the official comprehends and ride to ensure responsibility and fast determination in the endorsement procedure. The expert to endorse/supports offices must be certainly designated through the Managing Director/CEO &amp; Board to the Corporate Center and further down to the Business Units. Specialty Units are autonomous and responsible for dealing with all venture exercises inside as far as possible. Be that as it may, the stressed RM of the pay team/branch work force in charge of office deals is the proprietor of the customer relationship and should be considered responsible to guarantee the exactness of the office application submitted for endorsement. They ought to be comfortable with the FI’s Lending Guidelines and should behavior due diligence on new borrowers, motive of the facilities and guarantors.

The FI may additionally have threshold primarily based on proportion of fairness that sets limits for evaluate and approval of credit proposals in extraordinary committees. The Board needs to approve the threshold limit. Besides, approval authority may additionally be delegated in addition to individual executives primarily based on security, the executive’s knowledge and journey to make certain accountability and rapid selection in the approval process.

## 5.5 Procedural Guidelines

This area outlines of the major strategies that are wished to make certain compliance with the insurance policies contained in Section 4.1 to 4.7 of these guidelines.

**Approval Process**

The approval method should enhance the segregation of Relationship Management/Marketing from the approving authority. The responsibility for getting ready the Credit Application ought to rest with the RM inside the commercial enterprise unit. Credit Applications must be encouraged for approval by using the RM group and forwarded to CRM for their assessment and assessment. The credit consequently be accredited by means of suited approval committee.

The approval method may additionally range amongst FI’s relying on the kinds of products and exposure. For example, lending to Corporate and SME’s is normally unstructured due to diverse nature of chance exposure. On the different hand, client lending is commonly structured via standardizing the product and hazard factors of individuals. As such purposes for customer lending can also be carried out inside the head of purchaser unit challenge to delegation of authority to do so. Credit Administration

The Credit Administration characteristic is imperative in making sure that applicable documentation and approvals are in area prior to the disbursement of economic facilities. For this reason, it is fundamental that the functions of Credit Administration be strictly segregated from Relationship Management/Marketing in order to keep away from the possibility of controls being compromised or problems no longer being highlighted at the appropriate level.

Ongoing administration of the credit score portfolio is a quintessential part of the credit process. Credit administration feature is basically a back-office undertaking that guide and manipulate extension and upkeep of credit. A common credit score administration unit performs following functions:

**Documentation**

It is the responsibility of deposit administration to make certain completeness of documentation (facility agreements, guarantees, transfer of title of collaterals etc.) in accordance with authorized phrases and conditions. Outstanding files need to be tracked. Security documents are prepared in accordance with approval terms and are legally enforceable. Standard facility documentation that has been reviewed by legal counsel should be used in all cases. Exceptions should be referred to legal counsel for advice based on authorization from an appropriate executive in CRM.

**Disbursement**

Disbursements under facilities should only be made when all security documentation is in place. CIB report should reflect/include the name of all the lenders with facility, limit & outstanding. All formalities regarding large facilities & facilities to Directors guided by Bangladesh Bank circulars & related section of financial Institutions Act should be complied with. All Credit Approval terms must be met before disbursement.

## 5.6 PV (Customer Point Verification)

IN CRM-CD this verification phase is performed by way of two other 1/3 party companies, they are

* Brisk
* CBC

These two 0.33 party corporations essentially do the Customer Verification Point (CPV) and then send the verification reports to IDLC.

After all kind of verifications is done analysts go for the credit score appraisal the place, they ensure that the consumer has the capability to meet the tasks of IDLC. It requires collateral or guarantees from a customer in order to limit the risk. The appraisal is not solely made on collateral; it additionally relies upon on the quantity of loan, the supply of repayment, the specific enterprise from where the purchaser has come. Moreover, CRM department additionally look at the previous files of the patron if he/she has taken any loan from any other financial intuition or not. If there is any preceding credit record, analysts will additionally look onto the records.

In case of businessman and corporate human beings CRM wishes to look at the enterprise expertise, history data of the shareholders and company.

**Credit Evaluation**

This is the underlying phase of a home loan assent or dismissal. In this progression IDLC gain all require information of a buyer and after that screen these all around cautiously. For instance,

* Address Verification
* Bank Statement Verification
* NID/Passport/Certificates Verification
* Rent Verification if there should be an occurrence of landowners
* Salary Certificates
* Verification of Co-candidate, Personal Guarantor

## 5.7 Credit Monitoring

To limit FICO rating misfortunes, checking strategies and structures must be in area that gives an early sign of the falling apart monetary wellbeing of a borrower. At any rate, structures should be in region to record the accompanying special cases to significant officials in CRM and RM group Past due major or diversion installments, past due change charges, account abundances, and break of office contracts Non-receipts of fiscal reports on a common premise and any agreement ruptures or exemptions made. Move now not made on schedule for discoveries of any interior, outside or controller examination/review all borrower connections/offices are checked on and approved by means of the accommodation of a Credit Report in any event yearly. PC structures ought to have the option to create the above data for focal/head working environment just as neighborhood survey. Where programmed frameworks are never again accessible, a manual procedure must have the usefulness to create exact special case reports. Exemptions must be followed up and restorative movement taken in an opportune way before the record breaks down further.

## 5.8 Credit Sanction and Disbursement

In the wake of confirming every one of the reports, the examiners either authorization or reject the record for credit. Most of the cases if the customer's monetary foundation proclamation is never again alluring kept up or benefits source isn't invulnerable then the home loan is dismissed or upheld. Now and again, even the customer's mentality and lead moreover can be an explanation behind dismissal. After the authorization the record will be sent to the Customer Service Department and from that point the purchaser will be educated pretty much every one of the terms and conditions about the credit. On the off chance that the benefactor is k with all the timeframe and conditions, at that point he will sign the authorization letter and furthermore fill the charges.

At that point the record is submitted to the Head of offers and publicizing group. After the last confirmation the record goes for the home loan payment division.

Subsequent to confirming every one of the archives, the examiners either assent or reject the record for credit. Most of the cases if the customer's money related establishment articulation is never again attractive kept up or benefits source isn't impervious then the home loan is dismissed or sponsored. Now and again, even the customer's mentality and lead also can be an explanation behind dismissal. After the approval the document will be sent to the Customer Service Department and from that point the buyer will be educated pretty much every one of the terms and conditions about the advance. On the off chance that the benefactor is k with all the time span and conditions, at that point he will sign the approval letter and furthermore fill the charges.

At that point the record is submitted to the Head of offers and publicizing group. After the last check the document goes for the home loan dispensing office.

## 5.9 Early Alert Process

An Early Alert Account is one that has dangers or feasible shortcomings of a texture nature requiring checking, supervision, or shut consideration by means of the board.

Early recognizable proof, brief detailing and proactive administration of Early Alert Accounts are high reserve funds commitments of all Relationship Managers and should be embraced on a relentless premise. An Early Alert report must be done by means of the RM and dispatched to the favoring expert in CRM for any record that is showing side effects of decay inside seven days from the distinguishing proof of shortcomings. The Risk Grade must be refreshed as fast as could reasonably be expected, and no extend should be taken in alluding issue bills to the CRM office for assistance in recuperation.

Despite a reasonable reserve funds endorsement process, offices may moreover in any case become pained. Along these lines, it is quintessential that early ID and, on the spot, announcing of disintegrating store side effects be completed to guarantee quick movement to guard the FI's advantage. In addition, regular contact with customers will enhance the probability of making strategies together perfect to both the client.

A record can likewise be renamed as a Regular Account from Early Alert Account status when the side effect, or side effects, causing the Early Alert arrangement to have been regularized or never again exist. The simultaneousness of the CRM endorsement expert is required for change from Early Alert Account ubiquity to Regular Account status.

**CREDITRECOVERY**

The Recovery Unit (RU) of CRM should immediately oversee cash owed with continued disintegration (a Risk Rating of Sub Standard (6) or more regrettable). FIs may likewise wish to move EXIT cash owed reviewed 45 to the RU for condition agreeable exit dependent on counsel of CRM and Corporate FI. At whatever point a record is surpassed over from Relationship Management to RU a Handover/Downgrade Checklist should be finished.

**The RU's major highlights are:**

* Determine Account Action Plan/Recovery Strategy
* Pursue all inclinations to boost recuperation, comprising of placing customers into receivership or liquidation as proper
* Ensure abundant and opportune home loan misfortune arrangements are made basically dependent on real and foreseen misfortunes
* Regular assessment of evaluation 6 or more regrettable records

The organization of issue administrations (NPLs) should be a powerful procedure, and the related methodology altogether with the ampleness of arrangements should be commonly inspected. A procedure is snared to share the preparation gained from the outing of investment funds misfortunes to supplant the loaning rules.

# Chapter 6: Findings & Analysis of the study

## 6.1 Findings and Analysis

It was at one time a gigantic open door for me to work in such happy with workplace. The total CRM branch is separated into various fragments and, however they all work together as a group. Although I used to be an understudy, they generally caused me to perceive that I'm likewise an indispensable segment of IDLC. This demonstrates IDLC has kept up lovely and fulfilled working surroundings among all representatives. Concentrating on their IT offices, IDLC utilizes their own one of a kind server, by methods for their own IT office every one of the branches are connected constantly. Some different points are point out below:

* Target of CRM is to become aware of and mitigate the underlying risk
* Three sorts of credit score hazard such as default risk, recuperation risk and awareness risk.
* Macroeconomic elements are exceptionally influencing the operations of IDLC
* Profitability of IDLC used to be very high compared to the enterprise common as well as the mortgage to deposit ratio
* The most important opponents of IDLC are Lanka Bangla, IPDC, Deltacrest Finance and Uttara Finance.
* IDLC has Surpassed the benchmark set by using the other 5 competitors
* Recently IDLC awarded by the fine SME financial institution class in Bangladesh.
* Becoming tremendously involved with lending to the actual property sectors.
* IDLC’s lending portfolio is quite diversified in time period of products and sectors.
* Balanced between its lending activities and liquidity. It has also maintained a adequate quantity of tier-1 capital

# Chapter 7: Conclusion &

# Recommendation

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## 7.1 Conclusion

Businesses operated by means of taking big amount of loan from banks or from relatives. Before setting up the loan gadget of SME, people who didn’t choose to run huge businesses; used to run organizations in extraordinary shape for the want of money. After the establishment of SME loan people are more interested to run businesses and the amazing businesses started running in a very good way. If the method of lending money can be hold, there are lot greater splendid things to come. To maintain this, first the leasing businesses or the associated agencies have to aware the borrower about the competitive challenges they have to face. Secondly, the companies can assist SMEs to meet challenges by using grasp the energy and weaknesses and help them to overcome the challenges. They need to learn some inputs to upgrade themselves. Inputs like market information, finance, education infrastructure development, R&D, technical abilities as well as competencies and hyperlinks with institutions for support services.

## 7.2 Recommendations

To develop the strategy of SME and to fulfill the objective of this study there are some recommendations which mentions where SME can invest more/ what are the scopes to make improvement in this field. Here are some recommendations which may follow the leasing companies.

* Hire skilled personnel to avoid the risk factors and make the ground more profitable.
* Bangladesh Bank should continue the refinancing system to encourage the entrepreneur in the business field.
* If the system of getting trade license, registration of enterprises, getting patents or trademark become easier than the number of taking loan will increase which will eventually help SME to reach into a standard level.
* A separate organization can be built by the participation of public and private banking industries for small business investment and lending money in SME field.
* Another amazing work can be done to encourage and improve the SME sector. Public fund can be made under some regulations from where businesses will get money directly and the further formalities will be done accordingly.
* Disaster or seasonal loans can be provided.

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