



---

**INTERNSHIP REPORT ON  
PRACTICES OF CREDIT RISK  
MANAGEMENT: A STUDY OF IDLC  
FINANCE LIMITED**

---



**United International University**  
*QUEST FOR EXCELLENCE*

**Title: INTERNSHIP REPORT ON  
PRACTICES OF CREDIT RISK MANAGEMENT: A  
STUDY OF IDLC FINANCE LIMITED**

**Prepared by:**

Audhira Tasnim

ID: 111 141 279

**Submitted to:**

Ms. Nusrat Farzana

Assistant Professor

School of Business and Economics

United International University

Date of Submission: 23<sup>th</sup> October, 2019

## **Letter of Transmittal**

Date: 23<sup>th</sup> October, 2019

Ms. Nusrat Farzana  
Assistant Professor  
School of Business and Economics  
United International University

Subject: Submission of Internship report on “RACTICES OF CREDIT RISK MANAGEMENT:  
A STUDY OF IDLC FINANCE LIMITED”

Dear Mam,

It is a great pleasure and privileges for me to submit my internship report on Practices of Credit Risk Management: A study of IDLC Finance Limited under your supervision. This was assigned to me as a partial requirement to complete my BBA program.

I have closely overseen the functions of this department, relationship management and credit risk department. I really enjoyed working here to fulfill my internship requirement. Throughout my journey at IDLC, I have tried to gather the information needed to prepare my internship report and use them to make the report as informative as possible. I truly believe that it will meet your needs. It will also meet the requirements of my internship program.

Thank you for encouraging me for working on this interesting topic. Kindly accept my report and oblige thereby.

Sincerely yours,  
Audhira Tasnim  
ID: 111 141 279  
United International University

## **Acknowledgement**

At first, I need to express gratitude toward Almighty Allah for everything. With the assistance of Almighty and guardians' endowments at last I have effectively finished my three months of Internship program at IDLC Finance Limited. I want to thank the entire "Credit Risk Department" them for their help, direction and support in each and every step of my internship program.

First, I would like to take the opportunity to say my gratitude towards Ms. Nusrat Farzana, Assistant Professor, School of Business and Economics of United International University for her endless support, inspiration and guidance during this internship. I am thankful to her for her appropriate direction without which the culmination of the report would not be conceivable. I am likewise grateful to her for contributing her important time while seeing my report and making all the essential rectifications. Also, I would like to thanks to Md. Abu Musha, Head of Legal Department and my supervisor Md. Arifur Rahman Arifeen, Officer, Credit Risk Management, IDLC Finance Limited. Special much gratitude goes to the entire Credit Risk Management office for helping me in all phase of my internship program. Simultaneously, I want to thank my other colleagues of IDLC who gave me enormous bits of learning and helped me to get comfortable with the condition of the present business world.

Finally, I am grateful to United International University, which is the explanation I am staying here on the pinnacle of getting my bachelor's certificate effectively.

## **Executive Summary**

IDLC Finance Ltd is a non-bank financial institution that started its journey in 1985 as a non-bank financial company. Now, with 38 branches and booths, it has diverse segments in financial sectors to provide services to its customers across the country. It helps people to fulfill their dreams of owning home, car, starting and growing business, creating more jobs, etc. With the support of experienced, highly qualified, dedicated and professional workers. We include expert security solution, executive portfolio, shared shop, board tool, and company, corporate, and consumer financing.

This report is prepared with a view to providing a detailed overview of the IDLC Finance Limited Credit Risk Management Department and The File Index campaign. The Credit Risk Management department is one of the most important departments of IDLC Finance Limited.

I had the opportunity to work with the Credit Risk Management team as an intern for three months. My main task was helping my supervisor at the Loan and Risk section, learning the trade and organizing the plan for the document list. I am assigned to write a document as part of the internship that will show what I learned from my experience there. At first, these documents include a complete overview of IDLC and its different departments and divisions.

In this report I clarified about the sorts of advances credit risk management, customer division gives their potential prerequisites to loans, their practices quickly and confinements. I have also added different analysis and figures for describing clearly. In addition, it also provides a picture of what I have done during the three-month internship and how not only the organization but also myself benefited from this internship program.

# Table of Contents

Chapter One .....	1
1.1 Introduction.....	1
1.2 Origin of the Report .....	1
1.3 Objectives of the Report .....	1
1.4 Methodology .....	2
1.5 Limitations of the Report .....	2
Chapter Two.....	3
2.1 Company Overview .....	3
2.2 Vision.....	3
2.3 Mission.....	3
2.4 Strategic Objectives .....	3
2.5 Core Values.....	4
2.6 Shareholders Portion.....	5
2.7 Product and Services.....	6
2.8 Business Overview.....	8
2.9 Organogram of IDLC.....	9
Chapter Three.....	10
3.1 Credit Risk .....	10
3.4 SWOT Analysis .....	14
Chapter Four .....	19
4.1 Job Description of CRM .....	19
4.2 The basic technical work flow .....	21
4.3 Weight identified for each risk factor .....	23
4.4 Action taken to restore the default customer .....	24
4.5 Functions of Special Asset Management (SAM).....	24
4.6 SAM Departmental Objectives .....	24
4.7 Recovery Plan by SAM .....	25
4.8 Overdue effect on company efficiency .....	26
4.9 Provisioning Policies of IDLC Finance Limited .....	26

4.10 Relationship with the Clients .....	27
Chapter Five.....	28
5.1 Analysis of Non- performing loan (Last 5 years) .....	28
5.2 Liquidity ratio and PAT of last 5 years to analysis the creditworthiness of IDLC Finance Limited.....	29
5.3 Analysis of total selling loan provision of IDLC Finance Limited .....	31
5.4 Financial Highlights.....	32
Chapter Six.....	34
Analysis Methodology .....	34
6.1 Abstract .....	34
6.2 Data source.....	34
6.3 Specific Objectives .....	35
6.4 Limitations of the study .....	35
6.5 Literature review .....	35
6.6 Variables .....	36
6.7 Result and Analysis.....	37
Chapter Seven .....	42
7.1 Recommendations.....	42
7.2 Conclusion .....	43
7.3 References.....	44

# Chapter One

## 1.1 Introduction

---

The financial sector plays a very significant role in the economic development of a country. The basic move of private area has showed up as a motor of financial development and advancement alongside the open division in Bangladesh. As a consequence, IDLC Finance Ltd, the largest multi-segment Non-banking financial institution has achieved noteworthy growth in all areas of business. It has extended its zone to Consumer, SME, Corporate, Retail and Capital market portions. Three subsidiaries were also commenced by this institution which has fortified its existence in the countries emergent financial market. On the nearby markets IDLC Finance Limited is one of the blue-chip organizations of Bangladesh, which vows to maintainable practices and solid budgetary execution.

The company also launched a subsidiary-IDLC Securities Limited-which is offering full-grown brokerage service for retail and institutional clients.

## 1.2 Origin of the Report

---

Since practical orientation is a vital part of the BBA degree requirement, I was assigned by United International University to IDLC Finance Limited to take real life experience of the activities of the organization as a financial institution. I was fortunate enough to complete my internship from IDLC Finance Limited, the largest Non-Banking Financial Institution which provided me with a real life practical knowledge. All the way through the report I made an effort to find out the actual explanation and operation of Credit Risk Management (CRM) from the perspective of Bangladesh, procedure and policy of Credit Risk Management (CRM), challenges faced by CRM in IDLC Finance Limited and the overall financial performance analysis with the NPL condition.

## 1.3 Objectives of the Report

---

The main objective of this study is to get a specific idea of how CRM plays an important role in managing the risk associated with each product and service of IDLC Finance Limited. Orientation is very useful to find out whether theoretical knowledge matches real-life scenarios. Although titled "**Credit Risk Management Practices - A Study by IDLC Finance Ltd.**" is a very long field, the specific objectives are as follows:

1. To know the need of Credit Risk Management.
2. To find out about the whole CRM process.
3. To realize the basic leadership procedure of CRM.
4. To know the elements of Special Asset Management part of CRM
5. To think about the conceivable change should be possible in the entire CRM process.



## 1.4 Methodology

---

I have utilized two sorts of methodology for the readiness of the report. The two ways by which I have gathered data:

### **Primary Data**

I have assembled this data with the help of the organization administrator, talk legitimately with the customers likewise utilized my immediate encounters as an understudy of this organization.

### **Secondary Data**

I have accumulated some unique data from web and furthermore experienced papers and social battles. To be increasingly explicit, my sources are:

1. Internet
2. IDLC webpage
3. Annual reports of IDLC Finance Limited
4. Social media
5. Different books, Journals and newspaper

## 1.5 Limitations of the Report

---

To prepare a report we have to cover various subjects and terms. At the time of composing, I needed to confront different challenges thus could complete the whole report. The limitations are:

- Non-availability of some past and most recent information
- Restriction on social affair some in house information
- Some data was retained to hold the secrecy of the association

## **Chapter Two**

### **2.1 Company Overview**

---

IDLC Finance Limited is the first non-banking financial institution of Bangladesh, which was established in 1985. It is currently the largest non-banking financial institution in the country with an estimated income of 1.59 million BDT in 2018. This is the biggest profit from any non-bank financial institution in our country. Being the biggest is not that easy and IDLC has had to make many challenges and the proper story lies behind the journey.

In 1985, a cooperation occurred. Worldwide Finance Corporation (IFC) of the World Bank, German Investment and Development Company (DEG), Kookmin Bank and Korean Development Leasing Corporation of South Korea, the Aga Khan Fund for Economic Development, the City Bank Limited, IPDC of Bangladesh Limited, and Sadharan Bima Corporation joined their offers together and IDLC Finance Limited was shaped. From the outset Lease financing was the center result of IDLC and now they have transformed into the greatest multi-item Non-Bank Financial Institution of Bangladesh. What's more, they have equal fixation in Corporate, Retail and SME sections.

IDLC Finance Limited won the First/Gold honor sequentially for the third time in fifth ICSB National honor giving function for Corporate Governance Excellence, 2017, which was hung on Saturday, November 10, 2018 at Radisson Blu Dhaka Water Garden.

At present, IDLC has 35 branches and booths in the whole country and all are autonomously reporting to the main branch which is in Gulshan (Bay's Galleria). This multi-product business has more than 1500 workers and about 45,000 clients joining all divisions.

### **2.2 Vision**

---

The core vision of IDLC Finance Limited is, they want be the best financial brand in the country.

### **2.3 Mission**

---

With the motive of successful market leader, IDLC Finance Limited want to give more Focus on quality development, prevalent client experience and supportable strategic policies.

### **2.4 Strategic Objectives**

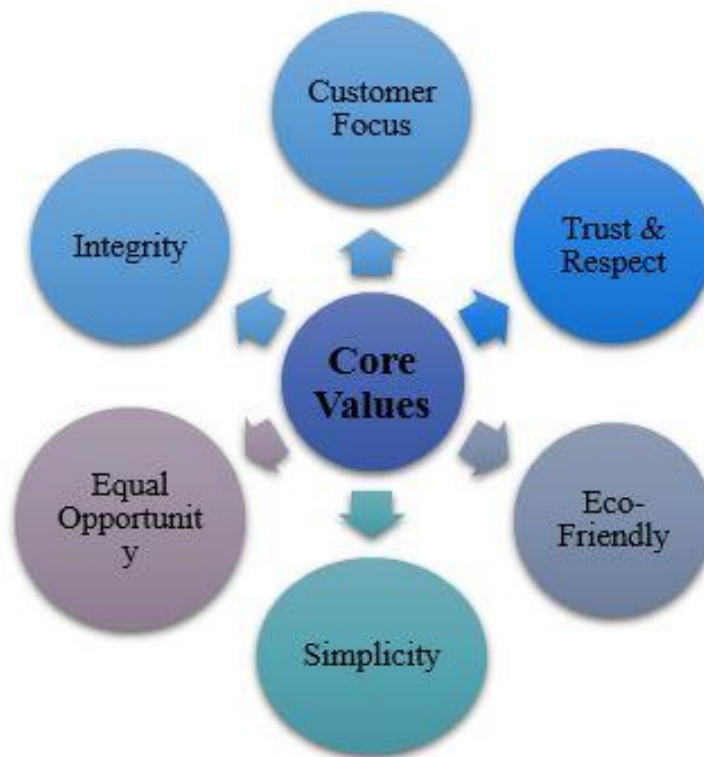
---

- Grow and build up the ability pool
- Fully influence the new center financial stage

- Optimize conveyance point
- Grow and broaden subsidizing sources
- Grow deals and administration capacities in the Consumer Division
- Aggressively buildup the SME portfolio
- Focus on top-level customers in the corporate fragment
- Consolidate capital market tasks and improve capacities
- Embrace globally acknowledged corporate administration and manageable strategic policies

## 2.5 Core Values

---

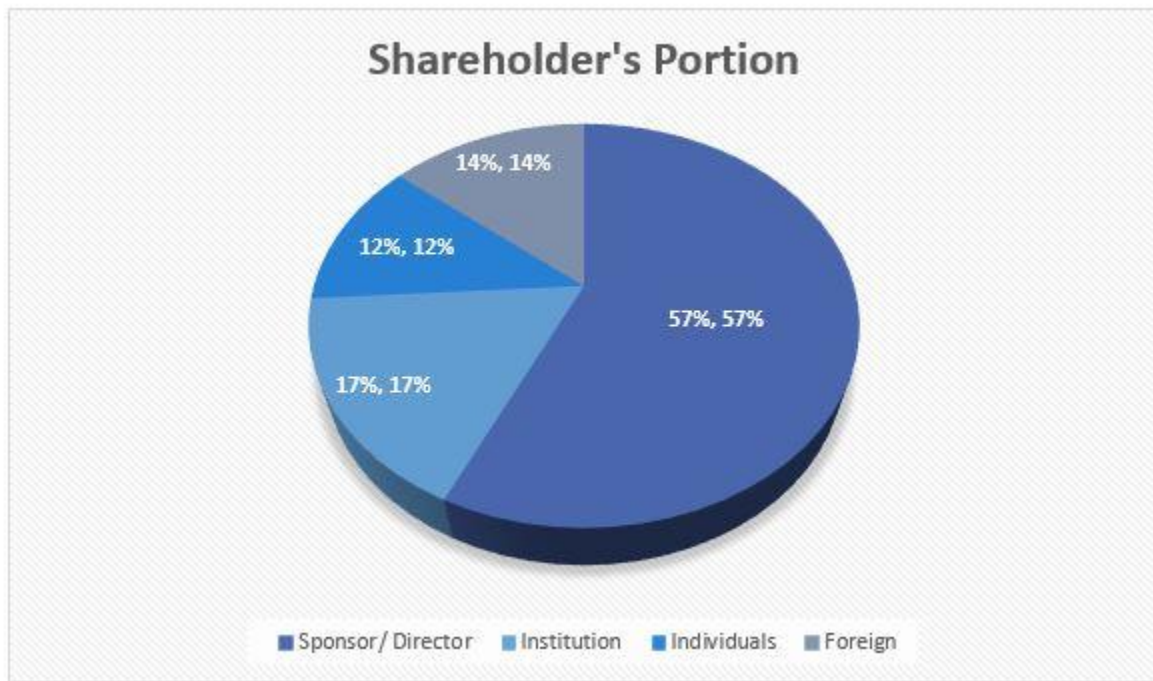


IDLC puts stock in a valid and straightforward assistance. They are consistently client situated and attempt to speak with them. By keeping up legitimate correspondence, they attempt to increase full client trust and their method of administration centers around common regard. They accept when somebody acknowledges others. IDLC makes equivalent open doors for people and empowers them. Through an Eco-Friendly condition, IDLC maintains their business through enthusiasm by staying away from every single imaginable intricacy of administration and give just handled support of make clients satisfied.

## 2.6 Shareholders Portion

---

Investors of IDLC Finance Limited can be partitioned into two general classes - support/executive and general financial specialist. General Investors can be subdivided into two unique classes – Institutional Investors and Individual Investors.



## 2.7 Product and Services

---



### Small and Medium Enterprises (SME) Finance

#### ▶ Small Enterprise Finance

- Small Enterprise Loan/ Lease
- Seasonal Loan
- IDLC Purnota - Women Entrepreneur Loan
- SME Shachal Loan
- Revolving Short Term Loan
- Commercial Space Loan
- Commercial Vehicle Loan
- IDLC Udbhabon
- SME Deposit

#### ▶ Medium Enterprise Finance

- Medium Enterprise Loan/ Lease
- Commercial Vehicle Finance
- Machinery Lease
- Revolving Short Term Loan
- Commercial Space Loan
- Commercial Vehicle Loan

#### ▶ Supplier and Distributor Finance

- Factoring of Accounts Receivable
- Bill/ Invoice Discounting
- Work Order Financing
- Distributor Financing



### Corporate Finance

#### ▶ Corporate Finance

- Lease Financing
- Term Loan Financing
- Commercial Space Financing
- Project Financing
- Short Term Loans(to meet working capital requirements)
- Specialised Products (for meeting seasonal demand)
- Green Financing

#### ▶ Structured Finance Solutions

- Debt Syndication (Local & Foreign Currency)
- Working Capital Syndication
- Agency & Trusteeship
- Fund Raising through Zero Coupon & Coupon Bearing Bonds
- Commercial Paper
- Arrangement of Private Equity & Preference Shares
- Corporate Advisory for Mergers

& Acquisitions and Joint Venture Making

- Balance Sheet Restructuring
- Preparation of Feasibility Study

#### ▶ Green Banking Solutions

- Over 50 products offered under Green Banking and Sustainable Finance department as per Bangladesh Bank Green Re-finance scheme



## Consumer Finance

### ▶ Loans

- Home Loans
- Car Loans

- Personal Loans
- Loan Against Deposit

### ▶ Deposits

- Flexible Term Deposit Package
- Regular Earner Package



## Capital Markets Operations

### ▶ IDLC Securities Limited

#### Products

- Cash Account
- Margin Account through IDLC Investments Limited and other enlisted merchant banks
- Easy IPO
- Premium Brokerage for High Networth Individuals (HNIs) and institutional and foreign investors

#### Services

- Trade execution through the Dhaka and Chittagong stock exchanges
- Custodial and CDBL services
- Bloomberg terminal for foreign clients
- Research and Advisory Services

### ▶ IDLC Investments Limited

#### Products

- Margin Loan
- Discretionary Portfolio Management

#### Services

- Corporate Advisory
- Issue Management
- Underwriting

### ▶ IDLC Asset Management Limited

- Mutual Funds
- Portfolio Management

## 2.8 Business Overview

---

The association accomplishes its varying business through its four weapons - SME, Consumer, Corporate and Capital Markets.

### **SME:**

This division is committed to give pro advances to little and medium estimated organizations in humanized, bond, light designing, plastic and material businesses. This class gives a wide scope of administrations, for example, Lease Financing to fulfill the lapse of credits, working capital advances and differentiated client prerequisites. Also, this area redoes their administrations if necessary. The Department underpins and advances ladies business people by giving credits to the appealing understanding.

### **Consumer:**

The consumer division is focused on providing retail financial services. Its financial products include a small proportion of personal loans, home loans, car loans and loans against deposit. Currently, this division enjoys the highest market share and growth rate of the home loan industry of Bangladesh. The company's hands are actively involved in raising deposit rates with different interest rates and maturity through various retail savings products.

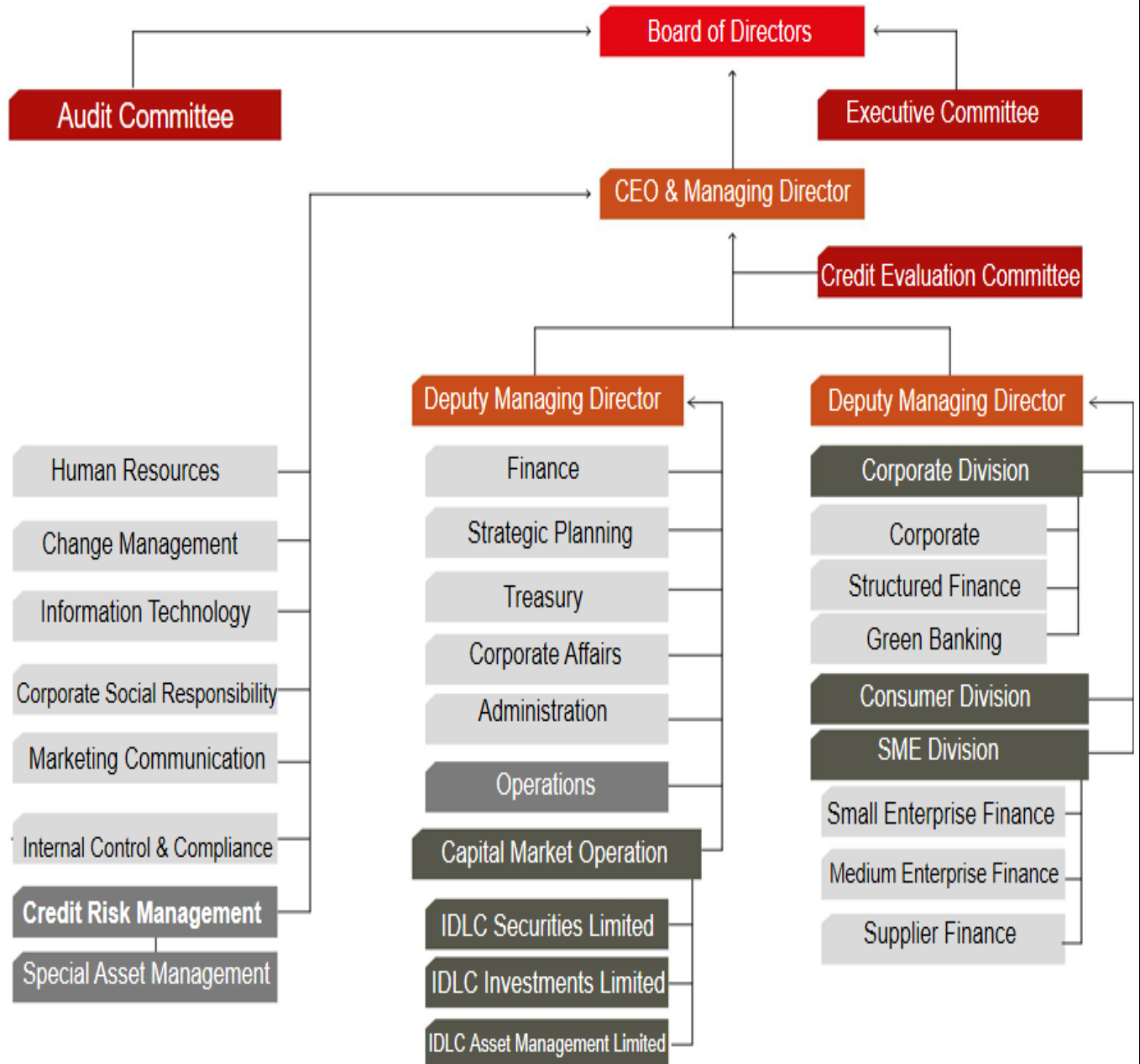
### **Corporate:**

The fundamental capacity of corporate division is to give quality administrations to money related foundations of the nation in monetary issues. The assortment of financing choices for renting financing, term advances and capital consumptions, and so on are striking. What's more, this division of the organization gives organized money (SF) arrangements, including corporate securities and obligation syndication installments.

### **Capital Markets:**

IDLC Finance Ltd finishes capital market activities through its entirely backup IDLC Securities Limited and IDLC Investments Limited. These two subsidiaries give a wide range of administrations to their clients. Their solid business offices empower them to give ideal execution involvement in their expansive and assorted customer base. One of the primary administrations of Underwriting, Initial Issues and Merchant Banking. The Department recently launched portfolio management service. They are giving additional consideration to expand this portfolio, particularly with inter departmental parallel with their buyer divisions.

## 2.9 Organogram of IDLC





## Chapter Three

### 3.1 Credit Risk

---

Credit risk will probably fail to meet the obligations of the borrower or the counter party. So with the efficient management of a financial institution, managing credit risk is the most important task. When looking at the rapidly changing, dynamic global economy and the growing pressures of globalization, liberalization, and consolidation, it is important that financial institutions' strong credit risk management policies and practices are responsive and responsive to changes. The risk of financing the IDLC may appear in the following forms:

- Default risk
- Exposure risk
- Recovery risk
- Counter party risk
- Related party risk
- Legal risk
- Political risk.

To experience and moderate the credit chance the accompanying control measures are set up at IDLC Finance. Multilayer endorsement process.

- Policy for most extreme area and gathering presentation limit
- Policy for clients' most extreme resource introduction limit
- Mandatory scan for credit report from credit data authority
- Looking into installment execution of client before financing
- Annual survey of customers
- Adequate protection inclusion for subsidized resource
- Vigorous checking and follow up by Special Assets Management Team
- Strong follows up of consistence of credit approaches by Operational Risk Management Department.
- Taking security
- Seeking outside legitimate sentiment
- Maintaining lack of bias in governmental issues and following a careful distance approach in related gathering exchanges
- Regular survey of market circumstance and industry presentation.

The Credit Appraisal Committee (CEC) consistently audits the credit and market credit hazard and prescribes and applies proper measures to manage related dangers. The CEC audits the current worldwide budgetary emergency and censures its potential effect on the project. An autonomous Credit Risk Management Department is set up, at IDLC to examine ventures from a hazard weighted perspective and help the administration in making a top notch credit portfolio and amplify came back from hazard resource.

## 3.2 Credit Evaluation

---

Credit evaluation is the final stage of the closing of a document. Closing a file successfully requires coordination with all agencies. The credit evaluation committee approved the loan or declined the file after verifying all the documents. In order to successfully close a folder, that section will have to work very hard. After beginning some paper, we don't guarantee a loan. Because before applying for credit, there are many things to consider.

The legal department approves all paperwork for home loan relating to land or buildings. Credit officers consult and speak over the phone to customers. The file will be transferred to the customer service department after approval of any loan amount. There, the officer concerned informs the customer of all loan terms. If the customer accepts all the terms and conditions, the customer signs the letter of approval and charges the associated fee. IDLC registers all transactions via a Finance Account Provider Test. To order to avoid confusion, the officer concerned requested the search to advance. Otherwise, every month the customer will have to come to the office. For the customer, this is very troubling.

The car does not require legal verification. The sales and marketing team collects pictures of both bank statements, salary certificates, applicants and co-applicants, national ID photocopies, TINs, other income support documents, seller pricing and other relevant documents. The report will then be introduced to the global sales and marketing. They register and pass them to the credit page after reviewing the files. For the consumer, car loans are risky and expensive. The strain of installments often hinders the normal life of the consumer. Thus, the concerned credit officer ensures all relevant expenses and sources of income for the family of the client before clearing any car loan debt. If the credit officer sees the client being able to take advantage of the loan, the credit heading will be transferred to the file. After checking the file, car loan can be approved. The report is then moved to the section on Customer Care. There, the officer concerned tells the consumer of all loan terms. If all the terms and conditions are acceptable to the customer, the customer signs the acceptance letter and pays the relevant fee. IDLC registers all transactions through a provider check to the finance account. So to prevent disruption, the worried officer sent the search in advance.

The marketing team obtained and distributed photocopies of national IDs, TINs, other income supporting documents and related papers for personal loans, bank records, pay certificates, claimant and co-applicant photos. The report will then be introduced to corporate sales and marketing. We sign and pass it to the Credit Department after checking the file. There are highly unsecured personal loans. Executive compensation is available for the only salaries that have a pension. Loan debt is generally intended for a highly secure pay manager. This is a very expensive service. There are fees for the highest interest rates. The credit heading will be applied to the record if the credit officer sees the borrower being able to take advantage of the loan. Private approval may be required after confirmation of the record. The directory is then transferred to the Customer Care section. There, all loan terms are advised to the borrower by the officer concerned. If all the terms and conditions are accepted by the customer, the customer signs the letter of agreement and charges the fee. IDLC tracks all payments through a check of the Finance Account Provider. The worried officer sent the search in advance to avoid disruption. The term of the loan is up to five years.

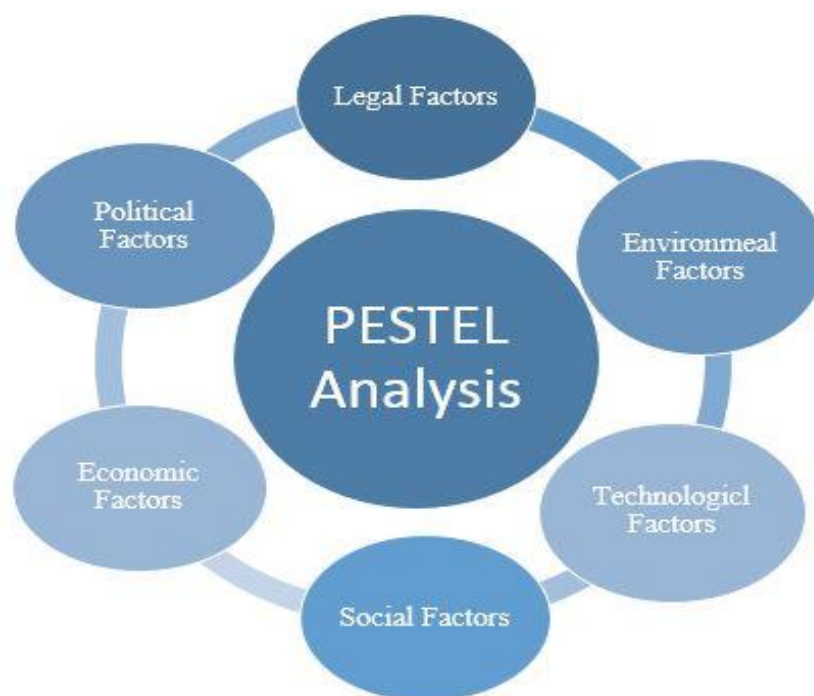
### 3.3 An Overview of PESTEL analysis

---

PESTEL analysis means "Political, Economic, Socio-cultural, Technological, Environmental and Legal analysis" and depicts a system of full scale natural components utilized in ecological checking. It is a piece of the outside investigation when doing statistical surveying and gives a specific review of the diverse large scale ecological elements that the organization needs to think about. It is a helpful key instrument for understanding business sector development or decay, business position, potential and course for activities.

#### **PESTEL analysis**

Political, Economic, Socio-social, Technological, Legal and Environmental analysis are significant before estimating any organization's performance. To assess the situation of IDLC Finance Limited in the business, it is fundamental to know where and in what circumstance this establishment is playing out its activities. Following components are examined to demonstrate their impact on IDLC Finance Limited:



- **Political Factors**

Political variables incorporate territories, for example, charge arrangements, business laws, ecological guidelines, exchange confinements, expenses, and political strength. The world of politics is constantly insecure and it generally influences each part of life in this creating nation. The financial market managed the political change in the October 2006 issue. During this period the entire economy was steady. All improvement and venture exercises were shut. The security

market was likewise unstable. Some of the time the list develops generously and in this way decreases radically so individuals are reluctant to put resources into the security showcase. After the 1/11 occurrence, the political situation has changed drastically.

- **Economic Factors**

Economic factors are economic growth, interest rates, exchange rates, inflation. Economic strength is the factor that influences consumer behavior and patterns of spending. Despite the political upheaval in Bangladesh, it recorded a record GDP growth of 6.7% in the financial year 2005-06. At the same time, the export-oriented manufacturing industry sector grew by 10.47% and foreign exchange reserves earned \$ 3.9 billion dollars in the US. Towards the end of 2006, however, large-scale weather flooding and cyclone SIDR attacks have slowed the estimated growth for FY2007-27. In recent times, the current political government has taken some initiatives to attract investors. Forex reserves have now fallen to 9% with interest from more than 4 billion banks. However, inflation is still very high. The prices of essential goods are also increasing day by day; Power shortages are a matter of our day.

- **Social Factors**

Social factors also look at cultural aspects and emphasize knowledge of health, population growth, distribution of age, job outlook and security. These are the guiding principle, beliefs, desires and values that are associated with society's actions. In a particular culture, individuals experience adolescence that forms their fundamental beliefs and behavioral examples. Such forces have an effect on each industry's existence and achievement in a given society.

- **Technological Factors**

Technical considerations include ecological and environmental issues as well as limited production, and can set barriers that influence productive rates and decisions on outsourcing. Technical factors influence elements such as R&D operation, automation, technical opportunities and technological change rate.

This is a popular saying that the world of today is a technology world and that they alone can be at the forefront of technology. New advances, new goods and business opportunities can be generated by technological forces.

- **Environmental Factors**

International focus on promoting environmental and earth-sustainable organizations and supporting fundraising has been growing. As a consequence of the growing threat on Earth, this has become trade. Expanded administrative spotlight on financial support. Separate renegotiating assets reserved for green financing by the national bank provide a decent fateful opening to strengthen green financing exercises. Through building long-term value, IDLC is committed to sustainable development. Quality for investors, economic quality, and social interest. Since its launch in 2014, their based green banking unit has performed well.

- **Legal Factors**

The industry needs to confront inflexible guidelines, and law requirement is all the more uniformly and carefully, and interpretations are done at a more significant level. Concentrate on the Debt Reduction arrangement and the use of capital amplexity Focus on reinforcing the establishment of monetary organizations through the thorough use of pressure testing. IDLC has a strict legal and regulatory compliance history in the financial services industry. Intensive communication with regulatory and business organizations is maintained. Various compliance teams ensure compliance across the entire group.

### 3.4 SWOT Analysis

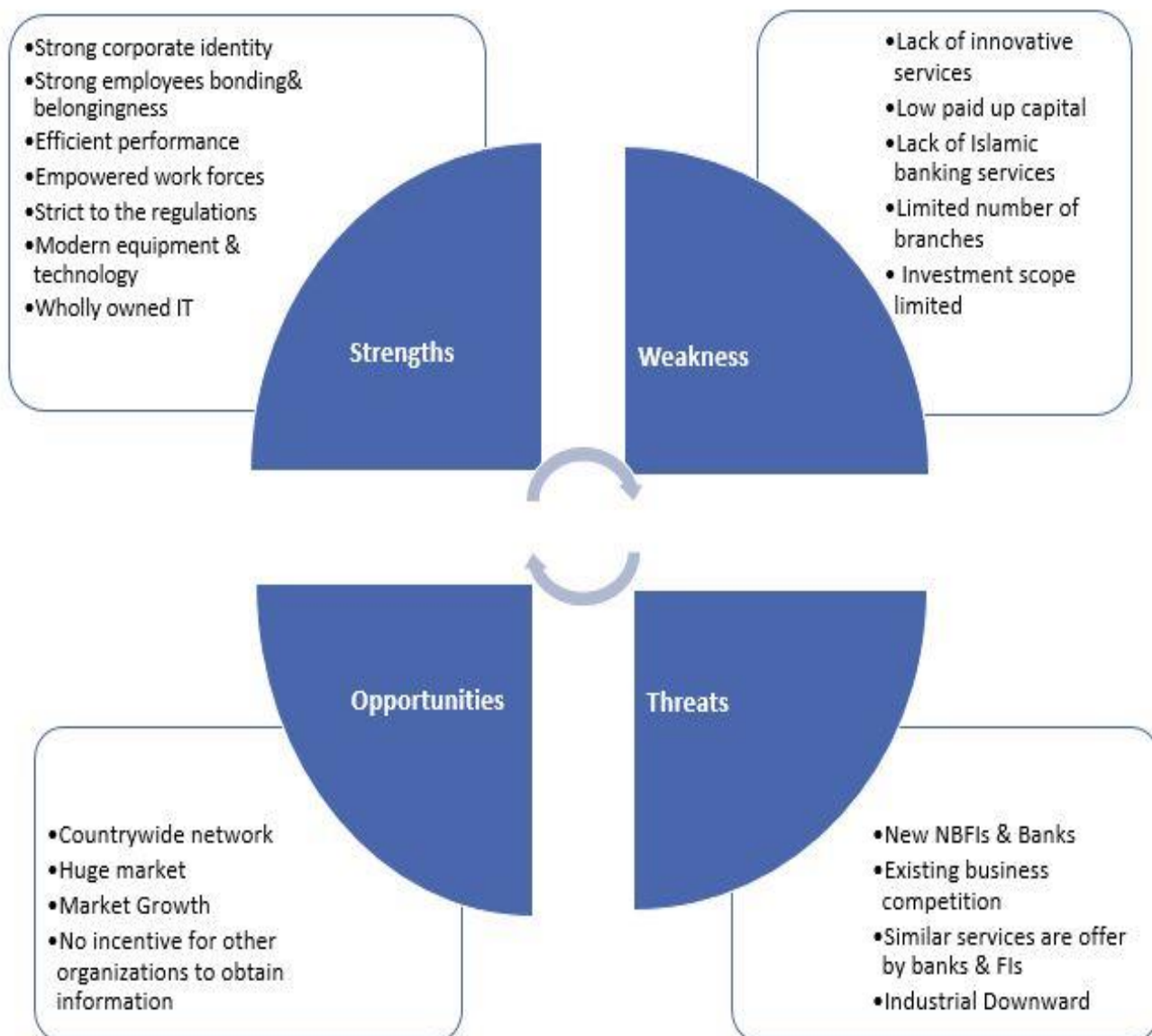
---

SWOT analysis is mainly used to identify the strengths, weaknesses, opportunities and threats of an organization. Each item is a heading for various business investigation, however they can be identified with the accompanying:

**Strengths** give understanding about business **opportunities**  
and

**Weakness** in the business can cause prompt **threats**.

However, SWOT analysis depends just on data and used to measure the present condition of the IDLC's SWOT analysis is given below:



## 1. Strengths

- **Strong Corporate Identity**

IDLC Finance Limited is the first and number one Non-banking financial institution. IDLC Finance won ICAB grant in 2002, 2003, 2005, 2006 and 2007, 2010, 2014, 2015, 2016, 2017 and 2018 for the best distributed records and reports. IDLC Finance Limited has the most noteworthy offer cost in the market and ESP is extraordinary.

- **Strong Employee Bonding and Belongings**

IDLC Finance Limited's employees are one of the company's key assets. Employees have the organization's core interest and pride and are part of the organization. The organization's strong organizational culture is the main reason for this success.

- **Efficient Performance**

IDLC Finance Limited offers hassle free customer service to its clients unlike other financial institutions in Bangladesh. Customer service is great in this regard.

- **Empowered Work Force**

IDLC Finance Limited's HR is highly regarded and professionally monitored, having previously confidence in strengthening the top management team. This makes IDLC Finance Limited a top representative position. Workers have no control, but as it grows, the company evolves.

- **Strict to the regulations**

The organization and their employees maintain all the regulations and guidelines gave by the administrative bodies. Through maintaining good commitment habits and business proximity, they serve customers. Such strict commitment to reliability criteria is the organization's exceptional performance.

- **Modern Equipment & Technology**

IDLC Finance Limited is the proprietor of the cutting edge data innovation of Bangladesh with respect to Operational Financial Services. The IT foundation is streamlined and oversaw, which likewise keeps up a high level of polished skill.

- **Wholly Owned IT (I, Cons)**

Software development is an organization's most important piece. IDLC Finance has a completely reported backup of IT (I, Cons). So for its IT system, IDLC Finance does not rely on others. To provide 24-hour IT services, extremely talented and skilled computer experts are used. These are all from well-known communities and schools outside. IDLC is using Integrated Software Application Suite (IISAF) which is not the same as others.

## 2. Weakness

- **Lack of Innovative Services**

There is a lacking of innovative service in IDLC Finance Limited. They should think about some new and innovative service for their clients.

- **Low paid up capital**

The organization has a very low paid-up capital. High tasks program and administrations require additional resources. This could turn into a negative issue in the future.

- **Lack of Islamic banking service**

IDLC Finance Limited doesn't give Islamic banking services. So there is no inclusion in the quantity of endorsers. Numerous individuals do not benefit from this organization because of this prohibition.

- **Limited number of branches**

IDLC Finance Limited has limited number of branches in the whole country. As a result, a huge number of customers are far away. That's the organization's weakness in an aggressive market.

- **Investment scope limited**

IDLC Finance, as a non-bank financial institution, does not have enough opportunity to invest as much as possible. As a result, it sometimes suffers from the problem of excess liquidity, although it reflects the financial strength of IDLC Finance but reflects the efficiency of an early profitable investment firm.

## 3. Opportunities

- **Countrywide network**

DLC Finance Limited has a strong branch network despite the low number of branches in the country. IDLC Finance Limited has improved productivity through the use of well-intentioned and networked networks by leveraging the market and sustaining its presence over the long term.

- **Huge Market**

In non-bank financial organizations, IDLC Finance Limited has enormous potential. IDLC Finance Limited has a generally excellent partnership with Bangladesh's first-class group of individuals. Institutional investors are the individuals who are big in the money-related market. Most MNCs and large companies are corporate clients.



- **Market Growth**

The market is growing every day. During this time, the land market has become strong. Thus, the business sector of venture finance and the home credit market have developed significantly. IDLC Finance Limited has the opportunity to catch a huge piece of the industry based on altruism and business reputation.

- **No incentive for other organizations to obtain information**

One of the key concerns about supervising financial service is that individuals went to the company looking for services that is why IDLC Finance Limited is not so enthusiastic about explaining its administration to any competitor. It's the case.

## **4. Threats**

- **New NBFIs & Banks**

New non-banking financial institutions and private banks are a serious threat to IDLC Finance Limited. New competition will intensify competition and organizations need to develop strategies to address threats.

- **Existing business competition**

A large number of banks and non-bank financial firms are increasing competition as they compete with nearly the same products on the same market. When businesses are struggling in the marketplace for fair leadership, the rivalry will intensify. In the Commission's case, there is also rivalry between existing service providers, interest rates and benefit extension.

- **Similar services are offered by other banks & FIs**

These days different private banks are offering a similar sort of organization with the equivalent aggressive loan cost. So on the off chance that all organizations battle against a similar weapon, at that point the regular outcome is declining benefits.

- **Industrial Downward**

Bangladesh is a financially unsteady nation. Because of political shakiness, our economy faces a significant test. Because of this, business in all divisions is declining.

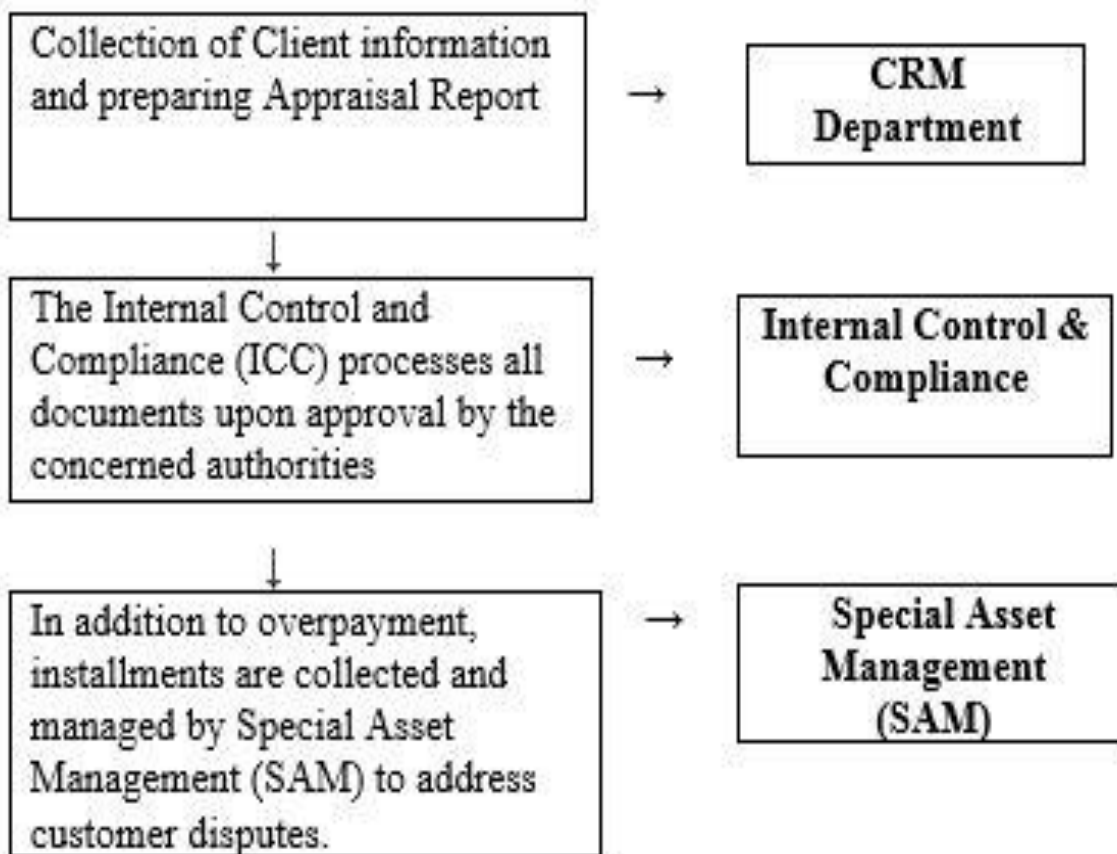
## Chapter Four

### 4.1 Job Description of CRM

---

Three cooperate segments update the general CRM process at IDLC Finance Limited. As Bangladesh's main NBFI, IDLC has consistently tried to maintain the quality it achieves over these 33 years.

These three departments are:



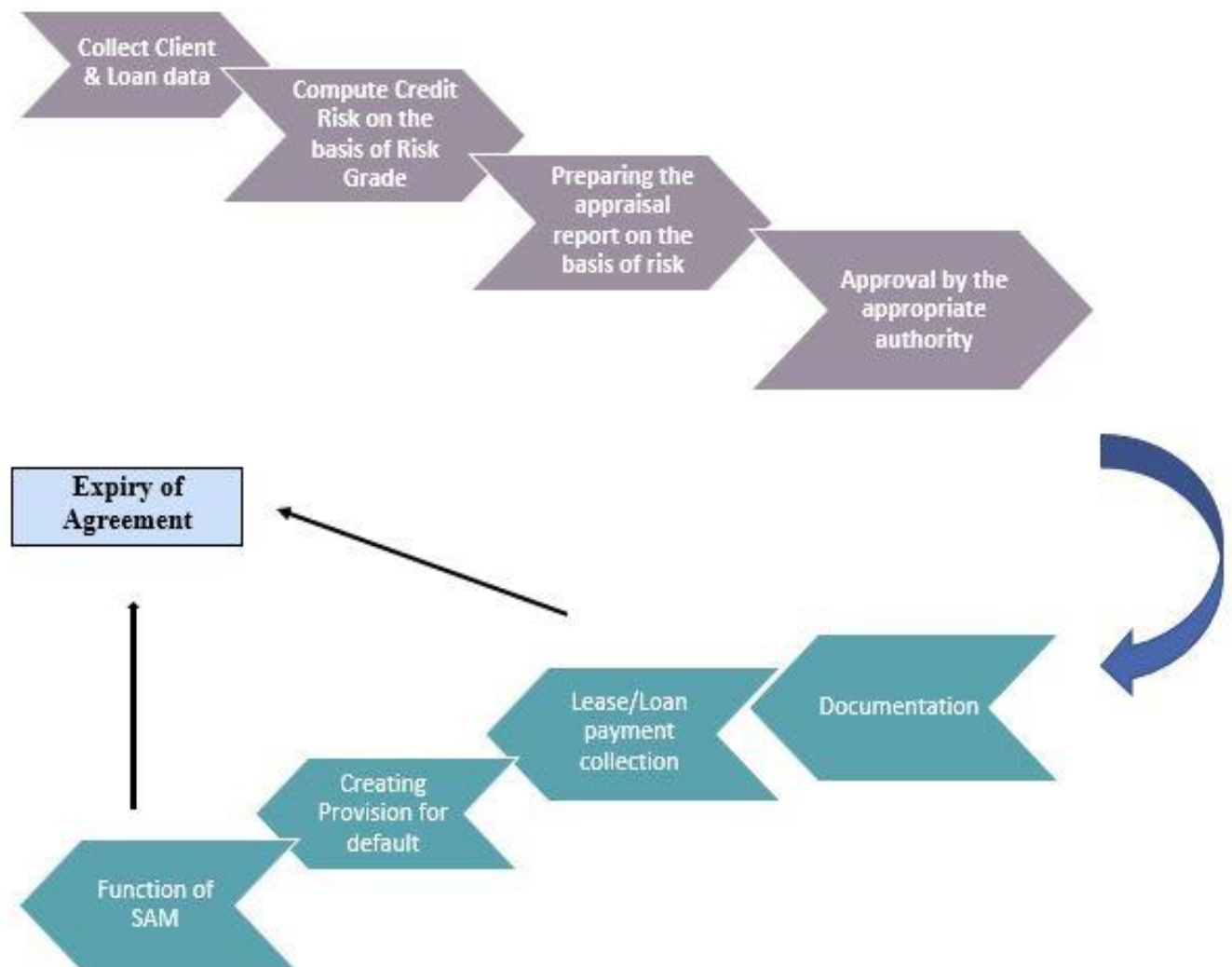
In the underlying stage, IDLC concentrated on setting up a market and after that growing the market. Based on which financial leasing sector is set up are given below:

- Diversification of the portfolio
- Select the top modern unit in the particular business
- Financing of existing units for parity, modernization, substitution and extension (BMRE)
- Existing lease requirements
- Set need depending on area-based execution.

The IDLC's essential concentrate so far has been for three to five years in renting monetary and mechanical gear and vehicles with extraordinary accentuation on BMRE of existing units. Rather than paying for the gear buy, IDLC gives the hardware and stretches out its selective right to utilize it instead of paying rent at a given time.

## 4.2 The basic technical work flow

The basic technical work flow is given below:



The above strategies are described below:

- The consumer requests an accommodation. Such required advantages can compare with the various types of equipment for BMRE vehicles or extension projects. More often than not, the letter lacks a detailed description of the purchased property, including its value and the intent behind the purchase and the duration of the lease.
- IDLC reviews the proposal and sends a letter of offer to the customer. The letter of the contract includes the specifics of the contracting, lease term, monthly rent, and various terms and conditions to be applied when the agreement is enforced. It should be noted here that the letter of the offer is a simple proposal and not an agreement using any and all means between the gatherings.  
Along these lines, the terms and conditions in the last understanding may vary.
- The bid is approved by the consumer and the letter of offer is presented. If the customer agrees to the terms and conditions of the letter of offer, they must sign the letter of offer as agreed and send it back to IDLC.
- IDLC collects preliminary information about the client. The primary information are,
  - ✓ If the CIB is undertaking and the Twelfth Form (if a limited company) will send a client report (as per the rules of Bangladesh Bank) to the customer applying for the CIB
  - ✓ IDLC takes the bank's sentiment for that customer

The assigned relationship chief readies the assessment report and assesses the customer proposition. The assessment comprises of

- ✓ Company basis examination
  - ✓ Management and association of organizations
  - ✓ Equipment/Vehicle Expenditure Estimates
  - ✓ Technical and advertising examination from both large scale and miniaturized scale level
  - ✓ Financial examination of the organization. For instance: benefit projection, credit report, execution every year.
- The assessment report looked for endorsement from the equipped power. The Relationship Manager first reports to the Credit Evaluation Committee (CEC), included delegates from Credit Risk Management, Operational Risk Management, General Manager and Deputy Managing Director. After CEC's assent, the report is sent to the endorsement.
  - The documentation procedure begins after endorsement. An endorsement record is readied and a letter of acknowledgment is given for the sake of the customer. Be that as it may, the strategy for documentation shifts relying upon the idea of the dialog.
  - The customer assembles resources

- Appropriate protection inclusion is done based on resources and riches gathering in the chose pool of insurance agencies.
- The rent activity starts with a proper understanding marked by both IDLC and the leaseholder. The rent starts paying rent and the rent proceeds.
- Typically, the possession move happens following the last rental installment. At first dependent on the estimating moved to the evaluating, IDLC moves responsibility for property to the customer and the rent closes. In any case, the rent can be halfway ended or ended quickly by dispossession.

### 4.3 Weight identified for each risk factor

---

IDLC maintains a particular weight for the risk factors that are given below:

Criteria	Weight
Leveraging	20%
Liquidity	20%
Profitability	20%
Account Conduct	10%
Business Outlook	10%
Management	5%
Personal Deposit	5%
Age of Business	5%
Size of Business	5%

#### **4.4 Action taken to restore the default customer**

---

The Special Asset Management unit of IDLC is responsible for the modification and enhancement of the standard installation technique. The primary destinations of the SAM office are to keep up a steady position at the most minimal conceivable level with the goal that overdue debts can be masterminded to keep up the negative effect of IDPs on revealed benefits on IDLC. Offices pursue the accompanying methodology for this:

1. Monitor delayed status of funded projects
2. Start the proper process for each case

A few customers/banks/less borrowers neglected to pay lease/portion at the foundation. Much of the time, the disappointment is impermanent, which is in the end satisfied in a brief timeframe. Be that as it may, in different cases, the client keeps on defaulting and the circumstance declines as it weakens the gainfulness of IDLC like other money related establishments. Therefore, noteworthy move is made for the benefit of IDLC and these measures are explicitly taken by the Special Asset Management Department.

#### **4.5 Functions of Special Asset Management (SAM)**

---

The Special Asset Management Department Unit conducts various exercises to retain the extra past due status. These are as follows:

1. Past due Monitoring - Corporate, SME, Syndication
2. Extra followings - corporate, SME, syndication (telephone, visit, letter)
3. Pursue SAM Client - (Regular, Complex, Block, Case) - Phone, Travel, Letter, Discussion
4. Shutting, blocking and prosecution - inception, development, court appearance
5. Arrangement of legal counselors for different lawful procedures
6. Contract and pursue a recuperation operator
7. Improve - Discussion, endorsement, development
8. Routine capacities: reasonable estimation, conclusion, exception endorsement, consistency, consistency.
9. Issuance of letter - overwhelming customer

#### **4.6 SAM Departmental Objectives**

---

1. Collection of Outstanding Payments
2. Non-Performing Loan Reduction (NPL)
3. Reduce transition ratio
4. Bad / Damage Provision Management - Extended Provision Control

## **4.7 Recovery Plan by SAM**

---

Exceptional Assets Management takes different rebuilding activities to lessen abundance resources, diminishing the proportion of migration. These activities fluctuate contingent upon the characterization of speculations;

### **Period of overdue: One to three months**

- After 1 delay installment, call quickly to remind about delay
- Try to get explicit duty from customer. The guaranteed date ought not to surpass seven days.
- If they don't get a reaction from the customer inside seven days, call the customer again to decide the explanations behind the deferral and get a due date for the cash.
- If the customer is unable to arrive by phone within seven days of the scheduled payment date, send an alert letter and go to the customer's office.
- To make weight, attempt to carry the customer to the IDLC office to talk about the default circumstance.

### **Period of Overdue: Four to Five months**

- Try to get explicit installment dates through telephone calls, messages and rehashed visits.
- Try to get composed explanations with the instrument apparatus (if important).
- Send updates inside the default three business days of the fourth portion. On the off chance that fundamental, the update letter contains a provision showing that lawful activity might be sought after.
- To resolve the default circumstance, attempt to carry the customer to the IDLC office.
- If vital, organize a gathering between the higher administration of IDLC and the customer.

### **Period of Overdue: Above Five Months**

In light of the default nature, survey the security status of the record and make the accompanying strides:

- Send the customer a last update letter, which permits them over 15 days for a markdown. In the letter, different measures have been taken when the installment of land law or the cash paid by the administrative authority has lapsed.
- If there is no advancement, send legitimate notice through legal advisors after endorsement of senior administration.
- Depending on the idea of the default, the board may delegate a recuperation/reestablish specialist with endorsement.



## 4.8 Overdue effect on company efficiency

---

Each financial institution of Bangladesh Bank is required to keep a specific bit of the outstanding balance as a provision. The measure of this provision is diminished from the benefit of the association. Along these lines, overdoses have an immediate negative effect on detailed benefits and result in reports of money related establishment adequacy.

The premise is determined as pursues:

$\text{Outstanding} = \text{Overdue} + \text{URPA}$
---

$\text{Base for Provision} = \text{Outstanding} - \text{Securities (100\% of Cash-Bond-Guarantee / 50\% of Mortgaged Property)} - \text{Interest Suspense}$
---

## 4.9 Provisioning Policies of IDLC Finance Limited

---

IDLC is using a progressively moderate way of dealing with the security arrangement needed by the Bank of Bangladesh. The following figure shows it:

Month Overdue	Percentage of Base kept as provision
00	1%
01-03	3%
04-06	25%
07-12	50%
12+	100%

The figure shows that a large part of IDLC's profits have been applied over the years. The average earning of IDLC as a provisioned amount is 18.22% per year on average.

## **4.10 Relationship with the Clients**

---

For this piece of the analysis, the default customer is partitioned into:

1. Existing customers who have recently gotten cash from IDLC and
2. New customers who have never supported IDLC.

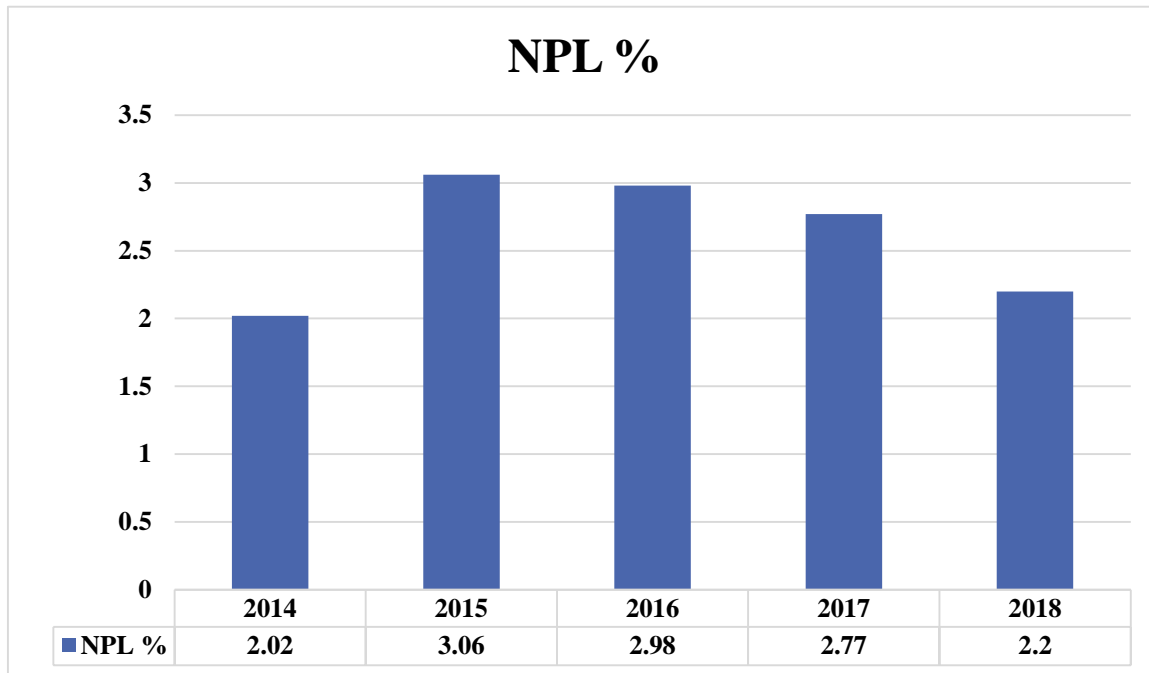
Research by IDLC shows that new customers are in default risk. Since IDLC has a record full of paying customers to existing customers. With the open information, IDLC can predict potential reimbursements for the consumer.

In any case, IDLC doesn't have a lot of involvement with new clients and needs to depend on data gave by another client to anticipate their future installments. This makes new clients more hazardous for the monetary establishment.

## Chapter Five

### 5.1 Analysis of Non- performing loan (Last 5 years)

---

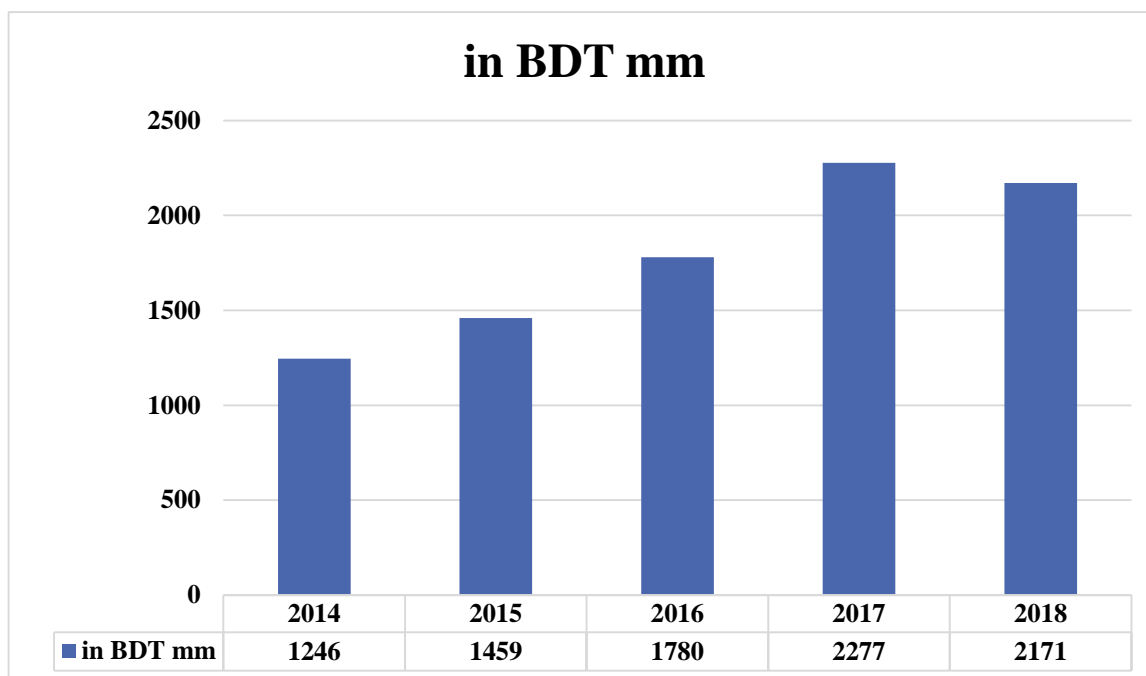


**Figure: Analysis of 5 years NPL rate**

IDLC Finance Limited is able to bring the NPL ratio to 2.20% at the end of 2018, up from 2.77% the year before. As mentioned in the chart above, after the growth of NPLs in 2015, IDLC Finance's Credit Risk Management Division has adopted the program focusing on the emergence of NPLs for various customer segments. In addition to this collection effort, CRM further strengthens the credit evaluation process and introduces a credit scoring model in collaboration with the International Finance Corporation (IFC) to assist the finance decision making process. These initiatives have enabled to sustain our efforts through 2019 and control the NPL since the IDLC finance target.

## 5.2 Liquidity ratio and PAT of last 5 years to analysis the creditworthiness of IDLC Finance Limited

---



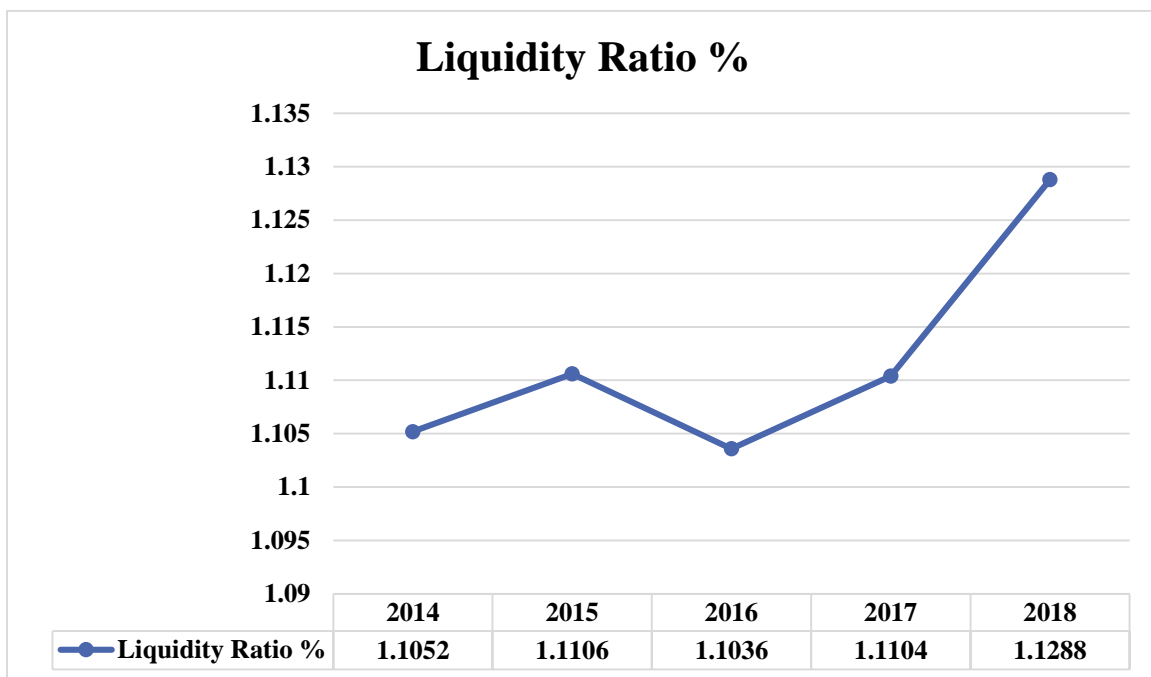
**Figure: Liquidity Ratio of 5 years**

The creditworthiness of IDLC Finance is high because we can see in the profit graph after tax from 2014 to 2018. The 5-year compound annual growth rate is a good figure, which is 26.53%. Continuing profits increase after tax reductions drawn, after-tax profits is 2,277 million BDT in 2017, and the latest update is 2171 million, which is slightly lower than the previous year. Thus, it can be said that the availability of credit and leased finance of IDLC Finance Limited is strong enough. And the Credit Risk Department plays a vital role in this matter by satisfying their customers.

## Liquidity Ratio

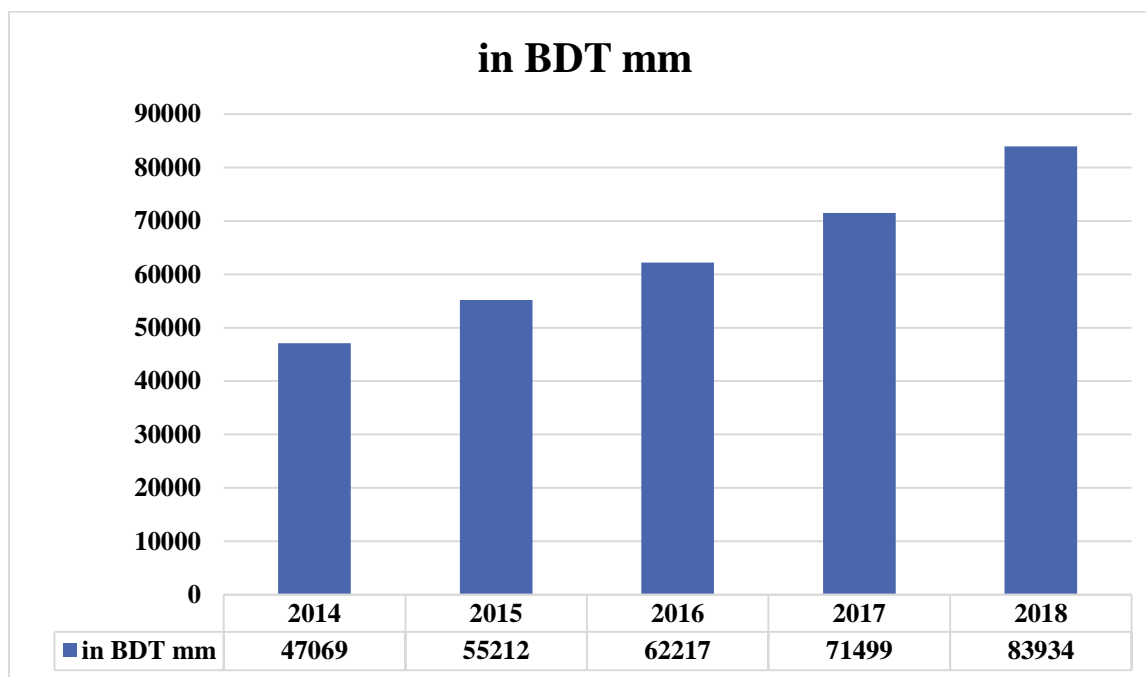
Year	Total Asset	Total Liability	Liquidity Ratio
2014	92,610,982,518	82,041,885,742	1.1288%
2015	76,505,145,476	68,900,608,326	1.1104%
2016	71,768,710,854	65,032,164,132	1.1036%
2017	57,159,515,027	51,465,694,676	1.1106%
2018	48,534,842,746	43,914,119,911	1.1052%

As we can see from the liquidity ratio of IDLC Finance Ltd., the total assets divided by total current liquidity is between 1.10 to 1.13%. From 2014 to 2018, the liquidity ratio of IDL Finance is above 1% and is good to compare with industry analysis. Overall, IDLC Finance Limited has a strong availability for lease performance and creditworthiness.



## Total Loan Portfolio

### 5.3 Analysis of total selling loan provision of IDLC Finance Limited



**Figure: Total Loan Portfolio**

Loan portfolios are the main asset of banks, thrifts and other lending companies. According to Trend Analysis, sales of loan amount at IDLC Finance Ltd. is increasing gradually. As we can see, the total sell of loan during the period of 2014 was 47,069 million BDT, which stood in 2018, up from 83,934 million in BDT. The future prediction of 2019 is the total selling loan will hit to 90,000 approximately.

To preserve this consistency, IDLC's Credit Risk Department maintains proper management of the credit portfolio, proper preparation of loan agreements, routine issuing of renewal notices, and frequent updating of credit records. We can concentrate on the following requirements:

- Credit files are clearly organized, cross-indexed and are not allowed to be excluded from the premises.
- If the borrower has registered on behalf of the company, the insurance policy provided and pays monthly premiums.
- The borrower is paying the lease on the rented property on time or not.
- After completing all the terms and conditions of the contract and receiving all necessary documents benefits are distributed.
- Late deposit of payments are regularly monitored.
- Timely refinancing of the borrower's interest, agreeing to the principal, fees and commissions are properly managed or not.

- The assets gave under the Credit Agreement are really utilized for the reason for which they were given or not.
- "The" back office "operations are handled properly.
- Established following policies and procedures, as well as relevant laws and regulations are properly maintained.
- Visits to the business sites are regularly conducted and evaluation documents are managed properly.

## 5.4 Financial Highlights

---

### FINANCIAL PERFORMANCE

<b>Financial Performance</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>5 years CAGR (%)</b>
<b>Lease and Term loans disbursed</b>	17,473	22,140	29,807	35,511	39,400	18.45%
<b>Housing finance disbursement</b>	5,896	5,954	5,646	7,893	7,649	11.59%
<b>Short term finance portfolio</b>	735	1,079	845	778	906	8.45%
<b>Lease Finance</b>	6,282	6,016	4,950	4,629	4,277	-7.62%
<b>Real estate finance assets</b>	14,822	17,206	18,108	21,462	25,131	17.61%
<b>Total assets</b>	57,160	71,769	76,505	92,611	105,182	16.73%
<b>Long term liabilities</b>	50,471	63,591	67,446	80,540	92,554	16.63%
<b>Term deposit balance</b>	35,241	46,174	47,564	60,538	71,338	19.59%
<b>Net current assets</b>	2,778	5,924	5,031	6,580	5,111	13.77%

## OPERATIONAL PERFORMANCE

<b>Operational Performance</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>5 years CAGR (%)</b>
<b>Operational income</b>	3,326	3,961	4,433	4,801	4,705	12.83%
<b>Operational expenses</b>	1,237	1,394	1,679	1,934	1,913	13.38%
<b>Financial expenses</b>	4,530	4,827	4,625	4,902	7,016	11.19%
<b>Profit before tax</b>	2,029	2,276	2,581	2,639	2,426	11.53%
<b>Net profit after tax</b>	1,154	1,244	1,496	1,582	1,591	14.42%

The 2018 financial year has been one with a challenging operating environment, constrained margins, rising expenses and harsh capital market conditions for IDLC Finance Limited. However, they managed to maintain their position in the market at the end of the year.

IDLC Finance Limited reported Net Profit after Tax of BDT 558mn in the first quarter of 2019, posting a 1.42% growth from the same period last year. Earnings per share stands at BDT 1.48. The growth was achieved through a combined performance of SME, Consumer and Corporate portfolio. IDLC Finance Limited's standalone loan book is currently composed of 42% SME, 34% Consumer and 24% corporate portfolio. NPL ratio stands at 2.29%, as compared to 2.80% at the end of the same period last year.

The company is expecting to add more to its income line in the medium term through a recent alternative investment license from IDLC Asset Management Limited. According to the current liquidity and interest rate scenario, they have maintained both their loan and deposit portfolios, with a 10% increase in non-bank deposits. Overall, term deposits have been an important factor in enabling them to comfortably manage their liquidity condition in the market, while expanding their market for 87% of their fund basket. The Credit Risk Department played a vital role for the tremendous growth of the organization with their team work, assessment and disbursement process.



## Chapter Six

### Analysis Methodology

#### 6.1 Abstract

---

Empirical studies of the literature is analyzed in this study and those models were applied in the Bangladeshi Local non-banking financial institutions. The study followed a quantitative approach. To understand panel data, Descriptive statistics and correlation matrix are used. Relationship between dependent and independent variables are estimated using multiple regression analyzes run on a panel data. Multiple output regression analysis is explained to determine the factors affecting the profitability of NBFIs in Bangladesh.

#### 6.2 Data source

---

The study is based on data collected from secondary sources. Data were retrieved mainly from the published. As we know IDLC Finance Limited is renowned as the pioneer of Non-Banking financial institution of Bangladesh.

- **Primary Data:** Preliminary data were collected through various semi-structured interviews with various departments of the head office of IDLC Finance Limited. The human resources department, operations department and various corporate communications personnel were also involved in the interview. The information received mainly focuses on various activities, activities and milestones of the organization.
- **Secondary Data:** Secondary research has been conducted extensively to determine the various profit ratios for evaluating the financial sector's financial performance and overall profit scenario. Secondary data has been used to assist companies by providing potential solutions to increase their effectiveness and efficiency where needed. The secondary sources that were used to get some picture on the research topic include-
  - ✓ Annual Reports of the companies under study from the Year 2014 to 2019
  - ✓ DSE Data Archive
  - ✓ Reports related to stock exchange
  - ✓ Online Articles and Publications
  - ✓ Newspaper
  - ✓ Journals
  - ✓ Official website Of IDLC Finance Limited

## 6.3 Specific Objectives

---

The specific objectives of the study is given below:

- To analyze the profitable situation of IDLC Finance Limited.
- To analyze the factors affecting the profitability of IDLC Finance Limited.
- The details assess various aspects of the activities and make practical recommendations to strengthen the region's prosperity.
- Ensuring abnormal return on shares of to help investors make investment decisions.

## 6.4 Limitations of the study

---

Some obstacles and shortcomings encountered while studying:

- IDLC Finance Limited Organizational restrictions on disclosure of certain confidential information.
- The lack of access to some confidential information also hampered the study.
- Limited availability of adequate and appropriate journals and publications.
- High dependence on secondary data due to limited access.
- Due to high volatility and lack of stability in the economy and stock market, the trend towards profitability ratio in some cases in theory does not show relevance. This constrained the image of a concrete interpretation as it constrained the multiple regression and statistical significance.
- Prior availability of prior and most recent information.

## 6.5 Literature review

---

Nonperforming loan (NPL) means money that takes a loan from a bank or financial institution but cannot be repaid in the period after taking a loan from the bank. There is a schedule that can be listed under Playable or Non-Performing Customer. The non-performing loan schedule is 90 days. Very smooth logistics requires domestic productivity and cash efficiency, flows. Commercial banks have a major role in protecting the economy as a developing country like Bangladesh. Apart from commercial banks and financial industries, other industries have an impact on the country's economy. If we take a look at the volatile loans over the years, we will see that changing the economy is a big burden for us. From the point of view of the economy as a developing country, Asia, Bangladesh has started increasing its economic rate in recent years. In addition, both NBFIs and commercial bank industries perform their work very closely and are very close to risk management. NBFIs typically provide long-term loans, where banks provide short-term loans. According to former Bangladesh Bank Governor Saleuddin Ahmed (Dhaka Tribune, December 2017), a financial institution like banks often has to take legal action against dissatisfied customers. Non-performing loan rates are increasing day by day due to no reasonable concern from the

government. According to Bangladesh Bank (21-27, quarterly), Bangladesh's NPL ratio averaged 10.1% in 2016, where the ratio of indirect lending increased from 10.7% in September 2017 to quarterly non-performing quarter, from 2003 to 2017. The highest proportion of data reached 26.1% in March 27 and 31.61% in December. In January, in January, M2in provided EOY 10.1% of Bangladesh's development money, as reported by Bangladesh Bank (23). On 1 February, Bangladesh's total foreign exchange reserves were measured at US \$ 31 billion. It is estimated that the maximum foreign exchange reserves equal 7.5 months of imports in December 2017, with domestic debt reaching US \$ 114.8 in January 2018, an increase of 14.3 compared to the previous one. %

According to Uddin (November 22, 2017), there are some valid reasons for becoming a customer. Recently the export revenue has not increased so much as the private sector has declined, where customers have suffered losses and the biggest concern for internal payments of default was recorded only in moderate growth. "

## 6.6 Variables

---

Two factors have been decided for this investigation. Among them, one is the dependent variable and the other is independent variable.

### **Dependent Variable**

In a large portion of the writing, the presentation of banks or NBFI has been estimated by Return or Asset (ROA) or Return on Equity tie (ROE). In this study, Return on Equity (ROE) is utilized as a proportion of money related foundation's Profitability. The estimation of a company's total profit divided by its total equity. This shows the association's proficiency of investors' value profits by every unit. The recipe for ROE is characterized as:  $ROE = \text{Profit after duty} / \text{Total investors' value}$ .

### **Independent Variables**

The connection among productivity and other firm-explicit components for non-bank financial establishments in Bangladesh and recognized a few autonomous factors from writing like, Firm size, Capital adequacy ratio, Loan Ratio and so on.

## 6.7 Result and Analysis

---

Particulars	IDLC
<b>Investor</b>	
Last Audited P/ E Ratio (x)	9.62
Last Audited P/B Ratio (x)	2.15
<b>Growth</b>	
Annual Operating Profit Growth	44.53%
Net Interest Income Growth	39.00%
Investment Income Growth	-9.56%
Commission Income Growth	23.92%
Operating Income Growth	32.41%
Earnings Growth	86.05%
Assets Growth	16.85%
Equity Growth	21.73%
Deposits Growth	21.23%
Loans Growth	14.97%
<b>Liquidity &amp; Leverage</b>	
Loans/Total Deposits	1.29
Liquid Assets to Total Deposits	0.22
<b>Efficiency &amp; Productivity &amp; Capital Strength</b>	
Expense Ratio	0.61
Investment Income to Investment Assets	0.0183
Interest Yield	0.14
Net Spread	0.14

As we can see, apart from the proportion of Investment Income, Capital, Deposits, Loans Growth and Loan / Total Deposits, basically most of the various proportions show that IDLC is currently driving financial execution and growth.

**i. Net Interest Margin:**

Net interest margin is a performance metric that allows analysts to analyze how successful a firm's investment decisions are compared to its debt position. The following formula is used to determine the Net interest margin-

$$= \frac{\text{Net Interest Income}}{\text{Average Earning Assets}}$$

Company Name	Mean	Standard Deviation	Coefficient of Variation
IDLC Finance Limited	0.0506	0.0037	0.0736

**ii. Net Profit Ratio:**

Net profit ratio is a useful ratio and can help provide information about various aspects of an organization's financial performance. The following formula is used to determine the Net profit ratio-

$$= \frac{\text{Net Profit after Tax}}{\text{Net Interest Income}}$$

Company Name	Mean	Standard Deviation	Coefficient of Variation
IDLC Finance Limited	0.4128	0.0566	0.1370

**iii. Operating Profit Ratio:**

Operating profit ratios give analysts an idea of how much the company pays before the provision of each dollar of interest income (advance, lease, investment, and tax). The following formula is used to determine the Operating profit ratio-

$$= \frac{\text{Profit Before Provision}}{\text{Net Interest Income}}$$

Company Name	Mean	Standard Deviation	Coefficient of Variation
IDLC Finance Limited	0.7953	0.0597	0.0750

#### iv. Return on Equity:

According to Furrman (ND), Return on Equity (ROE) is a ratio that tells investors how their management team has efficiently or more precisely stated that the shareholders are managing the equity the company has given. The equation that has been utilized to ascertain return on value in Excel is as per the following-

$$= \frac{\text{Net Profit after Tax}}{\text{Shareholders' Equity}}$$

Company Name	Mean	Standard Deviation	Coefficient of Variation
IDLC Finance Limited	0.1703	0.0309	0.1814

#### v. Earnings per Share:

Higher earnings per share is always better than a lower ratio because it means the company is more profitable and the company has more profit to distribute to its shareholders (Mine Accounting Course, ND). We used the formula given in Excel –

$$= \frac{\text{Net Profit after Tax} - \text{Dividends on Preferred Stock}}{\text{Average Outstanding Shares}}$$

Company Name	Mean	Standard Deviation	Coefficient of Variation
IDLC Finance Limited	5.1200	1.4166	0.2767

#### vi. Mean, Standard Deviation and Coefficient of Variation:

For a more comprehensive analysis, the standardized coefficient of change of employees and coefficients such as net interest margin, net profit ratio, operating profit ratio, return on equity and earnings per share of each company are calculated using Excel, with the following formula-

Mean =AVERAGE(number1, [number2], ...)

Standard Deviation =STDEV(number1,[number2],...)

$$\text{Coefficient of Variation} = \frac{\text{Standard Deviation}}{\text{Mean}}$$

**IDLC Finance Limited Statistical Significance of the Model:** Multiple regression is found between the net profit ratio and the three distinct variables net interest margin, operating profit ratio and return on equity capital, 0.9431 (R), where (R) with multiple R squared 0.8894. This means that all the independent variables contributed 88.94 percent on dependent variable of net profit ratio which is significant at 5 percent level.

#### vii. Multiple Regressions:

Multiple regression has been used to determine the effect of individual variables, such as net interest margin, operating profit ratio, and return on equity of the dependent variable. The importance of the model is that it will help to identify and evaluate the changes and improvements made to identify income or to increase net income. Changes or improvements can lead to increased operational efficiency, effective use of resources, optimal decision making, and similar problems. The model is implemented with an implementation of Microsoft Excel.

Company Name	Multiple R	R Square	Adjusted R Square
IDLC Finance Limited	0.9431	0.8894	0.5575

#### viii. Actual Return:

The actual returns on the shares of each company are determined using Excel's average function after calculating the monthly return on the stock.

Company Name	Actual Return
IDLC Finance Limited	-0.49%

#### ix. Monthly Risk-Free Rate:

According to the Bangladesh Bank, Currently, the 1-month risk-free rate is 0.19%, and the 1-year risk-free rate is 0.50%. To find out Excel's monthly risk-free rate, the following formula is used –

$$= (1 + \text{annual risk-free rate})^{(1/12)} - 1$$

The monthly risk-free rate has been calculated at 0.37 percent as of the year 2018.

**x. Beta:**

Beta is a proportion of the instability, methodical hazard, advertise hazard or unavoidable danger of a security or a portfolio in contrast with the market all in all. In Excel, beta has been determined by utilizing the slope function-

$$= \text{SLOPE}(\text{known\_y's}, \text{known\_x's})$$

Company Name	Beta
IDLC Finance Limited	1.59

**xi. Alpha:**

The strange pace of profit for a security or portfolio is abundance of what might be anticipated by a balance model like the capital resource evaluating model (CAPM). For deciding the irregular returns of each stock, the formula utilized in Excel is-

$$J_a = R_a - R_f + \beta(R_m - R_f)$$

Company Name	Alpha
IDLC Finance Limited	-0.46%



## Chapter Seven

### 7.1 Recommendations

---

In all respects IDLC Finance Limited is an incredible association in the monetary market. Its workplace, the most elevated level of corporate administration, trustworthiness and uprightness rehearses, pledge to clients, solid consistence with arrangement make associations the best in the business. In spite of the fact that IDLC is the best performer in the finance industry, as I was a part of this organization as an intern, I think there are still a few open doors for development in certain territories. For example,

1. IDLC can reduce interest rates on different types of loans because it has a large amount of liquid funds that no one can earn. Here, if IDLC Finance lowers interest rates, it can retain more customers and attract new customers. IDPL's NPL can also be reduced if interest rates fall because it removes the burden from the shoulders of consumers which leads them to be more loyal to IDLC.
2. IDLC needs to work with other financial institutions to establish an appropriate credit risk environment in order to provide effective credit risk management.
3. IDLC needs to adopt a non-performing loans management process that involves determining adequate levels, limiting hate for different businesses, loan securitization, ensuring a clear evaluation framework for lending facilities.
4. Oracle BL Publisher's servers and systems often go down during peak hours, which does not provide the highest level of efficiency. This must change and the server needs to be done faster.
5. Officers should be more careful when approving loans for new customers as around 3,178 account holders use the wrong information in KYC form or the officers make a mistake. Most IDLC NPLs are created from national accounts. To solve problems, customers must analyze in credit risk management physical detailed information by physical designation.
6. Identification of highly risk sensitive borrowers in the portfolio. IDLC should seek information about customers before lending. They can visit Bangladesh Bank to identify risky Oro borrowers and carefully examine the financial statements from reliable sources.
7. Identification of geographic area-based risk sensitivity. According to the sector of the banks, customers should recognize that on average there are few places in Bangladesh where the growth rate is low or repayment is low.

## 7.2 Conclusion

---

As the country's largest NBFIs, IDLC Finance Limited has made a major impact on the country's financial growth. The company is constantly witnessing growth. Leasing lending applications from the consumer, consumer division are additionally adding to this development, among numerous different elements. The profoundly gifted, experienced and talented staff of the consumer division's Operations and Credit Risk Management Department guarantees that the administration is distributed quickly and efficiently.

Additionally, this segment is extremely exacting in consistence with the guidelines and guidelines set according to Bangladesh Bank. IDLC Finance Limited has both the financial and social commitment and they are constantly evaluating the overall environment, political, social, industry, cultural, etc.

IDLC Finance Limited is a very good place for students in banking, accounting and economics for these reasons. An internship here by a financial institution will give significant chances to genuine issues. It likewise gives an excellent systems administration opportunity. Consequently, I recommend new graduates to do their internship from IDLC Finance Limited.

## 7.3 References

---

[https://en.wikipedia.org/wiki/IDLC\\_Finance\\_Limited](https://en.wikipedia.org/wiki/IDLC_Finance_Limited)

<https://idlc.com/>

<https://idlc.com/the-world-of-idlc.php>

<https://idlc.com/our-achievements.php>

<https://idlc.com/financial-highlights.php>

<https://quotes.wsj.com/BD/XDHA/IDLC/company-people>

<https://investments.idlc.com/products>

<https://idlc.com/mbr/>

<https://idlc.com/monthly-business-review.php>

<https://www.dhakatribune.com/business/2019/02/18/idlc-profits-decline-in-2018-2>

<https://www.slideshare.net/nishiakter712/internship-report-on-idlc-072045-spring-11>