

Functions of Credit Administration Division of IDLC Finance Limited

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This report is submitted to the school of Business and Economics, United International University as a partial requirement for the degree fulfillment of Bachelor of Business Administration

Functions of Credit Administration Division of IDLC Finance Limited

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18th December, 2019

Md. Qamruzzaman Ph.D. ACMA

Assistant Professor,

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Subject: Submission of Internship Report of Bachelor of Business Administration Program

Dear Sir,

It is my significant gladness to submit the internship experience report on the topic of "Functions of Credit Administration Department of IDLC Finance Limited." I have made this report as it is a prerequisite part of completing our BBA program. I have tried my utmost level to make preparations of this report to the required instructions and standard. But there were many difficulties which arose while I was collecting data and information to complete this project. I joined and was engaged in the Credit Administration Department. My report reflects the details of my assigned tasks, the Credit Administration related process in particular. I am submitting my report, hoping that you will consider and appreciate my informative and detailed approach.

In case of any further clarification, elaboration or any kind of queries regarding the report, I will be really glad to clarify any queries in particular.

Thanking you,

Anika Shehreen Arna.

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Certification of similarity index

Declaration of the student

I, Anika Shehreen Arna, hereby provide complete assertion that the report entitled "Functions of Credit Administration Division of IDLC Finance Limited" is prepared by me with the guidelines that have been provided by my supervisor and through maintaining the rules and regulations of the institution as well. Along with that, I also assure that the report is authentic and genuine from every dimension and it's only prepared for the academic requirements of the BBA program of United International University, not for any other purpose.

Anika Shehreen Arna

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Acknowledgement

At first, I would like to express thankfulness for my honorable internship supervisor Md. Qamruzzaman Ph.D. ACMA, Assistant Professor from School of Business & Economics, United International University for providing me such an exciting opportunity to prepare an Internship Report on “Functions of Credit Administration Department of IDLC Finance Limited”. Without his helpful and precise guidance, this project would not be completed perfectly.

I also would like to show my gratitude to the Human Resource Management of IDLC Finance Limited to authorize me to complete my internship in their renowned and esteemed organization. Further, I would like to thank my supervisors and other seniors like Prodduthmoy Barua, Assistant Manager, Mr. Md. Mohibbul Hasan, Senior Officer, Ms. Haowa Begum, Senior Executive Officer, Mr. Ataul Hoaque Mazumder, Senior Officer and Ms. Asma Akter Shanta of Credit Administration (CAD), IDLC Finance Limited, because they helped me in all phases of the internship process and my journey with them. Their tremendous support for my internship gave me the inspiration to complete the report with useful insights and industry knowledge.

While I was preparing the project task, I have come to very supportive touch of different persons (respondents from IDLC Finance Limited) & friends who lend their insights, ideas, time & useful guidance to enlarge the report's contents. For their valuable and helpful responses, I would like to convey my heartiest gratitude to them.

Abstract/ Executive summary

Non-banking Financial institutions plays a pivotal role to keep the economic advancement and growth in pace. These institutions have typically been the dominant authority of long-term funds for the economy of the country. The magnitude of the non-banking sector in Bangladesh has expanded tremendously over the last decade. They have contributed to widespread economic development of Bangladesh. At present, 34 NBFIs are functioning in Bangladesh. Some remarkable NBFIs of Bangladesh are IDLC Finance Limited, IPDC, Lanka Bangla Finance, Bangladesh Finance & Investment Co. Ltd., and Bangladesh Industrial Finance Company Limited etc. IDLC is one of the prominent market players of the NBFI industry with a market portfolio of BDT 74 crore. The non-banking financial institutions (NBFIs) consist of an emerging and rapidly expanding portion of the financial sector of the country. The NBFIs have been providing constant support towards escalating the quality as well as the quantity of financial services. In this manner they are intending to mitigate the indiscretions of the financial intermediation to satisfy the dynamic needs and demands of different types of investment in Bangladesh. IDLC Finance Limited was inaugurated in the year of 1985 as the first leasing company of Bangladesh. The company offers wide range of financial products and services to the customers. IDLC Investments Limited and IDLC Securities Limited are the two independent subsidiaries of IDLC Finance Limited. I have done my internship in the Credit Administration Department (CAD) in the corporate head office of IDLC Finance Limited which is situated in Gulshan 1 of Dhaka. As being an intern of the department of Credit Administration, I got the respective opportunity to see how the Division of Credit Administration operates. Detailed discussion of all the duties and responsibilities of CAD will be discussed in this report. I anticipate that my report would provide a comprehensive insight to all activities that I carried out during my internship tenure. With limited access to information due to restrictions and confidentiality, I have attempted my best to lay out all the data possible regarding the functions of Credit Administration Division of IDLC Finance Limited.

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CHAPTER I: INTRODUCTION

I.1 Background of the Report

As a part of the BBA program I have been indulged to prepare this report which has been designed by my course mentor Md. Qamruzzaman Ph.D. ACMA, established from my internship experience. The topic which was chosen for my internship report is “Functions of Credit Administration Department of IDLC Finance Limited”.

I joined as an intern in Credit Administration Department from 9th September, 2019 and it ended at 9th December of 2019. My onsite mentor and supervisor was Mr. Prodduthmoy Barua. With the tremendous support and help from him I got the opportunity to get to know and acquainted with the overall operation and responsibilities of Credit Administration. In this report, I have reflected the analyzation of the overall functions of CAD.

I.2 Objectives of the Report

This report is based on the job responsibilities that I performed at IDLC Finance Limited during my three months long internship. Certainly, this internship (or project) was mandatory for the students of United International University to put a prosperous end to their BBA program. This report shows the manifestation of the duties and responsibilities that an intern has at IDLC Finance Limited as a part of the internship program. The objective of the report is to have a very farm knowledge and idea of how the division of credit administration works in IDLC and how efficiently the CAD serves the organization in particular. It also focuses on the activities, trend and growth and other factors affecting the NBFI industry in Bangladesh.

I.3 Scope and limitations of the Report

During my journey of internship, I got to learn and observe the operation and function of department of Credit Administration. My seniors who treated me as their teammate in the department, helped me a lot to understand the critical process of the department. Though there were some limitations in the learning process, I overcame the limitations with my dedication. I was honored to know on the very first day of my joining as an intern, my supervisor made it very understandable to me that I will be assisting the division by conducting specific supporting activities. Also, there can be little chances for me to be involved with the very core activities in the department. Hence, I found some limitations to collect information broadly about some activities of the department.

Besides, every organization maintains its own secrecy that is not revealed to external world. IDLC Finance Limited was no exception to this. Some of my colleagues did not disclose enough information for the sake of confidentiality of the organization. In few other cases, I was not allowed to share some sensitive and confidential information of my department due to business secrecy. However, I have given my full effort to my level best to come up with a complete report with the best of my skills and knowledge.

CHAPTER II: COMPANY PREVIEW

2.1 Company Analysis

2.1.1 Overview and history

IDLC Finance Limited, the prominent non-banking financial institution of Bangladesh started its glorifying journey in 1985. It was founded as a single product (lease) offering company but eventually it grew itself successfully as a multi-product non-banking financial institute with a net profit of 55.8 crore in the first quarter of 2019. Initially IDLC was known as Industrial Development Leasing Company of Bangladesh. In 1985, IDLC finance Ltd. was formed with the collaboration of few renowned financial institutions like International Finance Corporation, German Investment and Development Company, Korea Development Financing Corporation, Aga Khan Fund for Economic Development, The City Bank Limited and Sadharan Bima Corporation. In 1995, IDLC Finance Limited received the license to operate as a financial institution from the Bangladesh. At present there are 38 branches of IDLC operating all over in Bangladesh. The corporate branch is situated at Gulshan, Dhaka. Currently IDLC has more than 1500 efficient workforce serving approximately 50,000 customers combining all the branches of the country.

Subsidiaries:

- 1) IDLC Investment Ltd.: IDLCIL was initiated in 1999 as the merchant banking providing division of IDLC. The core responsibility of this division was to underwrite the shares. The first IPO of this division was offered in 2003 through execution of Bank Asia public. In 2010, it was transformed into an independent subsidiary of IDLC Finance as per the provision of Bangladesh Securities and Exchange Commission. In 2018 IDLCIL was awarded with the “Euromoney Awards for Excellent” as the best investment bank of Bangladesh.

- 2) IDLC Securities Ltd: IDLCSL was incorporated in 2006. It's core activity is to provide stockbroking and stock dealing facilities to the clients. The products offered by IDLCSL are investment banking and securities research. The company trades in both Dhaka and Chittagong stock exchange with the TREC no. 058 and 119 respectfully. IDLCSL has local investors, NRB investors and foreign institutional investors.
- 3) IDLC Asset Management Ltd: IDLC Asset Management was established in November 2015 with a capital of 250,000,000 BDT. The company received the official license to operate as the independent asset management company in Jun2 2016. The products offered by the company are: mutual funds, venture capital, systematic investment plan, private equity etc.

Philosophies, Values and Guidance Principles of IDLC:

Vision

To become the best financial brand of the country.

Mission

To focus exclusively on quality progress, superior client experience as well as sustainable enterprise practices.

Strategic Objectives

The strategic objectives of IDLC Finance Limited are stated below:

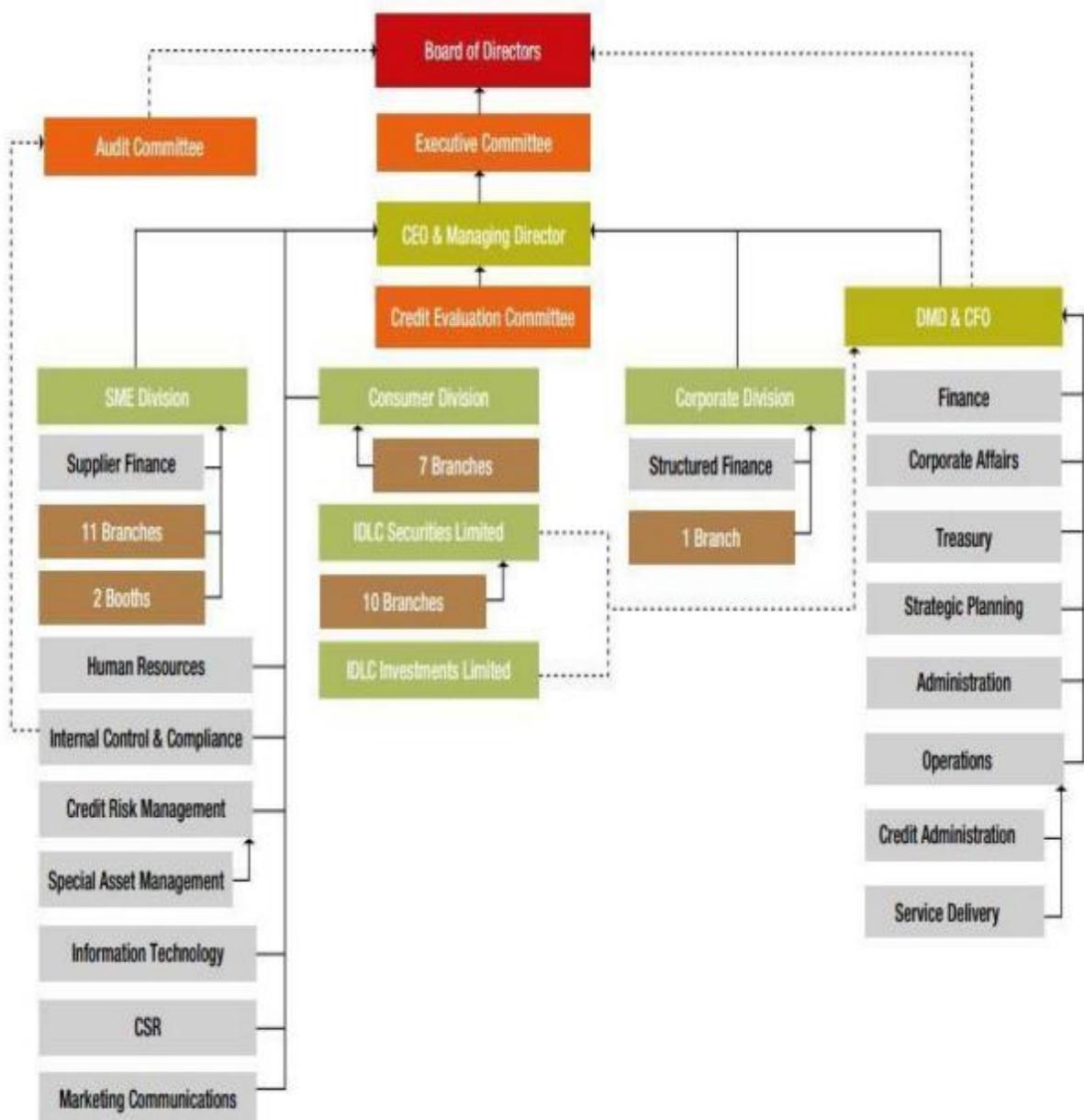
- Train and develop the talent pool regularly.
- Fully leverage on the recent fundamental banking policy
- Upgrade the distribution sites accordingly.
- Expand and diversify the capital sources
- Increase sales and improvise the services in the consumer section.
- Aggressively expand the SME portfolio

- Focus and target on the top-tier customers in corporate and SME.
- Consolidate operations of the capital market and enhance proficiency.
- Adopt internationally approved corporate governance and sustainable business methods. (Limited, IDLC Finance, 2016)

Core values

- Integrity
- Simplicity
- Equal Opportunity
- Customer Focus
- Trust and Respect
- Eco-friendly
- Passion

Organogram of IDLC Finance Limited



2.1.2 Trend and growth

| Performance of the Financial Position | 2014 | 2015 | 2016 | 2017 | 2018 | CAGR% of 5 years data |
|--|-------------|-------------|-------------|-------------|-------------|--|
| Term Loan & Lease (disbursed) | 17,573 | 21,140 | 29,847 | 33,811 | 38,450 | 18.35% |
| Home loan | 5,696 | 5,554 | 5,046 | 7,093 | 7,149 | 11.51% |
| Short term financial portfolio | 745 | 1,179 | 849 | 788 | 916 | 8.46% |
| Lease Finance | 6,262 | 6,006 | 4,900 | 4,609 | 4,270 | -7.61% |
| Real estate Finance | 14,812 | 17,216 | 18,107 | 21,461 | 25,121 | 17.62% |
| Total amount of assets | 57,165 | 71,767 | 76,507 | 92,621 | 1,05,183 | 16.72% |
| Liabilities (long term) | 50,471 | 63,581 | 67,456 | 80,549 | 92,551 | 16.69% |
| Term deposit | 35,249 | 46,171 | 47,565 | 60,548 | 71,337 | 19.58% |

Performance of the Operational Activities

| Performance of the Operational Activity | 2014 | 2015 | 2016 | 2017 | 2018 | CAGR% Of 5 years data |
|---|-------|-------|-------|-------|-------|-----------------------|
| Income from Operation | 3,126 | 3,931 | 4,432 | 4,802 | 4,704 | 12.84% |
| Expense from Operation | 1,247 | 1,395 | 1,669 | 1,936 | 1,917 | 13.37% |
| Financial expenses | 4,531 | 4,825 | 4,626 | 4,908 | 7,117 | 11.18% |
| EBIT | 2,028 | 2,279 | 2,584 | 2,635 | 2,425 | 11.55% |
| Net income after tax | 1,156 | 1,249 | 1,498 | 1,583 | 1,592 | 14.41% |

Ratios from Financial Activities

| Financial Ratios | 2014 | 2015 | 2016 | 2017 | 2018 | 5 years CAGR % |
|---|-------|-------|-------|-------|-------|----------------|
| Debt to equity ratio (times) | 9.50 | 9.54 | 9.08 | 7.75 | 8.55 | .77 |
| Average effective tax rate (%) | 42.14 | 44.94 | 41.42 | 41.09 | 35.53 | -5.52% |
| Financial expenses coverage ratio (times) | 1.43 | 1.42 | 1.58 | 1.56 | 1.45 | (0.17) |
| Current ratio (times) | 1.12 | 1.12 | 1.14 | 1.19 | 1.15 | (0.05) |
| ROA (%) | 2.20 | 1.73 | 2.01 | 1.82 | 1.60 | (0.20) |
| ROE (%) | 21.36 | 21.02 | 21.67 | 16.51 | 15.03 | (2.67) |
| EPS | 3.36 | 3.24 | 4.69 | 4.66 | 4.52 | (0.03) |

| | | | | | | |
|------------------------------------|-------|-------|-------|--------|--------|-------|
| DPS | 3.00 | 2.50 | 3.00 | 3.00 | 3.50 | 0.50 |
| Dividend payout ratio (%) | 78.37 | 51.53 | 77.69 | 70.54 | 84.98 | 12.37 |
| Shareholder's equity (BDT million) | 5,454 | 6,497 | 7,641 | 11,001 | 11,159 | 4.31% |
| Operating Profit (%) | 4.89 | 5.21 | 4.81 | 4.24 | 3.56 | (.68) |

2.1.3 Customer mix

IDLC Finance Ltd. primarily considers its clients into two broad categories. They are: individual and organization. To serve the organizations, it segments organizations into three parts on the basis of business size. They are given below:

- a) Small Enterprise Financing
- b) Medium Enterprise Financing
- c) Corporate

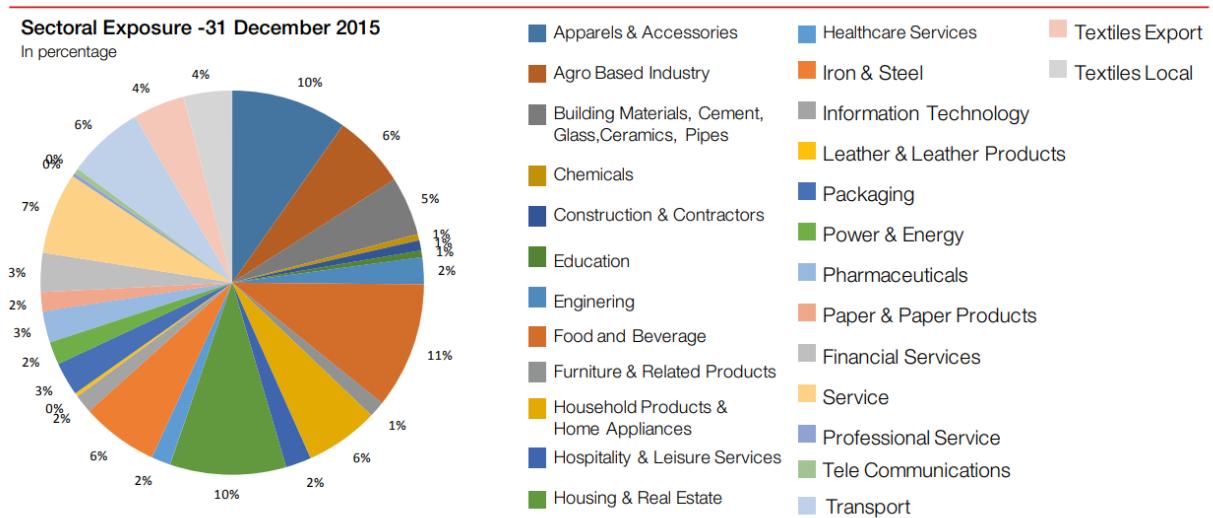


Fig: The sectoral exposure of loans and leases of various industries.

2.1.4 Product/service mix

The range of products and services of IDLC Finance Limited:

SME

Small Enterprise Finance

- SME Term Loan/Lease
- Seasonal Loan
- IDLC Purnata –Entrepreneur Loan for women.
- Revolving Short Term Loan (RSTL)
- Abaashan Loan etc.

Medium Enterprise Finance

- Term Loan or Lease Financing
- Commercial Vehicle Financing
- Machinery Lease Financing etc.

Supplier and Distributor Finance

- Factoring of Accounts Receivables
- Bill and Invoice Discounting etc.

Consumer

Home Loan

- Loan for purchasing apartment or home
- Purchase of land
- Construction of building
- Space for commercial purpose etc.

Car Loan

- Purchase of new car.
- Reconditioned car

Personal Loan

- Secured type of loan
- Unsecured type of loan

Loan Against Deposit

Deposits

- Package for flexible term deposit
- Package for regular earner

Corporate

Corporate Finance

- Lease financing
- Term loan Financing
- Commercial space financing etc.

Structured Finance Solutions

- Syndication of debt finance (Both local and foreign currency)
- Working Capital Syndication
- Agency & Trusteeship etc.

Green Banking Solutions

- Over 50 products are offered through the Green Banking and Sustainable Finance department as per Bangladesh Bank Green Re-finance scheme.

2.1.5 SWOT analysis

An Overview of SWOT Analysis

SWOT Analysis is a business analytical tool to understand how a company fits in and interacts with the surrounding environment on both an internal and external view. Strengths provide an insight to your business opportunities and Weakness in the business can cause immediate threats.

The SWOT Analysis of IDLC Finance Ltd. has shown below:

1. Strengths

- i. Strong corporate identity
- ii. Strong employee bonding and belongings
- iii. Efficiently Performance handling
- iv. Work force having authority
- v. Following strict to compliance standard
- vi. Advance equipment and technology
- vii. Own IT department
- viii. Good reputation in industry

2. Weaknesses

- i. More Innovative Services should be introduced
- ii. Paid up capital in low amount
- iii. Non-availability of Islamic banking service
- iv. Limitation of investment

3. Opportunities

- i. Network throughout the country
- ii. Huge untouched market

- iii. Good growth of market
 - iv. Confidentiality of information
4. Threats
- i. New NBFI & Banks
 - ii. Rivalry of significant competitors
 - iii. Indistinguishable services offered by other banks and NBFI
 - iv. Downward trend of industry

2.2 Industry analysis

2.2.1 Specification of the industry

Non-banking Financial institutions holds a pivotal role to keep the economic advancement and growth in pace. The primary role of these institutions are to operate as a channel for the transformation of resources from household investors to organizational borrowers. That is the NBFI act as the fundraiser between the group of people of the economy who has excessive fund and the deficit group of the economy who are in need of the funds. These institutions have typically been the dominant authority of long-term funds for the economy of the country. Besides, the NBFI administer support to new and existing enterprises as well as the industries that are in need of financial assistance. Thus, they have contributed to widespread economic development of Bangladesh. (Biswas, 2015)

In Bangladesh context, NBFI are defined by those institutions that are licensed and controlled by the Financial Institutional Act of 1993 (FIA 1993). These institutions offer services for industry, commerce, agriculture, housing and real estate, carry on underwriting or acquisition business or carry on the business of hire purchase transactions including leasing of machinery and equipment and use their capital to invest in companies. The significance of NBFI can be emphasized from the formation of the financial structure. Due to the structural restrictions and rigidity of different regulations, banks could not spread out their operations in all anticipated areas and they couldn't widen their operational prospect significantly by offering latest and

innovative financial products. These drawbacks led to the materialization of NBFIs for supporting the growth of industrialization and economic expansion in Bangladesh.

At present, 34 NBFIs are functioning in Bangladesh. The pioneer one was inaugurated in 1981. Out of 34 NBFIs, 2 are solely government owned, 1 of them is the subsidiary of a government owned commercial bank (SOCB), 15 NBFIs were created by private domestic initiative and 15 were established by joint venture initiative. Some remarkable NBFIs of Bangladesh are IDLC Finance Limited, IPDC, Lanka Bangla Finance, Bangladesh Finance & Investment Co. Ltd., and Bangladesh Industrial Finance Company Limited etc. (BLFCA, 2019)

The magnitude of the non-banking sector in Bangladesh has expanded tremendously over the last decade. For instance, the total size of the respective sector, in terms of assets, was BDT 78.84 billion in 2000 and by the end of 2010 it turned into BDT 414.11 billion.

Table 1 provides the position of distinct types of NBFIs in Bangladesh in 2010. Among all NBFIs, privately owned NBFIs possess the greater portion of the market share by occupying 74.74 %, 57.43 % and 60.27 % of deposits, loans & advances and assets respectively. Government owned NBFIs jointly acquire greater market share than the joint venture NBFIs of deposits and assets, but lower market share in terms of loans and advances.

Position of Non-banks in for the period of 2000-2010 (Amount in million BDT)

| Type of Ownership | Deposits | | Loans and Advances | | Assets | |
|-------------------|----------|-------------|--------------------|--------|------------------|--------|
| | Amount | % | Amount | % | Amount | % |
| Joint Venture | 24,216 | 11.32 | 61,222 | 22.13 | 76,986 | 18.59 |
| Privately Owned | 159,903 | 74.74 | 158,880 | 57.43 | 249,561 | 60.27 |
| State Owned | 29,835 | 13.94 | 56,548 | 20.44 | 87,561 | 21.14 |
| Total | 213,954 | 100.00 | 276,650 | 100.00 | 414,108 | 100.00 |
| Type of Ownership | Income | Expenditure | No. of Non-Banks | | No. of Employees | |
| Joint Venture | 7,371 | 4,699 | 10 | | 876 | |
| Privately Owned | 21,270 | 16,050 | 20 | | 27,255 | |
| State Owned | 9,287 | 4,785 | 5 | | 2,740 | |
| Total | 37,928 | 25,534 | 35 | | 30,871 | |

Source: Collected from Ministry of Finance publication Bangladesh, few missing data are composed from the annual reports of respective NBFIs.

Table 2 reflects a comparative financial analysis of different year's growth over mentioned time. From the analysis it is fairly clear that financial base of the non-banking financial institution become well off with the channel of time.

Total Assets, GDP & Total Asset to GDP ratio

(All figures in million Tk. Except ratios)

| Year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|-----------------|----------|----------|----------|----------|----------|-----------------|
| Total Asset | 78839.27 | 91269.91 | 84618.81 | 105495 | 131623 | 156936 |
| GDP | 2049276 | 2157353 | 2252610 | 2300580 | 3329730 | 3707070 |
| TA to GDP Ratio | 0.038472 | 0.042306 | 0.037565 | 0.045856 | 0.03953 | 0.04233424 2 |
| Year | 2006 | 2007 | 2008 | 2009 | 2010 | |
| Total Asset | 198251 | 246359.5 | 281997.5 | 361160 | 414108 | |
| GDP | 4157280 | 4724770 | 5458220 | 6147950 | 6943240 | |
| TA to GDP Ratio | 0.047688 | 0.052142 | 0.051665 | 0.058745 | 0.059642 | |

Source: Collected from Bangladesh Bureau of Statistics (BBS) and Bangladesh Ministry of Finance (MOF).

2.2.2 External economic factors

There are various factors outside the business that can interrupt the capability of an organization or investment to accomplish the strategic goals and objectives. External economic factors are uncontrollable but the organizations can respond to them efficiently through prior planning and competent decision making process. IDLC Finance Limited being the industry leader of the NBFI industry of the country is more exposed to the risks caused by the external economic factors. To get a close perception, PESTLE Analysis has been used to determine the external factors affecting the growth of IDLC Finance Ltd.

Political factors: Political factors play a crucial role in the context of non-banking financial industry. Tax policy, trade restrictions, political stability, tariffs etc. are some of the examples of political policy. Non-banking financial industry is directly related with the monetary and fiscal policy of the country, which makes it notably vulnerable to the external economic factors existing in the economy. Due to the favorable political factors. IDLC made the highest net profit of TK 130.8 crore, Uttara Finance secured the second position in the list with the profit of TK 104.3 and Delta Brac Housing Finance made TK 82 crore in 2019 (New Age BD).

Economic factors: Economic factors have substantial impact on the NBFI. Inflation and exchange rates are highly correlated with the interest rate of the economy and the

NBFIs are solely earnings growth and continuous fall in private sector credit growth for the 3rd quarter of 2019, the entire NBFI industry is suffering notably.

Social factors: Social factors are responsible for creating the identify of business as well as to achieve success and growth through spontaneous customer involvement. Due to the ongoing depression in the stock exchange as well as the economy, the NBFIs are strong are striving amid increasing public mistrust and series of scams in the industry for the past few quarters. (Rahman, 2019)

Technological factors: The NBFI industry has embraced the use of technology in all aspects of delivering services to the customers. Emerging technologies have evolved the non-banking financial industry from paper and branch based activities to digitalize and network based services. Most of the NBFIs strictly go through the maintenance and improvisation of separate IT department. Besides, centralized information sharing system is used by the NBFIs. This system enables the NBFI to communicate from one branch to another branch for sharing necessary information. Besides, the implementation of signature retrieval facilities, usage of plastic money, introduction of self-inquiry facility through website and hotlines have changed the entire concept of NBFI industry over night. (Koroma, 2019)

Legal factors: The non-banking financial industry follow stringent laws and regulations regarding various policies, trade laws, legal restrictions, consumer laws etc. On top of that the NBFIs are constantly monitored by Ministry of Finance, Bangladesh Bank and other regulatory bodies. Periodic financial report submission, auditing and timely tax payment are some of the inspection procedure those are obligatory for the companies to perform.

Environmental factor: Just like other sectors, sustainability and environmental factors has become essential for the NBFI industry also periodic sustainability reports are published by the NBFIs to meet the principles established by the regulatory bodies. Besides the NBFIs actively take part in various CSR activities throughout the year.

2.2.3 Barriers to entry

Despite strong economic hike over the last decade, existing legal and regulatory framework and investment climate constraints have prevented the NBFI industry of

Bangladesh from earning higher growth. The legal process for registration and continuation as a NBFI is quite complex and lengthy. Besides the NBFI industry is closely monitored by the Bangladesh Ministry of Finance, Bangladesh Bank and other regulatory bodies, which acts as a negative catalyst to the new entrants.

According to the Financial Institutions Regulation 1994, for constituting a financial institution the minimum paid up capital requirement is BDT 1.0 billion. Likewise, there are other barriers like reserve fund, minimum maintenance of liquid asset, government policy, brand identity, expected reliance etc. which makes it quite hard for a new NBFI to start the operation without the help of the government. The market composition also acts as a barrier to the new entrant. Other existing NBFI in the market like IDLC Finance Ltd., IPDC Finance, Lanka Bangla Finance etc. already hold a strong customer base and market position. To attract the customers towards the new NBFI, innovation and lucrative product bundle is obligatory. So it can be concluded that the entire scenario for a novice NBFI is quite unfavorable and difficult to survive in the present market condition of Bangladesh. (Extraordinary, 1993)

2.2.4 Supplier Power

Capital is the dominant source of wealth for the NBFI. The capital funding is done through the suppliers that is the investors. In general, for the NBFI sector, four types of suppliers are found in the economy of Bangladesh.

1. Deposits from the customers 2. Capital derived from the Mortgages and Loans. 3. Capital from Mortgage-backed securities. 4. Loans granted from other financial institutions.

By employing the funds from the investors, the NBFI run the organization to meet the customers' borrowing demands while managing adequate capital to protect the withdrawal expectations. The NBFI are solely associated with the flow of money supply from the investors.

The suppliers can influence the industry to great extent and it is largely based on the condition of the market. The power of the suppliers is generally considered to waver from medium to high. In present market condition of Bangladesh, the power of the supplier is quite high, as the fund raising is directly dependent on the investors.

2.2.5 Buyer Power

A buyer is an individual or end user who will eventually purchase the product of the firm. Buyer's power greatly relies on the concentration of buyers, available substitutes in the economy and few other factors.

The particular buyer does not cause significant threat to the NBFI sector. But the whole customer base can cause a remarkable impact. One of the preeminent factor influencing the power of buyers is higher switching costs. If a buyer maintains a relationship with a specific NBFI and that NBFI takes care of all banking and non-banking and other financial requirements of the customer, it can be a matter of concern for that individual to switch to another NBFI.

So to convince and acquire the customers, the competitive NBFIs may often lower the price of switching, which can affect the buyers. The economic and legal factors also affect the buyers' contribution to the NBFI industry. Low interest rate and favorable borrowing facilities motivates the buyer to avail services from the NBFIs.

For the past few years, internet is playing an integral role in escalating the power of the buyers in the NBFI industry. The customers can effortlessly compare the terms and facilities offered by different NBFIs.

2.2.6 Threat of Substitutes

Financial intermediaries of a country are the primary stimulators of the economic development. This is an emerging industry of Bangladesh and the market is quite competitive. The biggest threats of substitution for NBFIs comes from the well-established banks in the economy. Although there are prominent differences in the product placement of the NBFIs and banks but some services like mutual funds, loans and lease facilities and fixed earning securities are offered by the banks in much convenient way. Unorganized money lenders are another notable threat for the NBFIs. The unorganized money lenders have a tenacious presence in the rural markets. These money lenders have immense control over the people in rural areas. Thus it creates a big challenge for NBFIs to persuade the rural customers to move to their services and attain a remarkable market position.

2.2.7 Industry rivalry

The competition among NBFIs in Bangladesh is escalating over the past few years, which is obliging them to expand to ample spectrum of products and services and to deliver innovative investment solutions. These NBFIs emerge to provide flexible opportunities and various contemporary products to help the customers for accommodating their operational and financial needs. Some notable NBFIs of Bangladesh are IDLC Finance Limited, Lanka Bangla Finance Limited, IPDC Finance. (IDLC, 2017). The EPS of 22 notable NBFIs are mentioned below:

EPS of NBFIs (Jan-Sep, 2019)

| <i>Company</i> | <i>Jan-Sept, 2019</i> | <i>Jan-Sept, 2018</i> | <i>Company</i> | <i>Jan-Sept, 2019</i> | <i>Jan-Sept, 2018</i> |
|-----------------|-----------------------|-----------------------|-----------------|-----------------------|-----------------------|
| Bay Leasing | 0.26 | (0.21) | IPDC | 1.52 | 1.01 |
| BD Finance | 0.14 | 0.17 | Islamic Finance | 0.94 | 0.75 |
| BIFC | (4.79) | (5.53) | LankaBangla | 0.52 | 0.26 |
| DBH | 6.12 | 6.05 | Midas Financing | (1.14) | 0.24 |
| Fareast Finance | (6.08) | (1.30) | NHFL | 1.45 | 1.42 |
| FAS Finance | 0.15 | 0.35 | Phoenix Finance | 0.89 | 1.25 |
| First Finance | (3.29) | (3.16) | Premier Leasing | 0.09 | 0.04 |
| GSP Finance | 1.27 | 1.40 | Prime Finance | 0.07 | (1.70) |
| ICB | 0.86 | 5.97 | Union Capital | (1.31) | 0.10 |
| IDLC | 3.47 | 4.83 | United Finance | 0.95 | 1.12 |
| ILFSL | 0.11 | 0.57 | Uttara Finance | 8.33 | 8.04 |

Source: DSE (EPS in Tk)

CHAPTER III: INTERNSHIP EXPERIENCE

4.1 Position, duties, and responsibilities

I was appointed as an intern in Credit Administration Department (CAD) of IDLC under the supervision of Mr. Prodduthmoy Barua. Credit Administration Division is one of the core department of IDLC Finance Limited. The primary responsibility of this department is to grant the final approval of disbursement of all kinds of loans and leases. This department is also responsible for all the documentation and record keeping of the disbursed loans and leases. During my internship period I was assigned to carry out

all the supporting activities of CAD. I was involved in various activities throughout my internship period. Some of those are mentioned below:

EDMS of files:

As an intern, the main responsibility of the job was to upload the lease and loan files in the system. IDLC has its own internal network where all the documents are preserved with precision. The entire process is known as "EDMS of files". After the disbursement of loans and leases, the files were sent to me for EDMS. The process starts with checking all the memos, import documents, security and other necessary documents are available in the file or not. If there is any missing document, I used to inform my senior and necessary steps were taken to collect those papers. If all the documents were available, I was permitted to move to the next stage. In the second stage I was told to add stamps to the security papers. There are various types of security documents. For example, undertaking, DP Note, Letter of continuation and revival, Irrevocable power of attorney etc. These documents demand different values of stamps. So my duty was to stick the stamps according to the prerequisites of the security documents. After this step, I used to check whether the dates are properly written on the documents for note. Without the mention of appropriate date, the important documents become invalid. In case of missing of dates on documents, I was told to inform my senior. Only the respective SEO, who is in charge of a definite loan/lease file, is allowed to take necessary actions regarding that specific file. In the third step, the scanning of files are done. The scanning of documents should be done with care and precision because these scanned documents are used whenever any necessity arises. The scanned documents of a loan or lease files are categorized into 5 segments maintaining some specific regulations. After completing scanning, the documents are uploaded in the system. This process is done maintaining some specific steps and the documents are uploaded according to the categorization that has been conducted while scanning. IDLC has its own server storage, where all the documents are preserved for future use. Only the authorized personnel have the right to get access in the server. After uploading the documents, the EDMS of a file is completed and the file is separated from the lease or loan files which are still in the middle of completion of disbursement. Finally, the file is ready to go to the vault after the successful completion of EDMS.

Indexing and managing the vault:

After the completion of EDMS, the details of the files are recorded in a journal as well as in an excel file as per some predetermined guidelines of IDLC. The journal in the system allows to keep track of the files that has completed the EDMS. It also allows an individual to search the documents easily in time of any necessity. The excel file is maintained to keep the work progress of the intern. I was briefed to complete the EDMS of the loan and lease files as much as possible. The cause behind this is there are hundreds of loan and lease files whose disbursement are completed in each week. So the files start to pile up at a high pace causing scarcity of spaces. Whenever the EDMS is done, the file is moved to the vault. As a result, ample space is created for the new loan and lease files. So executed loan and lease files are processed as fast as possible. Whenever the employees of IDLC are in need of any information of the existing file in the vault, they check the soft copy of the documents that are uploaded in the server. The entire process works in a very synchronized way. After the completion of these steps, the files are ready to go to the vault. These files are not send to the vault right at that moment. There is a provision to send the files to the vault at a definite quantity. That is the files are send in the vault in a batch. In each batch there are 30-35 files. These files are recorded in a journal with their name and loan account number. The files are organized in alphabetical order. This method is known as indexing. After completion of the indexing of loan and lease files, one of the SEO is informed. He checks the journal. If it is done without any error, he gives affirmation to take the files in the vault Then these files are send to the vault for further conservation. The vault is neatly organized and all files are stored there. The files are kept maintaining some basic rules and regulations. IDLC maintains very strict rules regarding the access of people in the vault. Very few personnel are allowed to go there. As an intern, I have the access to manage and update the inventory in the vaults. The vault of IDLC is monitored with utmost importance and it is keep under constant surveillance to avoid any unwanted situations.

Filling the lease and loan documents:

One of the important responsibility of mine was to fillip the security documents of loans and lease files. There are miscellaneous security documents like DP note, Letter of continuation and revival, Undertaking, Insurance undertaking etc. Different kinds of information are required to write in this papers. My duties were to write the necessary information in those documents. For example, in lease documents, I had to write the chassis number, engine number and registration number of the leased vehicles in the security documents. There are vivid range of information those are necessary for different types of documents. These data are absolute necessary for transparency as well as verification.

Keeping records of the mortgages:

After the completion of all the necessary activities from various departments, the details of the mortgages used to come to me for keeping the records. I used to check and update the deed numbers and other details of the mortgages in the server. Each of the loans and leases files were checked carefully and the necessary values were added to the server. Mortgages are very important for loans and leases and IDLC keeps accurate documentation of mortgaged assets. These documents are absolutely necessary for the audit purpose. During the audit total number of mortgaged assets are evaluated. It is also used in preparing quarter reports, annual reports, departmental presentations, estimation of value of the assets etc.

Other responsibilities:

During my internship period, I was assigned to some other responsibilities. For example, to take care of the PDC and UDC. PDC means postdated cheques and UDC means Undated cheques. After receiving the PDC and UDC from my supervisor, I had to rearrange the cheques according to the dates and other information. After that, the cheques were rechecked and kept with the respective file. Finally, the PDCs and UDCs were send to the branches or departments as per the instructions from my supervisor.

I was also given the responsibility to prepare presentations for audit, board meeting and other internal meetings. It was a challenging and proud moment for me to assist my supervisor and seniors in these big events.

Giving asset and insurance entry in the server, another the notable duties that I had to perform in my department. All the details of the assets that are binded with leases and loans are uploaded and updated in the system. The insurance details are also necessary to keep the records revised. This entire process is known as asset and insurance entry. It is very crucial to constantly update the asset and insurance entries to keep track. This information is used while valuation of the company. Besides, it is mandatory to present the exact amount of existing assets and insurance to the Bangladesh Bank and other regulatory bodies.

4.2 Training

No formal training is provided to the interns of IDLC Finance Limited. In the first day of my internship, my supervisor briefed me about all the responsibilities of the intern in Credit Administration Division. He also taught me the process of loans and leases. Documents that are necessary for disbursement of loans and leases for example sanction letter, loan/lease agreement, appraisal report, PG etc are showed and described to me. After that I was acquainted with the server and EDMS. Throughout the internship period, I was briefed by my seniors and supervisor whenever it was necessary.

4.3 Contribution to departmental functions

Throughout my internship, I was actively involved in various departmental activities. My core responsibilities were to keep record and update the necessary information and documents in the server. I tried my best to perform in my departmental activities throughout my internship tenure. I reorganized the entire inventory of loan and lease files which were in a scattered condition. I tried to help my seniors whenever they needed any assistance. I was involved in the calculation and valuation of various big and small projects. I also contributed to the preparation of the quarterly financial report

of my department, which was an absolute pleasure for me. I used to make sure that the documents are placed and preserved in the right places. Sometimes I was given the responsibility to send various loan and lease documents to various branches from IDLC through the messengers. After sending those documents, I used to call the respective authority to know the status of the documents. Besides, I was lucky enough to create presentation for my department which was presented by my supervisor in the board meeting and audit. I was praised profoundly for this contribution by my seniors. I also helped my supervisor to prepare reports for the audit. I was involved in the record keeping activities, which will benefit IDLC in the long run. I reconstructed some process of preserving the loan and lease files to easily track the documents whenever there is any need. Overall my journey in IDLC was full of opportunities to perform and contribute to the growth of my career as well as to the betterment of Credit Administration Division (CAD) of IDLC.

4.4 Evaluation

Internship in IDLC Finance was a blessing to me. I learned a lot while working with one of the best financial team of the NBFI industry. The employees of IDLC Finance are highly competitive and efficient. The organization also helped me to understand the financial practices that I have been learning through my academic life. I was introduced to the real life problems and various innovative ways to deal with it. I was also introduced to the use of technology in the financial industry. The work environment in IDLC Finance is top notch. Each of my seniors were friendly and cordial to me whenever I need any help from them. Overall, working in IDLC was one of the best privileges and pleasure for me.

4.5 Skills applied

Besides the academic knowledge, I had to use my technical skills from the very first moment in IDLC Finance Limited. For performing the duties that were entitled to me, the knowledge for Microsoft word, excel and power point were very necessary. During my academic life, I did few courses on Microsoft excel, which help me a lot to work in my department. I was always a good presenter in my academic life. As a result, it helped me to boost up my confidence and I was able to meet and greet my seniors in the office and create a good impact.

4.6 New skills developed

While working in IDLC Finance Limited, I was introduced to various servers and software that are used by the organizations. I was trained to use them. My seniors showed me how to operate the scanners and printers. Most importantly I gained practical knowledge about the present financial and corporate practices in the organizations. I was acquainted with the present trend, market conditions and other factors of the economy. My interpersonal skills developed remarkably during working with the best minds of the country.

4.7 Application of academic knowledge

Being the industry leader, working in IDLC Finance Limited was an absolute blessing for me. Besides, I was lucky enough to work with a company which is directly related with my major area. My academic knowledge helped me a lot to get accustomed with the jobs that were assigned to me. The course materials that I learned from the two courses i.e Management of Financial Institutions (MFI) and Corporate Finance absolutely helped me to get acquainted with the products, process and practices in IDLC. Besides, some other courses like strategic management, macroeconomics and microeconomics theory etc. have also help me to work comfortably.

CHAPTER IV: CONCLUSIONS AND KEY FACTS

5.1 Recommendations for improving departmental operations

IDLC is the leading and most dynamic financial service provider of Bangladesh. All the administrative activities are executed in a planned method. CAD is one of the fundamental units of IDLC finance Limited and it coordinates all the segments of a business to operate smoothly. It is one of the most organized and expeditious

department of IDLC. But there are always room for improvement that enables to work easily and to perform better. So from my observation I will suggest CAD to improve the process of preserving files under inventory management system. There are thousands of files stored in the vault and these key documents are often transferred to various branches so there should be a journal to keep track of the file. There should be a definite time duration for keeping those documents and after that respective departments will be contacted to submit the papers to the vault. Thus misplaced documents can be collected and preserved efficiently.

5.2 Key understanding

Non-banking Financial Institutions (NBFI) contribute to the economic development of the country and mobilizes savings for investment. However, they are also complementary to each other as each can develop its own niche and thus may venture into an area where the other may not, which ultimately strengthens the financial mobility of both. The NBFI industry is an emerging industry with a private sector credit growth of 4.1% in 2018-2019 fiscal year. At present, 34 NBFI are functioning in Bangladesh. The pioneer one was inaugurated in 1981. Out of 34 NBFI, 2 are solely government owned, 1 of them is the subsidiary of a State owned commercial bank (SOCB), 15 NBFI were created by private domestic initiative and 15 were established by joint venture initiative. IDLC Finance Limited, one of the prominent NBFI of the country, is operating successfully in Bangladesh for more than 35 years. This particular NBFI is contributing to perform a idealistic role by initiating as well as launching various range of products and mechanisms meeting the dynamic necessities of the large customer segments. To provide the premium quality of services to their customers at all times, they are constantly escalating their excellence in the financial sector. (NEWAGE, 2019)

5.3 Conclusion

From the last two decades, IDLC Finance Limited is playing a significant role in the economic development of Bangladesh. The company is setting up notable milestones and experiencing growth and stability in every aspect of the business. All the

departments work with highest level of synchronization backed by the highly skilled, experienced, and competent employees. The Credit Administration Division (CAD) is no exception. The expertise of the employees of this department has helped IDLC to disburse the loans and leases successfully. CAD also ensures quick and satisfactory delivery of services. As a result, IDLC Finance Limited is now contending head to head with the local and multinational financial institutions in this client segment. CAD maintains a stern status in complying with the rules and regulations set by IDLC Finance Limited as well as the Bangladesh Bank.

During my internship period, I was fortuitous enough to gather the real life experiences by working with the best talents of the country. These experiences help me a lot to enrich my knowledge and get adapted with the corporate culture. Being a finance graduate, it was an opportunity for me to work as intern in the best NBFI of the country. This internship has enhanced my knowledge and perspective regarding the operational activities of the NBFI industry.

The purpose of my internship write-up was to precisely inspect the duties and responsibilities of Credit Administration division (CAD) of IDLC Finance Limited and their expertise of delivering services to the customers. Through the analysis it can be concluded that the accomplishment of Credit Administration division in meeting the customer demand is highly satisfactory.

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