

**United International University**

Internship Report

On

**CREDIT RISK MANAGEMENT PROCESS OF SME FINANCING IN IDLC FINANCE LIMITED**

Submitted by

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Submitted to

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**Acknowledgement**

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

Besides, I offer my thanks to Rana Mazumder Sir as my temporary supervisor. He is one of adaptable, helpful and interesting staff. I regard and express gratitude toward him warmly for helping me with respect to setting up this report.

I might want to pass on my most extreme thankfulness to Borhan Uddin, Assistant Manager of SME department, my chief in IDLC Finance LTD for putting stock in me and giving various assignments on me to develop working capacities and makes me increasingly genuine. At that point I broaden my appreciation towards Muntasir Mubin Shaad Khan, Assistant Officer in IDLC for this magnificent direction, fair help and important advices to complete the entire voyage.

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

**Letter of transmittal**

December 21, 2019

Rana Mazumder

Assistant Professor

School of Business and Economics

United International University

Subject: Submission of Internship Report

Dear Sir,

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

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

Sincerely Yours

Fabiya Rubaiyat

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Major in Accounting

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**Executive Summary**

Financial Leasing companies deal with tangible assets. The legal owner of the asset is the leasing companies, but the ownership is effectively conveyed to the lessee. SME stands for small and medium sized organization which plays a vital role in the business field now- a-days. Financing in SME is a pleasure for leasing companies and at the same time this is an advantage for entrepreneurs. In this report many things related to Credit Risk Management and SME financing has been described. First of all, the organization IDLC`s introduction has been given and mentioned other products and services. Also mentioned the processing of loan issuance of SME department. After that the offered SME loan products by IDLC has been mentioned as the report belong with SME. How the SME team of IDLC choose proper client and what are the things they investigate before sanctioning a loan are also in this report which I gathered by interviewing two employees of IDLC. Also, some financial analysis has been given to compare IDLC with another top ranking leasing company United Finance. The overall scenario of leasing companies in Bangladesh has been explained in this report. According to the objective the recommendation has been stated.

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Chapter 1

# **Introduction**

## Background of the topic

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

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

## 1.1 Introduction of the Organization

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

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

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

## 

## 1.2 Objective of the study

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

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

Some other objectives are:

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

## 1.3 Scope of the Study

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

## 1.4 Limitations of the study

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

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

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

# Chapter 2

# **Methodology**

## 

## Methodology of the study

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

**Primary Sources:**

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

**Secondary Sources:**

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

# Chapter 3

# **Organizational Background**

## 

## IDLC Finance Limited Overview

IDLC was initially established in Bangladesh in 1985 through the collaboration of International 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. As the company evolved, initial foreign shareholding of 49% was gradually withdrawn and the last foreign shareholding was bought out by local sponsors in 2009.

In 1985 Industrial Development Leasing Company (IDLC) of Bangladesh Limited began their voyage. Presently they are biggest Non-Banking Financial Institution (NBFI) of Bangladesh. They began their business with a solitary item 'rent financing' with 5 workers. Following 33 years now they are the greatest multi-item with various fragments NBFI in Bangladesh. They have differentiated, solid and smooth in Corporate, SME, Retail and Capital Market Segments.

They are the organization of 3 completely claimed backups inside their gathering. IDLC has solid balance and nearness over the 24 urban communities. They are serving just about 50,000 clients by and large the nation with 38 branches and stalls where 1400 devoted representatives are working for them. Their motivation is to back individuals for the advancement of the clients and to pursue their fantasies.

IDLC gives wide assortment of administrations and items as 'Little and Medium Enterprise Finance(SME), Corporate Finance, Lease Finance, Term Finance, Retail Finance, Structured Finance, Supplier and Distribute Finance, Term Deposit Scheme and Corporate Advisory Services. With 3 backups they are additionally serving shipper banking, resource the executives’ administration and stock specialist administration.

The organization is keeping up their standard and morals firmly to hold their driving position. The greatest mystery to turn into the main position is to keep up practicality and quick help. IDLC consistently gives best quality items to their clients for the organization hold a solid situation in the corporate segment in Bangladesh.

**Mission of IDLC:**

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

**Vision of IDLC:**

We will be the best financial brand in the country.

**Goals od IDLC:**

Long term maximization of stockholders’ value.

**Values of IDLC:**

IDLC always try to provide the best to the customers. Maintain equality and focus on their customer services is the most valuable thing for IDLC. Their values are:

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

**Strategic Objectives of IDLC:**

* Grow and develop our talent pool.
* Optimize distribution points
* Fully leverage the core banking platform
* Grow sale and service capabilities in the consumer division
* Sustainably grow SME portfolio
* Consolidate capital market operations and enhance capabilities
* Focus on top tire clients in the corporate segment
* Embrace internationally accepted corporate governance and sustainable business practice.

## Business overview of IDLC Finance Limited

The association accomplish its different business through its four sections:

1. SME
2. Buyer
3. Corporate
4. Capital Market

* SME:

This division is giving loan to small and medium size organizations over an expansive scope of enterprises including steel, cement, light building materials, plastic and among others spread over Bangladesh. This division gives a wide scope of services e.g. term advances, working capital credits and rent financing to fulfill the clients’ necessities. Also, this division redoes their services if important. The division likewise underpins and empowers ladies’ business enterprise by giving them advances at alluring commitment.

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2017 |
| Portfolio Size (In Taka) | 17,905 million | 18,334 million |
| Disbursement (In Taka) | 12,053 million | 13,392 million |
| Income from Operation(In Taka) | 1,224 million | 1,535 million |
| Client Base | 7,619 | 8,240 |

* Buyer:

The purchaser division is occupied with offering retail budgetary administrations. Its budgetary items incorporate Home advance, Auto advance, Individual Loan and Loan against stores. This division is by and by getting a charge out of the critical market offers and development rates inside the Home Loan Industry of Bangladesh.

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2017 |
| Portfolio Size (In Taka) | 17,519 million | 18,950 million |
| Disbursement (In Taka) | 8,587 million | 10,258 million |
| Income from Operation(In Taka) | 975 million | 1,275 million |
| Client Base | 13,757 | 13,757 |
| Total Deposit Base (In Taka) | 35,241 million | 38,164 million |
| Total Deposit Customer Base | 6,355 | 5,985 |

* Corporate:

The imperative limit of corporate division is to give the quality support of budgetary establishments the country over in monetary issues. Among of its separated administrations lease financing, term advance and financing decisions for capital use, etc. are mentionable. The division of the association moreover offers Organized Finance plans which join corporate security issuance and commitment syndication.

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2017 |
| Portfolio Size (In Taka) | 9,595 million | 8,645 million |
| Disbursement (In Taka) | 5,421 million | 4,850 million |
| Income from Operation(In Taka) | 385 million | 415 million |
| Client Base | 244 | 238 |

* Capital Market:

IDLC Finance Limited accomplishes its capital market assignments through two of its totally guaranteed reinforcements – IDLC Securities Ltd. Likewise, IDLC Investment Ltd. These two reinforcements give a wide scope of trading administrations to their customers. Their solid trading workplaces enable them to offer the best execution experience to their far reaching and improved client base. Then again, basic issuance and shipper banking are its different administrations.

|  |  |  |
| --- | --- | --- |
| IDLC Securities Ltd. | | |
|  | 2016 | 2017 |
| Income from Operation(In Taka) | 176 million | 226 million |
| Profit after Tax (In Taka) | 39 million | 56 million |
| IDLC Investment Ltd. | | |
|  | 2016 | 2017 |
| Income from Operation(In Taka) | 79 million | 82 million |
| Profit after Tax (In Taka) | 53 million | 61 million |

## Key Milestones of IDLC:

|  |  |
| --- | --- |
| 1985 | Industrial Development Leasing company of Bangladesh Limited is incorporated |
| The first Lease Agreement is Signed |
| 1990 | A branch was established in Chittagong, the main port city of Bangladesh |
| 1993 | Listed on Dhaka Stock Exchange |
| 1995 | Licensed as a Financial Institution under the Financial Institutions Act, 1993 |
| 1996 | Listed on the Chittagong Stock Exchange |
| 1997 | Commencement of Home Finance and Short Term Finance Operations |
| 1998 | Licensed as a Merchant Banker by the securities and exchange Commission |
| 1999 | Commencement of Corporate Finance and Merchant Banking Operations |
| 2004 | First retail focused branch was opened at Dhanmondi |
| Gulshan branch was opened |
| Investment Management Services “Cap Invest  was launched |
| 2005 | Securitized Zero Coupon Bonds are issued by IDLC Securitization Trust 2005 |
| An MoU for strategic alliance is signed between IDLC and SBI Capital Market Limited, India |
| Local Enterprise Investment Center (LEIC) is launched with the objective of SME development, with contribution from the Canadian International Development Agency (ACIDA) of the Government of Canada. |
| 2006 | SME focused branch was opened at Bogra |
| Uttara branch was opened |
| Marchant Banking branch was opened in the port city of Chittagong |
| Company’s Registered and Corporate Head Office is relocated at its own premises at 57, Gulshan Avenue, Dhaka-1212 |
| IDLC Securities Limited, a wholly-owned subsidiary of IDLC, commences operations |
| 2007 | Discretionary Portfolio Management Services “Managed Cap Invest” is launched |
| Company name is changed to IDLC Finance Limited from the previous Industrial Development Leasing Company of Bangladesh Limited |
| Chittagong Branch of IDLC Securities Limited commences operations |
| IDLC Securities Limited DOHS Dhaka Branch is opened |
| 2008 | Dilkusha Branch is relocated at Eunoos Trade Center, level 13, 52-53 Dilkusha Commercial Area, Dhak-1000 |
|  | Dhanmondi Branch is relocated at House No.39 A, Road No. 14 A, Dhanmondi, Dhaka 1209 |
| 2009 | IDLC Finance Limited and IDLC Securities Limited open branches in Sylhet |
| Gazipur SME Booth was opened |
| Imamgong SME Booth was opened |
| 2010 | Narayangonj Branch was opened |
| Savar Branch was opened |
| Merchant Banking Division is relocated at Eunoos Trade Centre, Level 21, 52-53 Dilkusha Commercial Area, Dhaka- 1000 |
| Nandankanon Branch was opened |
| Comilla Branch was opened |
| Narshingdi Branch was opened |
| Keraniganj Branch was opened |
| 2011 | Opening of Branch at Mirpur |
| Opening of Branch at Tongi |
| IDLC Investment Limited, a wholly-owned subsidiary of IDLC, commences operations |
| 2012 | Opening Branch at Jessore |
| Change of logo and rebranding of IDLC |
| 2014 | Opening of the Khulna Branch |
| Opening of the Bhulta Branch |
| Soft opening of Kushtia Branch |
| 2016 | Establisshment of IDLC Asset Management Limited |
| 2017 | Opening of Barishal Branch |
| Winner of the 4th ICSB National Award for Corporate Governance Excellence |
| Opening of Elephant Road Branch |
| Winner of the 17th ICAB National Award for best presented Annual Report and Integrated Reporting 2016 |
| Opening of Chowmuhani Branch |
| Opening of Rajshahi Branch |
| Launch of “Khushir Kheya” |
| Launch of IDLC’s first Open End Mutual Fund-IDLC Balanced Fund |
| Winner for best presented Annual Report 2015 by SAFA |
| Highest Tax Payer in Non-Banking Financial Institutions Category for 2016-2017 |
| 2018 | Winner for SAFA Award-First Position in Overall Category and First position in Integrated Reporting and Financial Services sector, among 8 countries in the SAARC region |
| Winner of ICMAB Best Corporate Award – 2016 ( First Position) in Non-Banking Financial Institution Category |

## Subsidiaries of IDLC

IDLC has three subsidiaries:

* IDLC Investment Limited:

IDLC Investments Limited is a totally dealer bank. They give various kinds of administrations. They help their clients in IPO process for the organization. Various sorts of portfolio the board for customers. Their different services:

* Portfolio Management
* Easy Invest
* MAXCAP
* Profit-Loss Sharing Scheme
* Capital Protected Scheme
* Portfolio Advisory Service
* Cap Invest; etc.
* IDLC Securities Limited:

To guarantee the long haul speculation IDLC protections is here to support their customers. They incline toward the customers' advantage first and attempt to serve proficient financier administration. Their services:

* Brokerage
* Investment Option
* Value Added Services
* Trading Tools
* Clients Segments
* IDLC Asset Management Limited:

IDLC Asset Management Limited provides “Mutual Fund “services to their customers. Theirs Products:

* IDLC Growth Fund
* IDLC Balanced Fund

## Shareholding Composition of IDLC Finance Limited

**As on November 30, 2019**

|  |  |  |  |
| --- | --- | --- | --- |
| SL.NO | Name of Shareholders | No of Shares | As A% of Total |
| 1. | Sponsors/Directors: |  |  |
|  | The city Bank Limited (CBL) and its subsidiaries: | 87,510,575 | 23.21 |
|  | The city Bank Limited (CBL) | 33,935,329 | 9.00 |
|  | City Bank Capital Resources Limited (CBCRL) | 37,328,028 | 9.9. |
|  | City Brokerage Limited | 16,247,218 | 4.31 |
|  |  |  |  |
|  | Transcom Group: | 50,273,164 | 13.33 |
|  | Eskayef Pharmaceuticals Limited | 30,164,062 | 8.00 |
|  | Transcraft Limited | 15,132,033 | 4.01 |
|  | Bangladesh Lamps Lmited | 4,977,069 | 1.32 |
|  |  |  |  |
|  | Sadharan Bima Corporation | 28,727,494 | 7.62 |
|  |  |  |  |
|  | Reliance Insurance Limited | 26,393,553 | 7.00 |
|  |  |  |  |
|  | Mercantile Bank Limited | 20,737,791 | 5.50 |
|  |  |  |  |
|  | Sub-Total | 213,642,577 | 56.66 |
| 2 | General Institution: |  |  |
|  |  |  |  |
|  | Investment Corporation of Bangladesh (ICB) | 22,343,257 | 5.93 |
|  |  |  |  |
|  | Bangladesh Fund | 5,159,409 | 1.37 |
|  |  |  |  |
|  | Marina Apparels Limited | 3,770,506 | 1.00 |
|  |  |  |  |
|  | Other Institution | 45,459,382 | 12.06 |
|  |  |  |  |
|  | Sub-Total | 76,732,554 | 20.35 |
|  | Individuals: |  |  |
|  | General Public (Individuals) | 40,473,663 | 10.74 |
|  |  |  |  |
|  | Sub-Total | 40,473,663 | 10.74 |
|  | Foreign: |  |  |
|  | Institution & Individuals | 46,201,663 | 10.47 |
|  | Sub-Total | 46,201,986 | 12.25 |
|  | Total | 377,050,780 | 100.00 |

## Services of IDLC

**Consumer:** They have different types of consumers services,

**IDLC Deposits:** Store implies whole of cash paid into a bank or money related organization to get benefits in future. IDLC gives these offices and guarantee that the buyer will get ensured salary after the development time frame. After the specific time frame client will be profited by intrigue. IDLC Finance has accomplished the most elevated wellbeing and security FICO score 'AAA', which says that the organization has solid ability to meet money related responsibilities with insignificant credit hazard.

Saving Facility

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

* Flexible Deposit: This is flexible for tenors and get competitive interest rate. There is no requirement for Account Opening fees.
* Regular Earners Package: This is flexible for tenors and get competitive interest rate. There is no requirement for Account Opening fees. Get quick loans facility against deposit.

IDLC Home Loan: Having a possess home is a fantasy for some individuals. IDLC account makes this simple for the individuals. In the wake of giving fitting data, inside a brief span anybody can get advance sum. By giving long haul intermittent installment framework it will be advantageous for the individuals to take care of the advance sum. There are various kinds of advance IDLC is giving to the clients. Intrigue is shifted in various classifications of advance.

* Apartment Purchase Loan: For the safety of family & children IDLC bring this Apartment Purchase Loan.

|  |  |  |
| --- | --- | --- |
| Interest Rate | Maximum Term | Maximum Age |
| Fixed | 25 years | 65 years |
| Variable | 20 years | 66 years |

* Home Loan Shield: It is the complete protection through insurance. If the loan holder faces any obstacle to repay the loan amount, then the insurance company will cover some portion of the loan.
* Coverage: From 50% to 100% of the total home loan based on age, loan tenure and outstanding principle amount
* Term: Equal to the total term of the Home loan it covers.
* Reduce repayment burden on family
* Hassle free coverage
* Land Purchase Loan: This credit will offer a chance to purchase a land
* Loan amount- up to 75% of the value of land
* Loan Tenure- up to 12 years
* Mortgage of the loan required
* Repayment via EMI
* Affordable Home Loan: No compelling reason to stand by further to fabricate their very own home or a level.
* Specially designed for middle income household
* Repayment through EMI
* Lower interest rate
* No hidden charge
* Construction Loan: It's a fantasy for any individuals to construct their very own office or property. For any new or existing activities this credit is appropriate to get cash effectively from IDLC.
* Loan Amount: Up to 85% of the value of building including registration
* Loan Term: Up to 20 years
* Repayment via EMI
* Mortgage of the property itself or any other equivalent security as acceptable to IDLC.
* Home Equity Loan: It's an extraordinary advance for remodel of old home. For planning, brightening, development of home this credit is ideal answer for any person. It is extremely simple to get credit.
* Loan Amount: Up to 75% of the value of building including registration
* Loan Term: 15-20 years
* Repayment via EMI
* Early payment option is full or part
* Registration Loan: In the wake of having any property it's must to do enrollment of the property. To verify the property enrollment once in a while it is exorbitant. For the simple enrollment IDLC is giving the best answer for the individuals.
* Loan Amount: Up to 15% of the total cost of the property.
* Loan Term: Up to 10 years
* Repayment via EMI
* Conversion facility from fixed to variable or vice versa

**Corporate**

**IDLC Corporate Finance:**

* Term Loan:
* Loan limit tailored to business requirement
* Flexible tenure
* Structured repayment
* Working Capital Loan:
* Loan tenure up to 360 days
* Structured repayment mode matched with business cash cycle
* Simple documentation & flexible security package
* Lease Finance:
* Financing up to 100% procurement cost or net value
* Loan tenure as per business requirement
* Customizable repayable mode
* Simple documentation
* Project Financing:
* Stretched loan tenure based on the cash flows
* Financing amount as per standard of debt equity structure
* Bundle product offering to fulfill complete financial requirement
* Moratorium based on project implementation
* Bridge Loan:
* Loan limit as per business requirement
* Loan tenure up to 360 days
* Highly structured repayment mode
* Flexible security package

* Preferred Stock:
* Annual or half-yearly dividend payments
* Annual redemption
* Certain regulatory compliance is to be met
* Lower pricing due to tax benefits
* Commercial Space Loan;
* Suitable moratorium period as per business needs
* Convenient loan tenure
* Loan provided against tripartite legal agreement

# Chapter 4

# **Non-Banking Financial Institutions Overview**

**Non-Banking Financial Institution Overview**

Non-Banking Financial Institution (NBFI) are assuming an essential job by giving extra administrations that can't be given by the bank now and again. The NBFI has multifaceted items and administrations have had their spot in the focused budgetary market to fulfill the clients evolving request. NBFI likewise assumes a significant job in the capital market of Bangladesh. Like the banks, the vast majority of the NBFIs have separate backups to work dealer banking exercises. NBFIs are directed by Bangladesh Bank following a hazard based supervisory framework.

Bangladesh Bank issues permit and directs NBFIs under the budgetary Institution Act,1993. At present, the base settled up capital for NBFIs is Taka 1.0 billion according to the Financial Institution Regulation, 1994. NBFIs have been permitted to offer term store administration for residency of in any event three months viable from 2 December 2013.

By and by, out of 33 NBFIs, three are Government-claimed, 11 are joint endeavor and the rest 19 are locally private possessed. In the interim, the branch network expanded to 220 as on 30 June 2016.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| No of NBFIs | 29 | 31 | 31 | 31 | 31 | 32 | 33 |
| Government owned | 1 | 2 | 3 | 3 | 3 | 3 | 3 |
| Joint-venture | 8 | 8 | 10 | 10 | 10 | 10 | 11 |
| Private | 20 | 20 | 18 | 18 | 18 | 19 | 19 |
| New Branches | 20 | 53 | 8 | 7 | 7 | 15 | 22 |
| Total Branches | 108 | 161 | 169 | 176 | 183 | 198 | 220 |

* As on 30 June 2016
* Source: Department of Financial Institution and Market, Bangladesh Bank

Subsequently a proposed NBFIs applied for license and the central bank is set to give license to a new non-bank financial institution (NBFI). Now 34 NBFIs are running their business smoothly, as per the central bank statement. The list of non-banking financial institutions is:

1. [Agrani SME Financing Company Limited](https://en.wikipedia.org/w/index.php?title=Agrani_SME_Financing_Company_Limited&action=edit&redlink=1)
2. [Bangladesh Finance & Investment Co. Ltd.](https://en.wikipedia.org/w/index.php?title=Bangladesh_Finance_%26_Investment_Co._Ltd.&action=edit&redlink=1)
3. [Bangladesh Industrial Finance Company Limited](https://en.wikipedia.org/w/index.php?title=Bangladesh_Industrial_Finance_Company_Limited_(BIFC)&action=edit&redlink=1)
4. [BIFFL](https://en.wikipedia.org/w/index.php?title=BANGLADESH_INFRASTRUCTURE_FINANCE_FUND_LIMITED&action=edit&redlink=1)
5. [Bay Leasing & Investment Limited](https://en.wikipedia.org/w/index.php?title=Bay_Leasing_%26_Investment_Limited&action=edit&redlink=1)
6. [CVC Finance Limited](https://en.wikipedia.org/w/index.php?title=CVC_Finance_Limited&action=edit&redlink=1)
7. [Delta Brac Housing Finance Corporation Ltd. (DBH)](https://en.wikipedia.org/w/index.php?title=Delta_Brac_Housing_Finance_Corporation_Ltd._(DBH)&action=edit&redlink=1)
8. [Fareast Finance & Investment Limited](https://en.wikipedia.org/w/index.php?title=Fareast_Finance_%26_Investment_Limited&action=edit&redlink=1)
9. [FAS Finance & Investment Limited](https://en.wikipedia.org/w/index.php?title=FAS_Finance_%26_Investment_Limited&action=edit&redlink=1)
10. [First Finance Limited](https://en.wikipedia.org/w/index.php?title=First_Finance_Limited&action=edit&redlink=1)
11. [GSP Finance Company (Bangladesh) Limited (GSPB)](https://en.wikipedia.org/w/index.php?title=GSP_Finance_Company_(Bangladesh)_Limited_(GSPB)&action=edit&redlink=1)
12. [Hajj Finance Company Limited](https://en.wikipedia.org/w/index.php?title=Hajj_Finance_Company_Limited&action=edit&redlink=1)
13. [IDLC Finance Limited](https://en.wikipedia.org/wiki/IDLC_Finance_Limited)
14. [Industrial and Infrastructure Development Finance Company (IIDFC) Limited](https://en.wikipedia.org/w/index.php?title=Industrial_and_Infrastructure_Development_Finance_Company_(IIDFC)_Limited&action=edit&redlink=1)
15. [Infrastructure Development Company Limited (IDCOL)](https://en.wikipedia.org/w/index.php?title=Infrastructure_Development_Company_Limited_(IDCOL)&action=edit&redlink=1)
16. [International Leasing and Financial Services Limited](https://en.wikipedia.org/w/index.php?title=International_Leasing_and_Financial_Services_Limited&action=edit&redlink=1)
17. IPDC Finance Limited
18. [Islamic Finance and Investment Limited](https://en.wikipedia.org/w/index.php?title=Islamic_Finance_and_Investment_Limited&action=edit&redlink=1)
19. [Lanka Bangla Finance Ltd.](https://en.wikipedia.org/w/index.php?title=LankaBangla_Finance_Ltd.&action=edit&redlink=1)
20. [Lankan Alliance Finance Limited](https://en.wikipedia.org/w/index.php?title=Lankan_Alliance_Finance_Limited&action=edit&redlink=1)
21. Meridian Finance and Investment Ltd
22. MIDAS Financing Ltd. (MFL)
23. [National Finance Ltd](https://en.wikipedia.org/w/index.php?title=National_Finance_Ltd&action=edit&redlink=1)
24. [National Housing Finance and Investments Limited](https://en.wikipedia.org/w/index.php?title=National_Housing_Finance_and_Investments_Limited&action=edit&redlink=1)
25. [People's Leasing and Financial Services Ltd](https://en.wikipedia.org/w/index.php?title=People%27s_Leasing_and_Financial_Services_Ltd&action=edit&redlink=1)
26. [Phoenix Finance and Investments Limited](https://en.wikipedia.org/w/index.php?title=Phoenix_Finance_and_Investments_Limited&action=edit&redlink=1)
27. Premier Leasing & Finance Limited
28. [Prime Finance & Investment Ltd](https://en.wikipedia.org/w/index.php?title=Prime_Finance_%26_Investment_Ltd&action=edit&redlink=1)
29. [Reliance Finance Limited](https://en.wikipedia.org/w/index.php?title=Reliance_Finance_Limited&action=edit&redlink=1)
30. [Saudi-Bangladesh Industrial & Agricultural Investment Company Limited](https://en.wikipedia.org/w/index.php?title=Saudi-Bangladesh_Industrial_%26_Agricultural_Investment_Company_Limited_(SABINCO)&action=edit&redlink=1)
31. [The UAE-Bangladesh Investment Co. Ltd](https://en.wikipedia.org/w/index.php?title=The_UAE-Bangladesh_Investment_Co._Ltd&action=edit&redlink=1)
32. [Union Capital Limited](https://en.wikipedia.org/w/index.php?title=Union_Capital_Limited&action=edit&redlink=1)
33. [United Finance Limited](https://en.wikipedia.org/wiki/United_Finance)
34. [Uttara Finance and Investments Limited](https://en.wikipedia.org/w/index.php?title=Uttara_Finance_and_Investments_Limited&action=edit&redlink=1)

**Assets:**

The benefits of NBFIs went up significantly by 17.5 percent to 611.0 billion of every 2015 from Taka 520.1 billion out of 2014. Toward the finish of June 2016, resources of NBFIs expanded to Taka 672.8 billion.

Assets, Liability and Deposit of NBFIs (Billion Taka)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Total Assets | 251.5 | 288.4 | 333.9 | 436.3 | 520.05 | 611 | 672.8 |
| Total Liabilities | 206.8 | 235.7 | 274.3 | 350.4 | 424.24 | 509 | 572 |
| Liabilities-assets Ratio | 82.2 | 81.7 | 82.2 | 80.3 | 81.5 | 83.3 | 85 |
| Total Deposit | 94.4 | 112.6 | 145.4 | 198.3 | 238.5 | 318.1 | 351.4 |
| Deposit as% of total liabilities | 45.7 | 47.8 | 53 | 56.6 | 56.2 | 62.5 | 61.4 |

\*As on 30 June 2016

Source: Bangladesh Bank Annual Report

**Liability:**

All out obligation is additionally expanding pattern. Toward the year's end 2010, absolute obligation was 206.8 billion. Toward the month's end June 2016 it expanded 672.8 billion Taka which is 85% of absolute resources.

**Deposits:**

In each NBFIs, store is one of the principle part for their running activity successfully. Absolute stores of NBFIs in 2015 rose to Taka 318.1 billion from Taka 238.5 billion out of 2014. Toward the finish of June 2016, complete store of NBFIs expanded to Taka 351.4 billion.

**Investment:**

NBFIs reserves giving primarily term advance in various segments of our economy with significant fixation in mechanical segment. Segment astute arrangement of NBFIs' speculation toward the finish of June 2016 was as per the following:

* Industry 43.0 percent
* Real Estate 16.6 percent
* Margin loan 3.6 percent
* Trade & commerce 17.7 percent
* Merchant banking 3.9 percent
* Agriculture 1.9 percent
* And others 13.3 percent

In 2015, all NBFIs' all out Investment in capital market was Taka 19.4 billion contrasted with Taka 18.4 billion in December 2014. Toward the end June 2016, NBFIs absolute interest in capital market remained at Taka 21.1 billion.

**Bond and Securitization Activity:**

The security showcase in Bangladesh is yet to be modernized. There are barely any players with a set number of instruments. NBFIs assume a critical job for the improvement of security showcase through giving Zero Coupon Bonds and Asset-sponsored Securitized Bonds. By taking NOC from the Department of Financial Institution and Markets (DFIM), Taka 2.5 billion "IDLC Infrastructure and SME Zero Coupon Bond" were given by IDLC Finance Limited, Taka 3.0 billion non-zero coupon securities by Lanka Bangla Finance Limited and Taka 1.0 billion Fixed Rate Non-Convertible Subordinate Bond was given by Reliance Finance Limited as of June 2016.

**Capital Adequacy:**

Capital Adequacy centers around the absolute situation of NBFIs' capital and shields the investors from the potential stuns of misfortunes that a NBFIs may bring about. It retains major monetary dangers identified with credit, showcase, loan cost, and so on. NBFIs in Bangladesh have been told under the Basel Accord to keep up Capital Adequacy Ratio (CAR) of at the very least 10.0 percent with at any rate 5.0 percent in center capital. Toward the finish of June 2016, under CAMELS part appraising framework 1 NBFI was marginal,14 were reasonable, 15 were agreeable and 2 were assessed as solid position.

**Performance and Rating of NBFIs:**

Like banks, the presentation of NBFIs is additionally assessed through the CAMELS rating which includes examination and assessment of the six essential measurements. The six pointers utilized in the rating framework are capital ampleness, resource quality, the board productivity, profit, liquidity and affectability to showcase chance. Coming up next is a depiction of the degrees to be used in appointing execution rating for six segments:

Rating “1”- Indicates strong performance; (strong)

Rating “2”- Indicates above average performance that adequately provides foe the safe & sound operations of the banking company; (satisfactory)

Rating “3”- Indicates performance that is flawed to some degree; (fair)

Rating “4”- Indicates unsatisfactory performance. If left unchecked, such performance could threaten the solvency of the banking system; (marginal)

Rating “5”- Indicates very unsatisfactory performance in need of immediate remedial attention for the sake of banking company’s survival; (Unsatisfactory)

**Asset Quality:**

For making a decision about resources quality, NBFIs utilize the proportion of gross non-performing advance/rent to add up to credit and rent. The non-performing credit proportion for NBFIs was 9.0 percent toward the finish of June 2016. Toward the finish of June 2016, out of 33 NBFIs, 1 was evaluated as “1 or strong”,7 were “2 or satisfactory”,14 were “3 or fair”, 9 were “4 or marginal” and 1 was “5 or unsatisfactory”.

**Liquidity:**

Statutory liquidity prerequisite (SLR) is 5percent comprehensive of normal 2.5 percent (at any rate 2percent in every day) and money hold proportion (CRR) on a fortnightly premise. Without taking term store, The SLLR rate is 2.5 percent for NBFIs. Out of 33 NBFIs, 19 were evaluated as “2 or satisfactory”, 10 were “3 or fair”, 2 were “4 or marginal” and 1 was “5 or unsatisfactory”.

**Earnings and profitability:**

For making a decision about the procuring productivity, return on resource Return on value is ordinarily utilized. In June 2016, ROA was 0.8 percent and ROE was 5.6 percent. out of 33 NBFIs 3 were assessed as “1 or strong”,16 were “2 or satisfactory”,11 were “3 or fair”, 2 were “4 or marginal” in the earnings and profitability component of the CAMELS rating.

In each economy, NBFIs is significant for manageable monetary development. So it is imperative to assess the exhibition of NBFIs consistently to get legitimate course for the improvement of economy. CAMELS model is the one of a kind strategy to pass judgment on the presentation of NBFIs.

# Chapter 5

# **SME Business Overview of IDLC**

**SME Business Overview of IDLC**

Successful SME financing system is a key accomplishment figure for IDLC. For empowering SME financing, IDLC had earlier set up an alternate division, to be explicit 'Rising Corporate Division', in mid-2003. Basically under this division, IDLC has generally financed more diminutive corporate clients. In 2006, this division was renamed to SME Division to associate with minor section of the market.

In order to tap the lower section of the market and strengthen the SME financing, IDLC has moved Retail SME Finance Products. In this claim to fame, IDLC has had the ability to work with a higher spread, and the openness of pitiful wellspring of benefits through renegotiating from Bangladesh Bank has added to progressively noticeable profitability.

Around 78% of IDLC's customers have a place with SME section dependent on fixed capital speculation size, also, SME customer share 56% of IDLC's all out credit portfolio. In addition, in late 2005, IDLC built up branches at Bogra, Gazipur, Narshigdi, Imamgonj, Keraniganj, and Narayanganj, uniquely engaged to SME financing. Under SME business loan there are many products:

Small Business Loan: Small Business Loan has some featured products.

* SME Term Loan
* Revolving Short Term Loan (RSTL)
* Abashan (Commercial Housing Loan)
* Purnota (Women Entrepreneur Loan)
* Secured Loan
* Commercially Vehicle Loan
* Supplier Finance
* Seasonal Loan
* IDLC Startup Loan

1. SME Term Loan: Anyone can utilize this office as working capital financing to assist meet with shorting term financing need and extension income holes to keep anybody's business running nonstop. The item accomplishment

* Credit Limit: Up to BDT 2 crore
* Credit Tenure: 13 months to 60 months
* Credit with no guarantee for up to Taka 25 lac
* Helpful reimbursement choices are offered, comprising of equivalent regularly scheduled payments or modified reimbursement plan.

1. Revolving Short Term Loan: This office can be utilized for meeting every day transient business requests of working capital. It tends to be dispensed in single or various draw – downs and took care of to the money cycle of the business. The item includes are:

* Credit Limit: Up to BDT 1 crore
* Credit Tenure: Up to 1 year
* Adaptable reimbursement structure dependent on the income of business
* Adaptable payment technique dependent on buyer needs
* Boundless drawdowns all through the agreement time frame.

1. Abashan: IDLC Abashan Loan offers the chance to use the unused land to assemble business lodging offices for specialist in modern territory. Purchaser can utilize the office to develop or grow perpetual structure for business lease for laborers utilized in close by processing plants or mechanical regions. The item includes are:

* Credit Limit: Up to BDT 2 crore
* Credit Tenure: Up to 15 years
* Helpful reimbursement framework through Equated Monthly Installments (EMI).

1. Purnota: Purnota Loan provides for all ladies with energy to take difficulties to move the world. The advance office for working capital financing or as long haul financing office for acquisition of fixed resources. The item includes are:

* Advance Limit: Up to BDT 3 lacs
* Most extreme unbound credit sums up to BDT 25lacs
* Advance Tenure: 13 to 15 years
* Adaptable reimbursement dependent on income of business
* Under Bangladesh Bank renegotiating plan credits up to BDT 50 lac at 9% loan fee
* Uncommonly structured Non – money related administrations for business.

1. Secured Loan: This office can be utilized for meeting day by day momentary business requests of working capital and fixed resources. The item includes are:

* Credit Limit: Consumer can obtain up to BDT 1 crore
* Advance Tenure: 13 to 60 years
* Adaptable reimbursement dependent on business income.

1. Commercially Vehicle Loan: IDLC give industrially vehicle advance for acquisition of traveler vehicles or transport vehicles for business. The item includes are:

* Advance Limit: Up to 80% of the cost of the vehicle
* Advance Tenure: Up to 5 years
* Qualification: Anyone can apply for this office in the event that the individual can proceed with the person in question business tasks for least 2 years.

1. Supplier Finance: Companies enormous and little value the expense and efficient for proficient store network money to get upper hand by guaranteeing quick, consistent, secure and advantageous spinning account that improves monetary record execution, diminish working capital needs and upgrade chance administration. Provider fund has 3 kinds of included items:

* Factoring
* Distributor Finance
* Work Order
  1. Factoring: If a provider supply merchandise or administrations to enormous corporate elements on a common premise than he may discover working capital caught for critical timeframes. Under this office he can get up to 80% development on confirmed solicitations. The item includes are:
* Up to 80% development financing against confirmed solicitations
* Credit period is the customer income cycle (most extreme 180 days)
* Installment task from the purchasers
* Credit Limit: Any sum that is advocated with deal
* Credit Tenure: 1 year from the authorization date.
  1. Distributor Finance: If an item wholesaler structure huge corporate substances and need to lift orders with money, he may discover working capital caught for critical timeframes. Under this office he can get full estimation of endorsed lifting orders. The item includes are:
* As far as possible depends on deals volume and IDLC the executives’ endorsement
* 100% development installment to the corporate in the interest of the wholesaler
* Credit period is the customer income cycle (most extreme 180 days)
* Security Required above BDT 2.00 million credit limit
* Standard expenses and charges apply
* Advance Limit: Based on corporate providers' solace and offers of the merchant
* Advance Tenure: 1 year from the assent date.
  1. Work Order: If a provider supply merchandise or administrations to enormous corporate elements on a common premise than he may discover working capital caught for critical timeframes. He can benefit financing against numerous solicitations from different purchaser all the while. The item includes are:
* As far as possible depends on deals volume and IDLC the executives’ endorsement
* Up to 60% of advance financing against checked work request
* Credit period is the customer income cycle (greatest 180 days)
* Installment task from the purchasers
* Security Required above BDT 1.00 million credit limit
* Standard expenses and charges apply
* Credit Limit: Based on corporate providers' solace and offers of the merchant
* Credit Tenure: 1 year from the authorization date.

1. Regular Loan: With adaptable reimbursement conspire, IDLC gives occasional advance to deal with the repetitive idea of occasional organizations. The item includes are:

* Advance Limit: Up to BDT 75 lacs
* Advance Tenure: Up to 1 years
* Installments modes are accessible in both Equal Monthly Installment and Seasonal Payments dependent on business cycle.

1. IDLC Startup Loan: This advance can be utilized for day by day value-based needs through working capital fund or acquisitions of fixed resources. The item includes are:

* Credit Limit: Up to BDT 25 lacs
* Credit Tenure: Up to 5 years
* Effortlessness time of 3 to a half year
* Reimbursement technique: Equal regularly scheduled payments or organized installment.

# Chapter 6

# **The Prerequisite of Loan Issuance**

**The prerequisite of Loan Issuance**

IDLC Finance SME Loan offers advance with no security for up to Taka 15lacs. It offers fractional money verified advance up to Taka 70lacs. It additionally offers credit for working capital account or rent fund for business.

Key product features of a loan:

Interest Rate (Secured): 15.00

Interest Rate (Unsecured): 18.50

Interest Rate (Cash): 18.00

Interest Rate (Women): 10.00

Interest Rate additional information: 0.5% interest rate rebate specially for BASIS Members, 10% interest rate for Loans up to BDT 50lac under Bangladesh Bank Refinancing Scheme.

Min. Financing amount: N/A

Max. Financing Amount: 80% of sales value

Min. loan tenure: 6 years

Max. loan tenure: 60 years

Islamic Conventional: N/A

Approval Duration: N/A

Age requirement: 21 – 60

Following are the basic documents which will be submitted to be approved for getting this loan:

1. Trade License
2. Tin Certificate
3. Bank Statement of 1 year
4. Receivable, Payable, Stock, Personal details
5. Guarantor’s Personal Details
6. Loan Application Form: First of all, clients have to fill up a loan application form which includes business name, size, capital, personal information etc. and submitted to IDLC. If the authority of IDLC sign the loan application form, then Credit Risk Management (CRM) will continue the further process.
7. Sanction Letter: Sanction letter is the approval of the loan. Sanction letter includes how much loan is approved for the clients for how many months, the interest rate as well as installment date.
8. Demand Promissory note: On the demand of IDLC, customer have to pay the loan amount.
9. Letter of continuation: If a person takes 500,000 amount of loan for the next five years, after the end of the 1st year he or she need not to register for the 2nd year. It’s a continual process for the 5 years.
10. Term Loan Agreement: If a person takes 500,000 amount of loan for the next five years and in the 1st year he wanted to pay Taka 200,000 to reduce his or her EMI date. For this purpose, the loan term agreement is issued.

From the Sanction Letter to Term Loan Agreement is called charge document. Because if IDLC want to case against fraud person than these document is very important to submit the court otherwise the case will not proceed.

1. Letter of Hypothecation by the way of Floating Charge: If the client failed to pay the loan then IDLC authority has the power to grab the floating assets (patent, copy right) of business and collect their loan amount.
2. Letter of Hypothecation by the way of Fixed Charge: If the client failed to pay the loan then IDLC authority has the power to grab the fixed assets (equipment, machineries) of business and collect their loan amount.
3. Power of attorney: Power of attorney includes
4. Personal Guarantor
5. Mortgage- – a. Title deed

b. Bia deed

c. Heba deed

1. Rental deed

Clients give the power of attorney to the IDLC and if any case client default to pay the loan then authority use the deeds to recover their loan amount or they directly contact with the personal guarantor.

1. Letter of disbursement: Letter of disbursement issued for the purpose that when customer will take the loan.
2. Letter of Installment: Letter of Installment include amount of EMI, when it starts and the end of the period.
3. Authorization to collect Cheques: It’s an authorization that clients give to the IDLC authority, the paid dated cheques (PDC) is legally given from him. No one or third party can make this.
4. Letter of undertaken: For the women entrepreneur or agriculture business IDLC charge 9%interest rate. If the Bangladesh Bank change the rules, then 15% interest rate will be charged.

Some other documents are required for secured and unsecured loan:

|  |  |
| --- | --- |
| Unsecured Loan | Secured Loan |
| 1. For simple deposition-   Rental deed  Position deed  Partnership deed | 1. For simple deposition-   Title deed  Bia deed  Heba deed |
| 1. Mutation & CA SA Khatian is needed to prove that he or she is the original owner of the property. |
| 1. Mortgage & POA should be given if any circumstance client is default to pay the loan |
| 1. Title search by the 3rd party |
| 1. Valuation report by IT department of IDLC. |

**Loan Process Flow Chart:**

# Chapter 7

# **Credit Risk Management in SME Department**

**Credit Risk Management in SME Dept.**

## 7.1 Introduction:

This part nuances significant store dangers the board approaches and techniques that are proposed for determination through all FIs in Bangladesh. The tips contained in this system standard principles that are proposed to direct the execution of additional honesty crediting approaches and chance looking into structures inside individual FIs. It is the general commitment of FI's Board to help FI's credit chance strategy and expansive security methodologies stressed to hold supports risk and its organization which should be established completely on the FI's regular endeavor framework. To hold it current, the general incorporation and strategy must be explored through the Board, in a perfect world consistently.

## 7.2 Lending Guidelines:

All FIs more likely than not presented "Advancing Guidelines" that when in doubt describe the senior organization's point of view on business improvement needs and the articulations and fundamentals that ought to be clung to with the ultimate objective for workplaces to be confirmed. The Lending Guidelines must be revived at any rate yearly to reflect changes in the cash related angle and the progression of the FI's office portfolio and be administered to all crediting/displaying authorities. The Lending Guidelines ought to be recognized by methods for the Managing Director/CEO &amp; Board of Directors of the FI basically reliant on the guaranteeing of the FI's Head of Credit Risk Management and the Head of Business Units.

Any flight or deviation from the Lending Guidelines ought to be explicitly perceived available for later subsidizes purposes and a legitimization for support gave. Underwriting of workplaces that don't consent to Lending Guidelines ought to be confined to the FI's Head of Credit or Managing Director/CEO or Board of Directors. The Lending Guidelines need to give the key foundations to record authorities'/relationship boss (RM) to calculate their standards for underwriting, and should consolidate the going with:

**Industry and Business Segment Focus**

The Lending Guidelines ought to unquestionably recognize the business/business divisions that need to contain the vast majority of the FI's office portfolio. For every territory, an indisputable indication of the FI's tendency for sustenance for advancement ought to be illustrated (for example, Textiles: Grow, Cement: Maintain, Construction: Shrink). This will furnish fundamental course to the FI's advancing staff.

**Sorts of Facilities**

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

**Single Borrower/Group Limits/Syndication**

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

**Division Lending Caps**

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

**Item Lending Caps**

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

**Debilitated Business Types**

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

**Government Specified**

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

**Organization Specific**

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

## 7.3 Credit Assessment:

A cautious speculation assets and peril evaluation must be performed going before the giving of an office and at any rate yearly starting there for all workplaces. The consequences of this examination ought to be in a Credit Application that starts from the relationship boss/account official ("RM") and is researched by techniques for Credit Risk Management (CRM) for recognizing evidence and probably balance of threats. The RM must be the proprietor of the customer relationship and ought to be viewed as dependable to make certain the accuracy of the whole speculation supports utility submitted for underwriting. RMs ought to be acquainted with the FI's Lending Guidelines and need to inclinations due dauntlessness on new borrowers, principals, and financiers.

It is fundamental that RMs think about their customers and affinities due productivity on new borrowers, principals, and guarantors to ensure such events are in truth who they symbolize themselves to be. All FIs more likely than not developed Know Your Customer (KYC) and Money Laundering tips which should be clung to reliably. Credit Application should summations the outcomes of the RMs peril evaluation and consolidate, least, the going with nuances:

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

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

* Security Arrangements
* Government and Regulatory Policies
* Economic Risk

Also, the accompanying danger regions must be tended to:

1. **Borrower Analysis**: The larger part speculators, association assembling, and gathering or accomplice affiliations must be assessed. Any issues related to nonappearance of association significance, tangled having a place structures or between social event trades be tended to, and risks directed.
2. **Industry Analysis:** The key hazard parts of the borrower's endeavor must be reviewed. Any issues as for the borrower's circumstance in the business, common industry concerns or commanding forces be tended to and the characteristics and weaknesses of the borrower in regard to its obstruction ought to be perceived.
3. **Supplier/Buyer Analysis**: Any supporter or provider obsession ought to be tended to, as these shouldn’t effect the future sensibility of the borrower.
4. **Historical Financial Analysis**: Preferably an assessment of in any event three years chronicled money related announcements of the borrower must be presented. Where reliance is determined to a corporate financier, guarantor cash related explanations should in like manner be poor down. The assessment should address the average and sensibility of pay, money drift and the influence of the borrower's security sheet. Specifically, pay, impact and efficiency ought to separate.
5. **Projected Financial Performance:** Where term improvements (tenor &get; 1 year) are being proposed, a projection of the borrower's future monetary when all is said in done execution ought to be given, exhibiting an appraisal of the ampleness of money buoy to help commitment repayments. Workplaces need to not be permitted at whatever point foreseen money float is deficient to repay commitments.
6. **Credit Background:** Credit application should nation the pervasiveness of the borrower in the CIB (Credit Information Bureau) report. The item should in like manner contain real obligation commonness with various Banks and FI's and moreover should collect their evaluation of past credit direct.
7. **Account Conduct:** For existing borrowers, the obsolete show in get together reimbursement commitments (trade portions, check, interest and critical portions, etc.) Be assessed.
8. **Adherence to Lending Guidelines**: Credit Applications irrefutably state whether or no longer the proposed writing computer programs is in consistence with the FI's Loaning Guidelines. The FI's Head of Credit or Managing Director/CEO or Board need to help Credit Applications that do now not hold quick to the FI's Lending Guidelines.
9. **Mitigating Factors:** Mitigating factors for dangers perceived in the speculation finances assessment should be recognized. Potential dangers consolidate, in any case are by and by not obliged to: edge viability and furthermore precariousness, unnecessary commitment load (impact/furnishing), over-burdening or obligated individual issues; snappy improvement, obtainment or expansion; new promotion try line/thing augmentation; the officials' changes or movement issues; supporter or supplier obsessions; and nonattendance of straightforwardness or industry issues.
10. **Facility Structure**: The wholes and tenors of financing proposed ought to be safeguarded base completely on the foreseen reimbursement limit and office reason. Outrageous tenor or entirety in regard to business needs extends the threat of hold distraction and may additionally unfairly influence the borrower's repayment limit.
11. **Purpose of Credit**: FIs need to make positive that the credit is used for the explanation it used to be obtained. Where the obligor has utilized money for limits never again exhibited in the intriguing recommendation, FIs need to figure out how to pick the proposals on unwavering quality. In case of association extravagances where borrower guarantee social affair of affiliations such energy ends up being dynamically noteworthy. FIs need to orchestrate such associated associations and inclinations credit evaluation on blended/pack premise.
12. **Project Implementation:** if there ought to emerge an event of a huge improvement, which builds up adventure of over 30% of complete capital of an undertaking or for a natural field adventure, challenge use chance be completely overviewed. Adventure utilization chance may in like manner contain progression peril (Gestation period, regulatory and specific clearances, and advancement to be gotten, availability of establishment workplaces) sponsoring risk, and submit task business, money related, and association threats.
13. **Foreign Currency Fluctuation**: Credit application truly communicates the evaluation of outside for hazard of the competitor and sees the reducing factors for its introduction to abroad money.
14. **Security:** A contemporary valuation of assurance should be gained and the unbelievable and need of security being proposed must be assessed inside and ideally by methods for a third celebration cost Facilities should not be surrendered assembled totally as for security. Adequacy and the level of the assurance be assessed.

## 7.4 Approval Authority

Each and every mechanical development, which submitted to the FI to pass on chance touchy things, which requires prior support with the guide of approved boards/individuals. A FI may besides have the Board, Management/Executive Committee, and Credit Committees for keeping an eye on and support in financing suggestion. The FI can in like manner have edge reliant on degree of tolerability those unit limits for audit and support of save finances suggestion in stand-apart sheets of trustees. The Board should support beyond what many would consider possible. What's more, support master may in like manner be assigned further to man or woman official reliant on security, the authority fathoms and ride to guarantee obligation and quick assurance in the underwriting strategy. The master to embrace/bolsters workplaces must be surely assigned through the Managing Director/CEO &amp; Board to the Corporate Center and further down to the Business Units. Strength Units are self-ruling and answerable for managing all endeavor practices inside beyond what many would consider possible. In any case, the focused on RM of the compensation group/branch work power accountable for office bargains is the owner of the client relationship and ought to be viewed as capable to ensure the precision of the workplace application submitted for support. They should be alright with the FI's Lending Guidelines and should conduct due tirelessness on new borrowers, thought process of the offices and underwriters.

The FI may furthermore have edge principally dependent on extent of decency that sets limit for assess and endorsement of credit recommendations in phenomenal councils. The Board needs to endorse as far as possible. Moreover, endorsement authority may furthermore be appointed notwithstanding singular officials essentially dependent on security, the official's information and voyage to make certain responsibility and quick choice in the endorsement procedure.

## 7.5 Procedural Guidelines

This zone layouts of the significant methodologies that are wished to make certain consistence with the protection arrangements contained in Section 4.1 to 4.7 of these rules.

**Approval Process**

The endorsement technique should upgrade the isolation of Relationship Management/Marketing from the supporting power. The duty regarding preparing the Credit Application should rest with the RM inside the business undertaking unit. Credit Applications must be energized for endorsement by utilizing the RM gathering and sent to CRM for their evaluation and appraisal. The credit subsequently be authorizing by methods for fit endorsement board.

The endorsement technique may also extend among FI's depending on the sorts of items and introduction. For instance, loaning to Corporate and SME's is ordinarily unstructured because of differing nature of chance presentation. On the distinctive hand, customer loaning is regularly organized by means of institutionalizing the item and danger components of people. Accordingly purposes for client loaning can likewise be done inside the head of buyer unit challenge to assignment of power to do as such. Credit Administration

The Credit Administration trademark is basic in ensuring that pertinent documentation and endorsements are in zone before the dispensing of financial offices. Therefore, it is crucial that the elements of Credit Administration be carefully isolated from Relationship Management/Marketing so as to avoid the plausibility of controls being undermined or issues never again being featured at the proper level.

Progressing organization of the FICO rating portfolio is a quintessential piece of the credit procedure. Credit organization include is essentially a back-office undertaking that guide and control expansion and upkeep of credit. A typical FICO assessment organization unit performs following capacities:

**Documentation**

It is the obligation of store organization to make certain culmination of documentation (office understandings, ensures, move of title of insurances and so on.) as per approved expressions and conditions. Remarkable documents should be followed. Security archives are set up as per endorsement terms and are lawfully enforceable. Standard office documentation that has been checked on by lawful guidance ought to be utilized in all cases. Exemptions ought to be alluded to legitimate advice for exhortation dependent on approval from a proper official in CRM.

**Disbursement**

Distributions under offices should possibly be made when all security documentation is set up. CIB report ought to reflect/incorporate the name of the considerable number of loan specialists with office, limit and exceptional. All conventions in regards to enormous offices and offices to Directors guided by Bangladesh Bank booklets and related segment of monetary Institutions Act ought to be agreed to. All Credit Approval terms must be met before payment.

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## 7.6 PV (Customer Point Verification)

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

* Brisk
* CBC

These two 0.33 gathering enterprises basically do the Customer Verification Point (CPV) and afterward send the check reports to IDLC.

After all sort of checks is done experts go for the FICO rating evaluation the spot, they guarantee that the buyer has the capacity to meet the assignments of IDLC. It requires insurance or certifications from a client so as to restrict the hazard. The evaluation isn't exclusively made on security; it furthermore depends upon on the amount of credit, the inventory of reimbursement, the particular venture from where the buyer has come. In addition, CRM division furthermore take a gander at the past documents of the benefactor in the event that he/she has taken any credit from some other monetary instinct or not. In the event that there is any first credit record, investigators will also look onto the records.

If there should be an occurrence of representative and corporate people CRM wishes to take a gander at the venture aptitude, history information of the investors and friends.

**Credit Evaluation**

This is the hidden period of a home credit consent or expulsion. In this movement IDLC increase all require data of a purchaser and after that screen these inside and out carefully. For example,

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

## 7.7 Credit Monitoring

To restrain FICO rating disasters, checking techniques and structures must be in zone that offers an early hint of the self-destructing money related prosperity of a borrower. At any rate, structures ought to be in locale to record the going with unique cases to noteworthy authorities in CRM and RM bunch Past due major or preoccupation portions, past due change charges, account bounties, and break of office contracts Non-receipts of financial reports on a typical reason and any understanding bursts or exclusions made. Move now not made on plan for disclosures of any inside, outside or controller assessment/audit all borrower associations/workplaces are minded and affirmed by methods for the settlement of a Credit Report in any occasion yearly. PC structures should have the choice to make the above information for central/head working condition similarly as neighborhood overview. Where customized systems are rarely again open, a manual technique must have the helpfulness to make accurate unique case reports. Exceptions must be followed up and helpful development taken in an advantageous manner before the record separates further.

## 7.8 Credit Sanction and Disbursement

In the wake of affirming all of the reports, the analysts either approval or reject the record for credit. The greater part of the cases if the client's financial establishment decree is never again charming kept up or benefits source isn't resistant then the home credit is rejected or maintained. From time to time, even the client's attitude and lead also can be a clarification behind expulsion. After the approval the record will be sent to the Customer Service Department and starting there the buyer will be instructed essentially all of the terms and conditions about the credit. In case the promoter is k with all the time allotment and conditions, by then he will sign the approval letter and besides fill the charges.

By then the record is submitted to the Head of offers and publicizing gathering. After the last affirmation the record goes for the home credit installment division.

Ensuing to affirming all of the documents, the inspectors either consent or reject the record for credit. The majority of the cases if the client's cash related foundation enunciation is never again alluring kept up or benefits source isn't impenetrable then the home advance is expelled or supported. Once in a while, even the client's attitude and lead additionally can be a clarification behind rejection. After the endorsement the record will be sent to the Customer Service Department and starting there the purchaser will be instructed basically all of the terms and conditions about the development. If the supporter is k with all the time length and conditions, by then he will sign the endorsement letter and besides fill the charges.

By then the record is submitted to the Head of offers and publicizing gathering. After the last check the archive goes for the home advance apportioning office.

## 7.9 Early Alert Process

An Early Alert Account is one that has threats or achievable deficiencies of a surface sort requiring checking, supervision, or shut thought by methods for the board.

Early unmistakable confirmation, brief enumerating and proactive organization of Early Alert Accounts are high save subsidizes duties of all Relationship Managers and ought to be grasped on a tireless reason. An Early Alert report must be finished by methods for the RM and dispatched to the favoring master in CRM for any record that is demonstrating symptoms of rot inside seven days from the distinctive verification of inadequacies. The Risk Grade must be revived as quick as could sensibly be normal, and no expand ought to be taken in suggesting issue bills to the CRM office for help with recovery.

In spite of a sensible save finances underwriting process, workplaces may in addition regardless become tormented. Thusly, it is quintessential that early ID and, on the spot, reporting of crumbling store symptoms be finished to ensure snappy development to watch the FI's favorable position. Moreover, normal contact with clients will improve the likelihood of making procedures together impeccable to both the customer.

A record can similarly be renamed as a Regular Account from Early Alert Account status when the symptom, or reactions, making the Early Alert plan have been regularized or never again exist. The synchronization of the CRM underwriting master is required for change from Early Alert Account omnipresence to Regular Account status.

**Credit Recovery**

The Recovery Unit (RU) of CRM ought to promptly regulate money owed with proceeded with deterioration (a Risk Rating of Sub Standard at least 6 unfortunate). FIs may in like manner wish to move EXIT money owed checked on 45 to the RU for condition pleasing way out subject to insight of CRM and Corporate FI. At whatever point a record is outperformed over from Relationship Management to RU a Handover/Downgrade Checklist ought to be done.

**The RU's significant features are:**

* Decide Account Action Plan/Recovery Strategy
* Seek after all tendencies to support recovery, including setting clients into receivership or liquidation as appropriate
* Guarantee rich and ideal home credit adversity courses of action are made essentially subject to genuine and predicted disasters
* Ordinary appraisal of assessment at least 6 unfortunate records

The association of issue organizations (NPLs) should be an amazing technique, and the related procedure by and large with the sufficiency of courses of action ought to be regularly examined. A methodology is trapped to share the planning picked up from the excursion of venture finances hardships to displace the advancing principles.

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# Chapter 8

# **Findings & Analysis of Annual Report**

* Board of directors’ ownership, Institutions ownership and Public ownership: The board of directors’ ownership is higher than other companies’ is 59.66% but only Fareast company’s board of director is 72.18% higher than IDLC Finance Limited. The institution ownership of IDLC is little bit lower than IPDC and Islamic finance limited. The institution ownership of IDLC 21.88% is more than other seven companies. The public ownership of IDLC is lower than First Finance and IPDC Finance company. So, IDLC should increase their public ownership to get more returns.
* Deposit and Asset: Deposit of IDLC of two years consecutively 47,760 million and 49,413 million which is higher than other nine companies. Deposit is higher means company can provide more loans to different sectors. As well as two years’ assets of IDLC is consecutively 71,7687 million and 76,5051 million which is greater than other companies. Assets is higher means the company have a good liquidity ratio which can give well support in worst situation.
* Paid up capital and liability: In 2015 and 2016 IDLC paid up capital has 2514 million which is average position. In terms of paid up capital Agrani SME financing provide a wide number of paid up capital. Two years’ liability of IDLC was consecutively 65,032 million and 68,900 million which is not a great position. So IDLC should minimize their liability to meet their strategic goals.
* Net Interest Revenue and Net income: In 2015 & 2016 IDLCs Net Interest Revenue was consecutively 3418 million and 3737 million which is slightly lower than some other financing companies. The net income of IDLC was consecutively 1459 million and 1780 million. When net income increase that means that year the operating expense of that company was minimized. So in terms of net income IDLC company has a great growth to increase their net growth.
* Return on Asset: An expansion in deal, while bringing down costs, may expand the level of profit for resources. Expanding deals to effect on ROA requires a proportionate decrease in costs. Return on Asset of IDLC was consecutively 2.20% and 2.33%. That means second year ROA was increase because of the expense of that year is minimizing compared to the first year. In terms of ROA IDLC has a good position among the other nine companies.
* Cash Flow of Investing Activities and Cash Flow of Financing Activities: In 2015 IDLC provide BDT -829,989,272 to investing activities and BDT 1,254,773,180 for Financing activities. In 2016 IDLC provide BDT -321,972,729 for investing activities and BDT 379,423,878 for Financing activities. Compared to 2015 IDLC investing less money in investing sector in 2016 and the things happened for financing activities. So IDLC should improve those sectors and invest more money.

# Chapter 9

# **Conclusion & Recommendation**

**Conclusion:**

Organizations worked by methods for taking large measure of advance from banks or from family members. Before setting up the advance contraption of SME, individuals who didn't decide to run tremendous organizations; used to run associations fit as a fiddle for the need of cash. After the foundation of SME advance individuals are increasingly intrigued to run organizations and the astounding organizations began running in an awesome manner. On the off chance that the technique for loaning cash can be hold, there are parcel more prominent mind blowing what might be on the horizon. To look after this, first the renting organizations or the related offices need to mindful the borrower about the focused difficulties they need to confront. Furthermore, the organizations can help SMEs to address difficulties by utilizing handle the vitality and shortcomings and help them to beat the difficulties. They have to get familiar with certain contributions to update themselves. Data sources like market data, money, training foundation improvement, R&D, specialized capacities just as skills and hyperlinks with establishments for help administrations.

**Recommendation:**

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

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

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