Internship Report On

SME loans and financial analysis on

IDLC Finance Ltd.
UNITED INTERNATIONAL UNIVERSITY

Course Title: Internship

Course Code: INT 4399

Submitted To:

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Date: 04th August, 2018
Letter of Transmittal

04\textsuperscript{th} August, 2018
Mossabbir Uddin Ahmad
Asst. Professor, School of business & Economics
United International University

Subject: Submission of Internship Report on “Different types of SME loans and financial analysis of IDLC Finance Ltd”

Dear Sir,

With due respect and humble approach, this is my immense pleasure to present my Internship report on the topic titled “Different types of SME loans and financial analysis of IDLC Finance Ltd”. I have conducted my internship program at IDLC Finance Limited (Dilkhusha Branch) under your close supervision.

I have tried my best to complete the report with respect to the desired requirements. I have studied related documents and I also observed workings of Credit Risk Management department for SME loans. By combining all of these I tried my best to prepare the report informative.

Hence, I am submitting my report and hope that you will appreciate my effort and instructive approach. In case of any further explanation and clarification about the report, I will be glad to assist you. Kindly accept my report and oblige thereby.

Sincerely Yours,
Md. Emamul Haque
ID: 111 132 052
Acknowledgement

Academic language might improve our mind but our thinking process will be reserved unless or until this information is concerned in our life. If we want to raise a proper knowledge, we must have to apply our knowledge and ideas in our work life. So, in terms of achieving a appropriate education, then we must have to understand our knowledge which has been learned in the academic courses. “Internship” is one of the possible ways of learning the things practically in both our professional and own life. By Internship a student gain a practical knowledge about real life. A student can realize how he/she can enlarge themselves in their future life. I am finished my internship form IDLC Finance Limited which is considered to be one of the biggest non banking financial institutions (NBFI). This report is very important of my BBA degree under the supervision of the Mosabbir Uddin Ahmad Sir. I will make this report as informative as possible. I would also like to thank my Supervisor of the IDLC Finance Limited; Mohammed Areful Islam, Senior Manager & Senior Regional Credit Manager, Credit Risk Management. Without his lively supervision and support, it’s not possible by me to prepare the report. The both practical and hypothetical support of him has helped me undoubtedly for the preparation of the last three month’s performance analysis of IDLC Finance Limited- SME Loan’s.
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Executive Summary

SME is small and medium enterprises which has great impact on the overall economy of our country. The contribution of the SME is enormous. It plays a vital role for the growth and development of the Bangladesh. A Large amount of capital is investing in capital market by the contribution of SMEs. So this sector is helping the other sectors. As the importance of this sector is increasing, in every year our country is organizing SME fair. In this year the fair has started on 4th April 2018. As there are enormous opportunities to invest in SMEs, people are trying to start their own business. To help these people many banking and non-banking institutions are vastly contributing in SME sector.

IDLC Finance ltd. is the one of the largest non-banking financial institutions. And they are holding the leading position. They are providing the different loans to the SMEs. For the expansion of SME sector IDLC is trying their best to contribute. IDLC has a good reputation regarding the SME loans. They are well recognized by the customers. The reason behind that they can provide loan within short period of time.

As I got the opportunity to work in IDLC Credit Risk Management department, I tried to find out the different criteria’s loan, loan process, document regarding the loan, disbursement procedure. In my report I figure out the SME loans and the financial performance of the IDLC finance. I also did financial analysis between IDLC Finance and Lankabangla finance as they are from the same sector. Though it was difficult to find vast information within the short time but I tried my best to make this report informative. I hope this report will help to do further research.
Chapter 1

Introduction
1.1. Introduction to the Report:
The contribution of SME sector is enormous for the development of our economy. The role of SME is everywhere. It’s growing rapidly. For helping the SME sector the public banks as well as private banks and non-banks are providing different services. As consequences, IDLC Finance Ltd is one of the non-banking institutions in Bangladesh. They stared their business as leasing Company back in 1985. Now they are the largest & holding as a market leader in this sector. IDLC is enriched with their different types of services and products. They have expanded their business into Consumer, SME, Retail, Corporate and Capital market sectors. IDLC has three subsidiaries.

I did my internship from IDLC finance ltd. Where I have learned their different loans of SME. I was in credit risk management- SEF department. To prepare the report I used much practical information which I collected from my day to day activities in the company. In this report I have mainly focused on SME loans, difference between different loans and some performance analysis between IDLC finance ltd and LankaBangla Finance limited. By the combination of practical and theoretical experience I have prepared the report.

Under the SME there are mainly four types of loan:

- Small Business
- Supplier Business
- Medium Business
- Deposits

1.2. Statement of the report:
To know about the different types of loan of SME. And financial performance between IDLC and Lankabangla finance ltd.

1.3. Objectives of the report:
The objectives can be shown as:

- **Broad Objective:**
To get overall idea about the loans of SME of IDLC finance. Find the differences and specifications. And to know about the financial performance of IDLC Finance
• **Specific Objective:**
  ✓ To know about the activities of SME division.
  ✓ To know the process and policy of the department.
  ✓ To know about the process of loan sanction.
  ✓ To know about the requirements of different loans.
  ✓ To know about the loan evaluation policy.
  ✓ To know about the formalities of disbursement.
  ✓ To know about the different ratio analysis and financial performance.

1.4. **Methodology:**
It is one of the important parts to prepare a successful report. I have used both primary and secondary data to make the report enrich and informative. By utilizing and analyzing the data I have provided the report.

  ✓ **Primary Data:**
  I have collected the primary information directly from the company with the help of my supervisor. I talked with customers to know about the detail about the services of the IDLC finance. I also collected date from the appraisal report of different loans.

  ✓ **Secondary Data:**
  From different sources I have collected secondary data. The sources are:

  1. The website of IDLC Finance Limited and LankaBangla Finance Limited.
  2. Annual reports of IDLC finance limited (year-2017)
  4. Different articles, books, journals and newspapers.

1.5. **Limitation of the research:**
  2. Restriction of some confidential information.
  3. Non- Banking institutions are very busy. And couldn’t find enough time for discussion.
  4. Unavailability of appropriate journals.
  5. The SME is huge, 3 months is not enough to get a good knowledge about all things.
Chapter 2
Overview of IDLC
2.1 IDLC Finance:

In 1985 Industrial Development Leasing Company (IDLC) of Bangladesh Limited started their journey. Now they are the largest Non-Banking Financial Institution (NBFI) of Bangladesh. They started their business with a single product ‘lease financing’ with 5 employees. After 33 years now they are the biggest multi-product with different segments NBFI in Bangladesh. They have diversified, strong and smooth establishment in Corporate, SME, Retail and Capital Market segments.

They are the company of 3 fully owned subsidiaries within their group. IDLC has strong footing & presence over the 24 cities. They are serving almost fifty thousand customers overall the country with 38 branches and booths where 1400 dedicated employees are working for them. Their purpose is to finance people for the betterment of the customers and to chase their dreams.

IDLC provides wide variety of services and products in the form of ‘Small & Medium Enterprise Finance (SME), Corporate Finance, Lease Finance, Term Finance, Retail Finance, Structured Finance, Supplier and Distribute finance, Term Deposit Schemes, and Corporate Advisory Services’. With three subsidiaries they are also serving merchant banking, asset management service and stock broker service.

The company is maintaining their standard and ethics strongly to hold their leading position. The biggest secret to become the leading position is to maintain timeliness and fast service. IDLC always provides best quality products to their customers for this the company holds a strong position in the corporate section in Bangladesh.

2.2. History of IDLC:

IDLC started as a leasing company in 1985. By the initiative of International Finance Corporation the company was established. IDLC was formed by different domestic & international companies. The collaboration were made by International Finance Corporation (IFC), Aga Khan Fund for Economic Development, German Investment and Development Company, Bookman Bank, Korea Development Financing Corporation (KDLC), SadharanBima Corporation and The City Bank Limited, Bangladesh Limited.
IDLC AT A GLANCE

2.2 Non-Bank Financial Institution:

A Non-banking financial institution provides certain types of banking services, but do not hold a banking license. They do not take any kind of deposit from the public. This institution can offer many banking services such as loans and credit facilities, retirement planning, merchant banking, money markets and etc.

This kind of organizations is enrolled under the Companies Act, 1956 and bargains in the matter of credits and advances, interests in securities, shares, debentures, stock and other attractive securities Viz.

To do stores activation, long haul credit, makes business, improvement of money related market; this institutions can assume an extraordinary part.

2.3 Mission

The mission of IDLC is to concern about quality growth, great customer experience and sustainable business practices

2.4 Vision

Presents themselves as the best financial brand throughout the country.

2.5 Values of IDLC:

IDLC always try to provide the best to the customers. Maintain equality & 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

2.6. Strategic Objectives of IDLC:

✓ Grow and develop our talent pool  
✓ Optimise distribution points  
✓ Fully leverage the core banking platform  
✓ Grow sales and service capabilities in the consumer division.  
✓ Sustainably grow SME portfolio  
✓ Consolidate capital market operations and enhance capabilities  
✓ Focus on top-tier clients in the corporate segment  
✓ Embrace internationally accepted corporate governance and sustainable business practices.

2.7. Business orientation:

i. **Profitable**: IDLC try to maintain a sustainable profit growth.  
ii. **Growth-oriented**: According to the present market condition, IDLC try to have some long-term approaches.  
iii. **Low risk**: Their credit quality controls the NPL. They are achieving continuous results by managing treasury conservatively.  
iv. **Cash generative**: As they have strong cash flows, so they can make a good balance in reinvestment and dividend pay-outs.  
v. **Aligned interests**: IDLC try to maintain their standard of values and ethics. And confirm the code of conducts in every year.  
vi. **Return on capital**: To get the highest return, IDLC allocate their capital to business & market. And maintain their strategy.
2.8. Code of Conduct & Ethical Guideline of IDLC:

IDLC’s employees should follow the code of conducts strictly.

- Employees need to do their work with integrity dignity & competence. They also need to follow ethical manner when they deal with customers, colleagues or public.
- They need to have knowledge to perform with applicable rules and laws.
- Employees need to encourage others to have professional knowledge & ethical manner. And behave like that to other employees or people.
- Try to maintain improves & do competition with other business.
- All the conflicts of interest have to be disclosed.
To do professional judgement independently always uses reasonable care.
Not to prevent others for performing their professional obligations.
According the policy of IDLC employees need to deliver professional services
Keep privacy to the confidential information of customers from others.
Not to engage with any kind of dishonesty, deceit, fraudulent activity or misrepresentation of information.

IDLC employees have to maintain theses ethics.

2.9. Shareholding Composition of IDLC: [December 31, 2017]

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of Shareholders</th>
<th>Number of shares</th>
<th>% of total shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SPONSORS/DIRECTORS</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The City Bank Limited (CBL) and its subsidiaries</td>
<td>87,510,575</td>
<td>23.21</td>
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<tr>
<td></td>
<td>The City Bank Limited (CBL)</td>
<td>33,935,329</td>
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<td></td>
<td>City Bank Capital Resources Limited (CBCRL)</td>
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<td>City Brokerage Limited</td>
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<td>Transcom Group</td>
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<td>Eskayel Pharmaceuticals Limited</td>
<td>30,164,062</td>
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<td></td>
<td>Transcontext Limited</td>
<td>15,132,033</td>
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<td></td>
<td>Bangladesh Lamps Limited</td>
<td>4,977,069</td>
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<tr>
<td></td>
<td>Sadhanar Bima Corporation (SBC)</td>
<td>28,727,494</td>
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<tr>
<td></td>
<td>Reliance Insurance Limited</td>
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<td>Mercantile Bank Limited</td>
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<td></td>
<td>Sub-Total</td>
<td>213,642,577</td>
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<td>GENERAL</td>
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<td></td>
<td>Institutions</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Bangladesh Fund</td>
<td>6,330,000</td>
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<td>Investment Corporation of Bangladesh (ICB)</td>
<td>5,251,913</td>
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<td>Marina Apparel Limited</td>
<td>3,770,506</td>
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<td></td>
<td>Other Institutions</td>
<td>44,930,005</td>
<td>11.92</td>
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<tr>
<td></td>
<td>Sub-Total</td>
<td>60,283,024</td>
<td>15.99</td>
</tr>
<tr>
<td></td>
<td>Individuals</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>General Public (individually)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sub-Total</td>
<td>59,688,255</td>
<td>15.83</td>
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<td></td>
<td></td>
<td>59,688,255</td>
<td>15.83</td>
</tr>
<tr>
<td>3</td>
<td>FOREIGN</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Institutions &amp; Individuals</td>
<td>43,436,924</td>
<td>11.52</td>
</tr>
<tr>
<td></td>
<td>Sub-Total</td>
<td>43,436,924</td>
<td>11.52</td>
</tr>
<tr>
<td></td>
<td>Total Holdings</td>
<td>377,050,780</td>
<td>100.00</td>
</tr>
</tbody>
</table>
2.10 Subsidiaries of IDLC:

IDLC has three subsidiaries.

➢ **IDLC Investments Limited:**

IDLC Investments Limited is a completely merchant bank. They provide different types of services. They assist their clients in IPO process for the company. Different types of portfolio management for clients. Their various services:

- PORTFOLIO MANAGEMENT
- Easy Invest
- MAXCAP
- Profit – Loss Sharing Scheme
- Capital Protected Scheme
- Portfolio Advisory Service
- Cap Invest; etc.

➢ **IDLC Securities Limited:**

To ensure the long term investment IDLC securities is here to help their clients. They prefer the clients’ interest first & try to serve knowledgeable brokerage service. 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.

Their Products:
• IDLC Growth Fund
• IDLC Balanced Fund

2.11. Corporate Social Responsibility:
IDLC always concern about their CSR activities. For the development of long term value (value of stakeholder, community & environment) IDLC is always committed for that.

In 2018 they took different initiatives:

• In this winter IDLC donates worm clothes to ProthomAlo trust.
• By collaborating with Green Saver, IDLC teaches students at Bhulta High School and college about environment.
• IDLC update the ‘Local Cultural Hub At Noakhali’
• To do volunteer works IDLC provides a community platform called ‘KhushirKheya’

Some moments:
2.12 Location of Head Office and Different Branches of IDLC:

Dhaka District Map

IDLC’s Presence
Chapter 3

Product/ Services of IDLC
3.1 Product & Services of IDLC Finance:

IDLC Finance has different type of products & services for their long term growth, which ensure the customers’ demands. In this competitive business environment they try to serve their best to ensure the customer as well as their employees benefit. IDLC has different products and services like ‘Corporate division, Consumer Division, SME Division and the Capital Market’.

In Corporate Division IDLC have Corporate Finance (Lease Financing, Term Loan Financing, Working Capital Financing, Project Financing and Specialized Products), Structured Finance (Fund-raising, Securitization of Assets Advisory Services, and FAQ) and Fees and Charges.

3.2 CONSUMER:

They have different types of consumer services,

1. IDLC DEPOSITS:

Deposit means sum of money paid into a bank or financial institution to get benefits in future. IDLC provides these faculties & ensure that the customer will obtain guaranteed income after the maturity period. After the certain period customers will be benefited by interest. IDLC Finance has achieved the highest safety & security credit rating ‘AAA’ (Triple A), which says that the company has strong capacity to meet financial commitments with minimal credit risk.

1.1. Regular Term Deposit:

There are various Regular Term Deposits IDLC serves by this people can get guaranteed income and they can use it for any personal or business need. For the financial future plan these deposits are best suited to fulfil it. There are suitable deposit tenures IDLC has designed for the betterment of consumers.

Three types of Term Deposits are

i. 3-15 months Term Deposit.

ii. 500 days Term Deposit.

iii. 2-5 year Term Deposit.
1.2. Monthly Earner Deposit:

For a regular source of monthly income this deposit would be the best one. It’s a good financial solution for individual. This deposit is safe & secure.

This product is suitable for:

- Retired Persons
- Housewives
- Others

People can prefer any tenure from 1 to 5 years.

1.3. Quarterly Earner Deposit:

For the secure source of quarterly income this is the best possible deposits. From this deposit people can earn competitive as well as fixed return after 3 months. People can select any of the tenure from 1 to 5 years.

1.4. Double Money Deposit:

In this deposit scheme people can double up their amount of money they invest. This is one of the popular deposit schemes. People can invest their idle money in this deposit. For the long term future goal it would be the correct choice.

1.5. Triple Money Deposit:

For any big & long term plan without hesitation people can take Triple Money Deposit scheme.

Key features & benefits of IDLC Deposits:

- Flexibility of tenors.
- For the Consecutive ‘AAA’ credit rating deposits have highest safety.
- Monthly/ quarterly interest is automatically transferred to the customer’s bank account.
- Competitive interest rate.
- No fees for account maintenance.
✓ Secured loan facility within shortest possible time.
✓ Online branch.
✓ Dedicated relationship manager for customers.
✓ Auto renewal facility.

Minimum Deposit Amount:

✓ For 3-5 months (Regular Term Deposit product) = BDT 10,000
✓ For all other deposits = BDT 50,000

Payment Mode:

✓ Account payee cheque or pay order in favour of IDLC Finance Limited.

Saving Facilities:

From deposits customers are benefited by interest. Various saving facilities are,

<table>
<thead>
<tr>
<th>Saving Facilities</th>
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</thead>
</table>

<table>
<thead>
<tr>
<th>Product</th>
<th>Term</th>
<th>Amount up to 50 Lacs</th>
<th>60 Lacs &lt; Amount ≤ 1 crore</th>
<th>Amount of 1 crore and above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Term Deposit</td>
<td>3-5 months</td>
<td>8.50%</td>
<td>8.75%</td>
<td>9.00%</td>
</tr>
<tr>
<td></td>
<td>6-12 Months</td>
<td>8.75%</td>
<td>9.00%</td>
<td>9.25%</td>
</tr>
<tr>
<td></td>
<td>12-15 Months</td>
<td>9.00%</td>
<td>9.25%</td>
<td>9.50%</td>
</tr>
<tr>
<td></td>
<td>2 years</td>
<td>9.25%</td>
<td>9.50%</td>
<td>9.75%</td>
</tr>
<tr>
<td></td>
<td>&gt;3 years and above</td>
<td>9.50%</td>
<td>9.75%</td>
<td>9.75%</td>
</tr>
<tr>
<td>500 Days Term Deposit</td>
<td>500 Days</td>
<td>9.00%</td>
<td>9.25%</td>
<td>9.50%</td>
</tr>
<tr>
<td>Monthly Earning Deposit</td>
<td>1 Year</td>
<td>9.00%</td>
<td>9.25%</td>
<td>9.50%</td>
</tr>
<tr>
<td></td>
<td>2 years</td>
<td>9.25%</td>
<td>9.50%</td>
<td>9.75%</td>
</tr>
<tr>
<td></td>
<td>&gt;3 years and above</td>
<td>9.50%</td>
<td>9.75%</td>
<td>9.75%</td>
</tr>
<tr>
<td>Quarterly Earning Deposit</td>
<td>1 Year</td>
<td>9.00%</td>
<td>9.25%</td>
<td>9.50%</td>
</tr>
<tr>
<td></td>
<td>2 years</td>
<td>9.25%</td>
<td>9.50%</td>
<td>9.75%</td>
</tr>
<tr>
<td></td>
<td>&gt;3 years and above</td>
<td>9.50%</td>
<td>9.75%</td>
<td>9.75%</td>
</tr>
<tr>
<td>Double Money Deposit</td>
<td>7 years 3 months</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Triple Money Deposit</td>
<td>11 years</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Female clients (Individual account & if account is opened singly) will get 0.10% higher interest rate on Regular Term Deposits & Regular Earner Products.

2. IDLC HOME LOAN:

Having an own home is a dream for many people. IDLC finance makes this easy for the people. After giving appropriate information, within a short time anyone can get loan amount. By giving long term periodic payment system it will be convenient for the people to pay back the loan amount. There are different types loan IDLC is providing to the customers. Interest is varied in different categories of loan.

➢ Procedure for this loan:

IDLC will use the home/ apartment or the asset as the mortgage against this loan.

2.1. APARTMENT PURCHASE LOAN:

For the safety of family & children IDLC bring this APARTMENT PURCHASE LOAN. Customer can easily purchase an Apartment.

PRODUCT FEATURES:

- Through EMI Customer can repay the loan.
- Interest rate is flexible & it depends on loan amount.
- Interest can be fixed or variable.
- There is no hidden charge.

SOME TERMS:

- Applicants: Professional, Job Holder, Self-Employer.
- Location: Near to the IDLC branch/ booth

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Maximum Term</th>
<th>Maximum Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>25 years</td>
<td>65 years</td>
</tr>
<tr>
<td>Variable</td>
<td>20 years</td>
<td>65 years</td>
</tr>
</tbody>
</table>
2.2. HOME EQUITY LOAN:

It’s a special loan for renovation of old home. For designing, decorating, expansion of home this loan is perfect solution for any individual. It is very easy to get the loan.

PRODUCT FEATURES:

- Term: 15 to 20 Years.
- Through EMI Customer can repay the loan.
- Interest can be fixed or variable.
- Disbursement/ Loan amount: It’s up to 75% of the building value (Including Registration).

SOME TERMS:

- Age: 25 to 60 years.(For the professional it can be vary)
- Earnings: Employee or Businessman
- Location: Near to the IDLC branch/ booth

2.3. HOME LOAN SHIELD:

It is the complete protection of the loan trough insurance. If the loan holder faces any obstacle to repay the loan amount then the insurance company will cover some portion of the loan. To protect the family burden this loan is introduced. If the holder can’t pay the loan for any reason. The insurance company will provide it.

SOME TERMS:

- Loan Coverage: 50% to 100% coverage of total loan. But this is based on the loan holder age, loan term, outstanding of principle amount.
- Term: Same as term of home loan.
- Premium is single & low.
- It provides medical examination from any hospital (Free of cost)

Nominees Claim to insured amount:

- Within 7 days the nominees have to claim & explain.
Have to show the appropriate information regarding the event.
Help the insurance company if they do any investigation.
Loan holder has to show relevant evidence to claim the insured amount.

2.4. CONSTRUCTION LOAN:
To build own property this is the preferred option for customers. It’s a dream for any people to build his/ her own property or office. For any new or existing projects this loan is suitable to get money easily from IDLC.

PRODUCT FEATURES:

- **Loan Amount:** It is up to 85% of the total building value (Registration is included).
- **Term:** Up to 20 Years. It depends on project.
- **Mortgage:** It may the property itself, any asset or security (equivalent).
- Through EMI Customer can repay the loan.
- Early prepayment option whether it’s full or part.
- Any technical advice is available.

**How to Use:** For New residential buildings or existing residential buildings construction.

**SOME TERMS:**

- **Age:** 25 to 60 years
- **Applicants:** Professional, Service Holder, Self-Employed / Business person or Landlord.
- **Location:** Near to IDLC branch or booth.

2.5. REGISTRATION LOAN:
After having any property it’s a must to do registration of the property. To secure the property registration some time it is very costly to do this. For the easy registration IDLC is proving the best solution to the people. Home owner doesn’t need to bear the burden of the registration.

**PRODUCT FEATURES:**

- **Term:** Up to 10 Year.
- Loan will be provided up to 15% of total property cost.
✓ Through EMI Customer can repay the loan.
✓ Age: 25 to 60 Years.

### 2.6. LAND PURCHASE LOAN:

This loan will give an opportunity to buy a land.

**Condition:**

✓ The land will be treated as the mortgage against loan.
✓ Age: 20 to 65 years.

**PRODUCT FEATURES:**

✓ Loan can be taken up to the 75% of the value of the land
✓ The value use for the land must be present value.
✓ Loan term is up to 12 years.
✓ Mortgage is required for the loan.
✓ Through EMI Customer can repay the loan.

### 3. IDLC CAR LOAN:

To have an own car is very safety and convenient for any family. As the cost is very high, it’s difficult to have an own car. IDLC is giving the opportunity to grab an own car with easy condition. Different types of loans are:

#### 3.1. NEW CAR LOAN:

This loan is providing for the new car.

**PRODUCT FEATURES:**

✓ **Loan Amount:** Up to 80% of the total cost of new car.
✓ **Term:** Up to 6 years.
✓ Fast Service
✓ Through EMI Customer can repay the loan.
✓ Sometimes get discount form the special arrangement from IDLC which is offer by renowned dealer.
✓ Payment option: Partial or Full
✓ Different advisory services like technical advice.

3.2. RECONDITIONED CAR LOAN:

For purchasing a reconditioned car IDLC provides this loan.

PRODUCT FEATURES:

✓ Same as New Car Loan feathures.

3.3. PRE ORDERED CAR LOAN:

PRODUCT FEATURES:

✓ Same as New Car Loan feathures.

Eligibility of the Car loan: These criteria should be matched to get the loan. Criteria’s are same for these car loans.

✓ Age: 22 to 60 Years
✓ Experience:
  1. House Holders- Need 2 years’ work experience.
  2. Entrepreneurs- Need 3 to 5 years of business experience
✓ Income Criteria: Monthly amount required (minimum).

<table>
<thead>
<tr>
<th>Service-holders/Professionals</th>
<th>BDT=</th>
</tr>
</thead>
<tbody>
<tr>
<td>Landlords</td>
<td>50,000</td>
</tr>
<tr>
<td>Business Person (SME)</td>
<td>50,000</td>
</tr>
<tr>
<td>Business Person (Corporate)</td>
<td>75,000</td>
</tr>
<tr>
<td>NRB Service-holders</td>
<td>75,000</td>
</tr>
<tr>
<td>NRB Business Persons</td>
<td>100,000</td>
</tr>
</tbody>
</table>
3.4 IDLC PERSONAL LOAN:

For any personal purpose people can get loan from IDLC. Like for business, education etc. The list is given below:

**Usage of this loan:**

✓ To buy customers durable.
✓ To meet financial liabilities.
✓ Marriage
✓ Education
✓ Any kind travelling (Foreign or Local)
✓ Medical support for family
✓ Or some other need.

**PRODUCT FEATURES:**

✓ Loan/Disbursement Amount: BDT 50000 to 10 Lac
✓ Term: 1 to 5 Years.
✓ The loan processing time is very fast
✓ Interest: Depend on facility amount
✓ Dedicated relationship manager.
✓ Through EMI Customer can repay the loan.
Chapter 4

SME Finance
4.1. What is SME Financing?

The full form of SME is Small and medium-sized enterprise. These businesses are defined by a certain number of employees working in the organization. To fund and develop these organizations, the SME Financing is invented. For the development of the overall economy, Small and medium enterprises have a curtail contribution. They are playing an important role for growing the economy, creating jobs and social attachment. SME is also contributing in different industrial sectors. By the contribution of SME, enterprises are investing a large amount of capital in the financial market. Different banks and financial institutions are now focusing on the sector. And they are actively concentrating.

4.2. SME definition in Bangladesh:

<table>
<thead>
<tr>
<th>Types of Industry</th>
<th>Replacement Cost (Excluding Land and Factory building cost)</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Small Industry</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>BDT 7.5 million to 150 million</td>
<td>31 to 120</td>
</tr>
<tr>
<td>Service</td>
<td>BDT 1 million to 20 million</td>
<td>16 to 50</td>
</tr>
<tr>
<td><strong>Medium Industry</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>BDT 150 million to 500 million</td>
<td>121 to 300</td>
</tr>
<tr>
<td>Service</td>
<td>BDT 20 million to 300 million</td>
<td>51 to 120</td>
</tr>
</tbody>
</table>

But for labour/ RMG industries, it is not more than 1000

Source: National Industrial Policy 2016

4.3. SME in Bangladesh:

SME (Small and Medium Enterprise) have a significant role in Bangladesh. For the development of economy and industrialization, these types of organizations are working relentlessly. They are also creating new employment opportunities. By the SMEs, the country’s poverty is also decreasing.
and increasing the income of rural people. Though SMEs sectors need less energy supply, not many infrastructure facilities but they are contributing more in the society. The environment risk is also lower

✓ SME is contributing 25 percent of total GDP.
✓ By the initiative of government, there are five national fairs have held by the SME foundation since 2007. In these fairs goods of BDT 1107 crore had been sold and also got order of BDT 1297 crore had been received.
✓ Almost 75 lac SMEs are doing their business around the country.
✓ For good financing to SME, almost 11 banks and FI (financial institutions) are providing single digit loan to the entrepreneurs since 2009.
✓ Creating employment for almost 31 million people, also giving 75% of household income.
✓ SME is contributing 80%-85% of industrial employment and overall 23% of total employment.
✓ Almost 70%- 80% of non-agricultural employees get employment opportunity from SMEs.
✓ From the last 5 years 20 percent new entrepreneurs have taken initiative for small and medium business

Different private banks and financial institutions are contributing to develop SME sectors. Financial institution like IDLC, IPDC, Lanka Bangla, United Finance etc. Private Banks like IFIC bank, BRAC bank, Pubali bank, Dhaka Bank, Standard Chartered bank, Islami Bank Bangladesh etc. Many government banks are also providing these facilities. Like Janata Bank is promoting SMEs by funded a good amount of money. Their projects are:

1. Small enterprise development projects
2. Investment facility for small enterprises.
Growth in manufacturing sector of Bangladesh:

(In croreTk)

<table>
<thead>
<tr>
<th>Industry</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small &amp; Cottage</td>
<td>200039.5</td>
<td>21176.0</td>
<td>22569.1</td>
<td>24557.9</td>
<td>26179.8</td>
</tr>
<tr>
<td></td>
<td>(8.17)</td>
<td>(5.67)</td>
<td>(6.58)</td>
<td>(8.81)</td>
<td>(6.60)</td>
</tr>
<tr>
<td>Medium-Large</td>
<td>79631.4</td>
<td>88475.3</td>
<td>97998.3</td>
<td>108436.2</td>
<td>118364</td>
</tr>
<tr>
<td></td>
<td>(6.27)</td>
<td>(11.11)</td>
<td>(10.76)</td>
<td>(10.65)</td>
<td>(9.16)</td>
</tr>
<tr>
<td>Total</td>
<td>99670.9</td>
<td>109651.4</td>
<td>120567.4</td>
<td>132994.1</td>
<td>144543.8</td>
</tr>
<tr>
<td></td>
<td>(6.65)</td>
<td>(10.01)</td>
<td>(9.96)</td>
<td>(10.31)</td>
<td>(8.68)</td>
</tr>
</tbody>
</table>

Source: Bangladesh Bureau of Statistics

Role of SMEs in Different Aspects of Business:

<table>
<thead>
<tr>
<th>Aspects</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Gross Domestic Products</td>
<td>25%</td>
</tr>
<tr>
<td>Total Labor Force</td>
<td>25%</td>
</tr>
<tr>
<td>Industrial Job</td>
<td>85%</td>
</tr>
<tr>
<td>Gross Manufacturing Output</td>
<td>40%</td>
</tr>
<tr>
<td>Percent Of Business</td>
<td>Over 95%</td>
</tr>
<tr>
<td>Total Exporting Earnings</td>
<td>89%</td>
</tr>
<tr>
<td>Absorbed Industrial Workers</td>
<td>70 to 80%</td>
</tr>
</tbody>
</table>

Source: Statistics and Information Division, 2016

Overall the SME is contributing a lot in Bangladesh. Creating employments, producing machines, parts of machines; these all are saving a large amount of foreign currency. For the development of our country we should emphasize on SMEs sectors to increase foreign trade as well as industry base. SMEs are producing different incentive goods like, toys, small tools, consumer products, paper items for local market. This sector is creating opportunities for investment. If the industries are developed then the investment opportunities will increase. IN Export sector SMEs has obtained momentum in last couple of years.
Not only Bangladesh, if we see the Asia’s different countries we will have a clear idea about the contributions of SMEs;

**Percent of Enterprises in ASIA:**

<table>
<thead>
<tr>
<th>Countries</th>
<th>Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>97.3%</td>
</tr>
<tr>
<td>China</td>
<td>97.3%</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>97.5%</td>
</tr>
<tr>
<td>Singapore</td>
<td>99.4%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>97.7%</td>
</tr>
<tr>
<td>Japan</td>
<td>99.7%</td>
</tr>
</tbody>
</table>

**SME Financing by IDLC:**

**SME financing procedures/ policies of IDLC:**

**Approval Authority:**

There are some authorities who can approve the loan. Loan Approval varies from authority to authority. Board of Director has the highest authority to approve loan. IDLC’s Authorities are:

<table>
<thead>
<tr>
<th>Authorities</th>
<th>Amount</th>
<th>Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board of Director</strong></td>
<td>Exposure more than BDT 250 million</td>
<td>New &amp; Existing Clients</td>
</tr>
<tr>
<td><strong>Executive Committee</strong></td>
<td>Exposure more than BDT 50 million to 250 million</td>
<td>New &amp; Existing Clients</td>
</tr>
<tr>
<td><strong>CEO &amp; Managing Director</strong></td>
<td>Up to 50 million</td>
<td>New clients</td>
</tr>
<tr>
<td></td>
<td>Up to 70 million</td>
<td>Existing clients.</td>
</tr>
</tbody>
</table>
Loan criteria for clients:

These are the criteria for the IDLC’s clients. These criteria must be ensured by the clients to get loan from IDLC.

1. Client has to be in reputed business arena.
2. Client has diversified business.
3. Client should be treated as good borrower by sanctioning authority.

Other Issues:

1. If there is 3rd party mortgage, Personal guarantor of owner is necessary.
2. Personal guarantors have to be supported by Personal Net Worth (PNW). And it should be up to date.
3. If it is cash security, cash must be collected before disbursement of loan.
4. In case of security mortgage should be taken.

Security Coverage:

For any secured loan securities is must. From loan to loan securities vary. Loan amount is also dependent on the security mortgage. IDLC takes different securities for their secured loan. These are:

<table>
<thead>
<tr>
<th>Collateral</th>
<th>Security Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>80% of Market value</td>
</tr>
<tr>
<td>Building</td>
<td>50% of market value</td>
</tr>
<tr>
<td>Vehicle</td>
<td>Within down value</td>
</tr>
<tr>
<td>Share</td>
<td>50% market value or face value; which is lower.</td>
</tr>
<tr>
<td>cash security on FDR</td>
<td>100%</td>
</tr>
</tbody>
</table>
Credit Evaluation Committee Rights:

✓ Approve the appraisal reports as per the term & conditions. If the approval authority is not CEO, then with recommendations the appraisal handover to the next approved authorities.
✓ Request for additional information.
✓ Request for evidence regarding the information.
✓ Suggest to change or increase the security
✓ Change the loan amount
✓ Suggest the equity participations of clients.
✓ Suggest to provide additional guarantors
✓ Decline a financial proposal by its risk management.
4.7 Official Ranking in SME:

Figure 15: Official Ranking in SME

Source: Internal Data Source
4.8. SME Products of IDLC:

In a growing market, SMEs have great influence in overall economy. For this, different Banks & Financial Institutions are providing various loans to small and medium enterprises. IDLC is one of them. For the SMEs loan, IDLC treated as the best option for taking the service. Now they are market leaders in this sector. The loan is made for service, manufacturing & for small companies.

Why IDLC are in leading position:

- Their TAT (Turn around Time) is very lower. It says that they can disburse their loan within 7 days.
- A dedicated relationship manager for customers.

Most Banks & Financial Institutions take time to disburse the loan.

IDLC’s SME loan features:

Features of the loan:

- Loan term:

Loan Amount Limitation:

- BDT 5 lakh to 2 crore.

Client Eligibility:

- Applicant has to be 2 years’ experience in business sector.
- Business must be in running process.

Required Documents:

- Trade license of the Business (for last 1 year)
- Tin Number.
- Business details.
- Financial report (Annual report of the company)
- Bank transaction (for last 1 year)
- Assets legal information
- Guarantors’ information for secured loan.
✓ National ID card, Photo (passport size)

**SME Term Loan/ Business loan:**
This is also called working capital loan. For the purchasing of fixed assets to expand the business, this loan is appropriate.

**Purpose:**
- ✓ Working capital.
- ✓ Financing for lease
- ✓ Purchasing of fixed asset.

**Features:**
- ✓ Loan Limit: It is up to Tk 2 crore.
- ✓ Tenure: Minimum 13 months to 60 months
- ✓ Loan without collateral: financing can be provided up to 25 lac.
- ✓ Repayment system: They offer convenient repayment system.
  - Fixed monthly instalment
  - Customized instalment.
- ✓ Loan processing is very fast.

**Eligibility:**
- ✓ **Age:** It’s between 20 to 60 years.
- ✓ **Experience:** The business must be operating for 2 years.

**Necessary Documents:**
- ✓ TIN certificate.
- ✓ Last 1 year bank transaction statement.
- ✓ Proper evidence for assets
- ✓ Trade license
**IDLC Purnota Loan:**

IDLC Purnota loan is invented specially for the women entrepreneurs to finance them. For small or medium businesses this loan is preferable.

**Loan Amount:**

- Minimum = BDT 3 lac
- Maximum = BDT 25 lac (For unsecured loan)

**Features:**

- **Tenure:** 13 months to 60 months
- Based on business cash flow, flexible repayment is considered.
- At 9% interest scheme loans can be provided up to BDT 50 lac by the reference of Bangladesh bank

**Eligibility:**

- **Age:** minimum 20 & maximum 60 years.
- Minimum one year business experience.

**Coverage:**

- BDT 1 lac to 10 lac

**Various benefits of IDLC Purnota:**

IDLC Purnota clients will get different non-financial helps for the growth of the client’s business. These are:

- **Business Facilitation service:**

To get regulatory license & documents IDLC helps to collect those. They are provided many guidelines to get the documents as early as possible without any problem. There are different types of documents are need like; TIN Certification, Trade license, Environmental certification, Import Realization certificate (IRC), BSTI certificate etc.
- **Purnota Helpline:**

To get information & guidance for any topic Purnota Helpline will provide the service. There are different types of information that client need like; business loan, Purnota loan, Training schedules, banking systems, bookkeeping and accounts, deposit related information, loan information etc.

- **Purnota Training Centre:**

There are 2 trainings in Purnota training centre. One is Capacity & skill development; another is Management & vocational training. There are other trainings:

Ex- Working capital management, book keeping, production management etc.

- **Purnota Insurance:**

To prevent the losses in business Purnota Insurance provide insurance. Losses that are connected to individual or family business will be mitigated by the insurance. Different risks are accidental death, Injury, physical injuries.

- **Punta Club:**

In this club the women entrepreneurs talk to each other and discuss about skills, experiences and skills. From this club a network creates among all of them.

**ABASHAN Loan:**

To utilize the unused property, land or buildings for industrial areas workers; this is possibly the best opportunity. By taking the IDLC Abashan loan anyone can take the opportunity. This loan is also created for the small businesses. The places that already have permanent structure or construct for commercial rent. It is also called mess rent. Normally these places are near by the EPZs or industrial areas.

Loan amount:

- ✓ Up to 2 crores.
- ✓ Without any collateral: BDT 15 lacs.
**Features:**

- This service is fast and has quality service.
- Repayment system: Equal Monthly instalments (EMI).
- If applicants have another loan from other institution they can also get the loan.

**Eligibility:**

- Minimum 1 year business experience is mandatory for the entrepreneurs.
- Business must be running and at least 1 year operating experience.

**COMMERCIAL VEHICLE FINANCING:**

For the business purpose we need vehicles. To meet the expectation and fast the business process the Commercial Vehicle Financing have designed to help the business.

**People can take this loan for:**

- Procurement of passenger vehicles and
- Transpiration vehicles for the business.

**Features:**

- Loan limit: up to 80 percent price of the transport / vehicle.
- Tenure: Maximum 5 years

**Eligibility:**

- The business must be running and also have 2 years of business experience.
- Age: Minimum 20 years to 60 years.

**REVOLVING SHORT TERM LOAN (RSTL):**

To meet daily small term demands of business. The appropriate loan. It is also called working capital loan. The main feature of this loan is, it can be sanctioned one or multiple dropdows. But the payback system is according to business cash cycle.
Features:

✓ Loan limit: up to taka 1 crore.
✓ Tenure: up to 1 year.
✓ Based on business cash flow the flexible payment system maintained.
✓ Based on the needs IDLC fixed the disbursement methods.
✓ Drawdown’s is unlimited within the full contract period

Eligibility:

✓ Clients must have 3 years of business experiences
✓ Age: 30 – 60 years.

PARTIALLY SECURED LOAN:
To meet the business demand of fixed asset & working capital.

Features:

✓ Loan limit: up to 1 crore.
✓ Tenure: 13 – 60 months.
✓ Based on business cash flow the flexible payment system maintained.

Eligibility:

Eligibility:

✓ Clients must have 2 years of business experiences
✓ Age: 20 – 60 years.

IDLC STARTUP LOAN:
To start a new business with new idea. IDLC is always ready to help these entrepreneurs. Today’s risk is tomorrow’s gain. To cheese the ambitions entrepreneurs need capital in an easiest way. IDLC would be the best option.
Purpose:

✓ To finance the new business
✓ To accelerate the new business.

Features:

✓ Loan limit: up to 25 lac.
✓ Tenure: up to 5 years.
✓ Grace period: 3 - 6 months
✓ Repayment procedure: Structure or EMI method.
✓ Fast loan processing.
✓ To ensure fast processing IDLC have committed service team.

Eligibility:

✓ Experience: Less than 3 years.
✓ Age: 18 – 45 years.
✓ No previous experience in ownership business.
✓ No previous borrowing.

IDLC UDBHABON:

With the tagline of ‘Finance your digital dream’ IDLC finance come up with IDLC UDBHABON. Here they provide loan to ICT dreamers to speed up their business in association with Basis.

Features:

✓ Loan amount: Minimum taka 5 lacs.
✓ Unsecured: up to taka 25 lacs.
✓ Partially secured: up to taka 1 crore.
✓ Tenure: 13 to 60 months.
✓ Repayment system: EMI
✓ Basis members will get special benefits.
Eligibility:

- Age: 20 years to 60 years.
- 2 years of running business operations.

**Lease Loans:**

**Lease Financing:**

- To purchase the new machine this loan is appropriate. The security is backed by the new asset.
- Up to 100 costs IDLC provides extended financial facility.
- Finance Term: 2 - 5 years.
- In the whole period the ownership remains to IDLC, after the end of the period it will be transferred to their client.

**Sale & Lease Back:**

- It offers financing against the existing/ current asset. Like office equipment, commercial equipment, vehicle etc.
- In the whole period the ownership remains to IDLC, after the end of the period it will be transferred to their client.
- Finance Term: 2 - 5 years.
- Payment Method: EMI
4.9. LOAN PROCESS FLOW CHART:

1. **Application For loan:**
   - Here the clients will fill up a application form.

2. **Business People/ Relationship Manager:**
   - They primarily contact with client. And make appraisal report.

3. **Credit risk management (SEF) department**
   - Analyse the appraisal report & compliance with credit policy of IDLC

4. **Analyse:**
   - CIB (Credit Information Bureau) report and bank opinion, analysis of financial statement, verification of financial projections, determine risks.

5. **Client Visit:**
   - Credit Analysts then visit the clients business physically.

6. **Approval:**
   - If all things are ok & have low risk then the approval authority approve the loan.

7. **Legal (operation) Department**
   - After the approval; then it goes to legal department for further verification of documents.

**Figure 16:** Loan process chart of IDLC

**Source:** Internal Data Source (Credit Policy)
Chapter 5

Comparative analysis
5. Ratio Analysis:

Here I am compare three leading NBFI companies IDLC, LankaBangla & IPDC finance ratio. I collected five years (2013 to 2017) financial statement of the three companies. I tried to find out the which companies was better in those years.

5.1 Profitability Ratio:

5.1.1. Return on Asset:

<table>
<thead>
<tr>
<th>ROA (Return on Asset)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDLC</td>
<td>1.33%</td>
<td>2.11%</td>
<td>1.99%</td>
<td>2.24%</td>
<td>2.35%</td>
</tr>
<tr>
<td>LankaBangla</td>
<td>2.98%</td>
<td>1.16%</td>
<td>0.83%</td>
<td>1.24%</td>
<td>2.25%</td>
</tr>
<tr>
<td>IPDC</td>
<td>1.83%</td>
<td>2.02%</td>
<td>1.06%</td>
<td>0.77%</td>
<td>0.85%</td>
</tr>
</tbody>
</table>

Table: Return on Asset

![ROA Graph](image)

**Figure 17: Return on Asset**

**Formula:** \( \text{Return on Asset} = \frac{\text{Net Income}}{\text{Average Total Assets}} \)

**Interpretation:** ROA actually shows, by utilizing the total asset how much net income financial institution can generate. In 2017 IDLC had 2.35% ROA. It means that they are getting 2.35 tk by utilizing its asset 100 tk. Where Lankabangla and IPDC ROA was 2.25% & 0.85%. In 2013 Lanka Bangla & IPDC was in better position than the IDLC. But by the time IDLC is doing better and better. In 2014, 2015, 2016 all these years IDLC had good ROA. The reason behind that
IDLC has balanced operating income & operating expenses. So the net income after tax is high. That’s why IDLC is in better position.

5.1.2 Return on Equity:

<table>
<thead>
<tr>
<th>ROE(Return on Equity)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDLC</td>
<td>12.48%</td>
<td>19.08%</td>
<td>18.74%</td>
<td>19.92%</td>
<td>17.86%</td>
</tr>
<tr>
<td>LankaBangla</td>
<td>13.96%</td>
<td>6.54%</td>
<td>6.72%</td>
<td>11.90%</td>
<td>23.13%</td>
</tr>
<tr>
<td>IPDC</td>
<td>7.00%</td>
<td>7.00%</td>
<td>10.00%</td>
<td>11.00%</td>
<td>11.00%</td>
</tr>
</tbody>
</table>

Table: Return on Equity

**Figure 18:** Return on Equity

**Formula:**

\[
\text{Return on Equity} = \frac{\text{Net Income}}{\text{Shareholders' equity}}
\]

**Interpretation:** ROE actually shows, by utilizing the total shareholders’ equity how much net income financial institution can generate. In 2017 the ROE of IDLC was 17.86%. It means that they are getting 17.86 tk by utilizing 100 shareholders’ equity. Here we are seeing that Lankabangla is in fluctuation position. Though in 2013 IDLC and Lankabangla was in almost similar position. But year after year Lankabangla’s ROE was going down. IPDC ROE was increase year after year but the here IDLC &LankaBangla were better than IPDC.
Here we can say that IDLC is using shareholders’ equity in a balanced way. Though in 2017 ratio went little bit down. In 2017 Lankabangla grab the peak position. They are taking some new strategy to grow it up.

5.1.3 Net Interest Margin:

<table>
<thead>
<tr>
<th>NIM(Net Interest Margin)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDLC</td>
<td>4.26%</td>
<td>5.07%</td>
<td>4.80%</td>
<td>4.85%</td>
<td>4.29%</td>
</tr>
<tr>
<td>LankaBangla</td>
<td>2.56%</td>
<td>2.50%</td>
<td>2.25%</td>
<td>2.80%</td>
<td>2.77%</td>
</tr>
<tr>
<td>IPDC</td>
<td>0.87%</td>
<td>5.84%</td>
<td>5.62%</td>
<td>2.94%</td>
<td>2.82%</td>
</tr>
</tbody>
</table>

Table: Net Interest Margin

**Figure 19: Net Interest Margin**

**Formula:** \[ \text{Net Interest Margin} = \frac{\text{Investment Income} - \text{Interest Expenses}}{\text{Average Earning Assets}} \]

**Interpretation:** NIM actually shows, by the investment operations how much money company is generating. It shows as % (percentage) of total amount of investment assets. In 2017 IDLC had 4.29% NIM. It means by investing 100 tk earning asset IDLC is getting 4.29 tk. In this NIM ration IDLC is always better than the Lankabangla Finance. Lankabangla had 2.77% where IDLC had 4.29%. But IPDC NIM was fluctuated. In 2013 it was very low but in 2014 & 2015 it
was similar to IDLC but recent year it was decreased. But it was better than LankaBangla. By seeing the graph we can see the position of IDLC. The reason behind that IDLC is investing in profitable sectors than lankabangla. That’s why the figure shows that in NIM ratio IDLC is better than the lankabangla.

5.2 Financial leverage ratio:

5.2.1 Equity Multiplier:

<table>
<thead>
<tr>
<th>EM (Equity Multiplier)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDLC</td>
<td>9.40</td>
<td>9.03</td>
<td>9.43</td>
<td>8.88</td>
<td>7.60</td>
</tr>
<tr>
<td>LankaBangla</td>
<td>4.69</td>
<td>5.63</td>
<td>8.06</td>
<td>9.56</td>
<td>10.26</td>
</tr>
<tr>
<td>IPDC</td>
<td>17.22</td>
<td>3.38</td>
<td>3.31</td>
<td>8.14</td>
<td>12.63</td>
</tr>
</tbody>
</table>

Table: Equity Multiplier

**Figure 20: Equity Multiplier**

**Formula:** Equity Multiplier = \( \frac{\text{Total Assets}}{\text{Total Shareholders} \times \text{Equity}} \)

**Interpretation:** EM actually shows the % (percentage) of assets which is owned or financed by shareholders. It explains about the financial leverage. In 2013 the EM was 9.40. 2013 to 2016 it the EM increased. It means that IDLC bought asset by taking loan which is more than equity. So the result is not good here. Because that will increase the interest burden of IDLC finance Ltd. And the risk is also high. But from 2016 IDLC is try to reduce this statement. And try to
minimize their risks. IDLC is trying to use own equity to purchase assets. But LankaBangla was better EM. LankaBangla purchase their asset by their own equity. On the other hand IPDC in 2013 was high EM. Its means they take loan to buy asset. In 2014 and 2015 they decrease their EM but 2016 & 2017 they increase their EM. Its means they take more loan.

5.3 Efficiency Ratio:

<table>
<thead>
<tr>
<th>ER (Efficiency Ratio)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDLC</td>
<td>45.05%</td>
<td>40.02%</td>
<td>35.92%</td>
<td>37.97%</td>
<td>37.19%</td>
</tr>
<tr>
<td>LankaBangla</td>
<td>40.22%</td>
<td>62.16%</td>
<td>63.92%</td>
<td>59.89%</td>
<td>51.95%</td>
</tr>
<tr>
<td>IPDC</td>
<td>32.03%</td>
<td>31.82%</td>
<td>30.28%</td>
<td>40.38%</td>
<td>45.99%</td>
</tr>
</tbody>
</table>

Table: Efficiency Ratio

Figure 21: Efficiency Ratio

**Formula:** Efficiency Ratio = \( \frac{\text{Expenses}}{\text{Revenue}} \)

**Interpretation:** Efficiency Ratio actually explain that the total overhead cost to get revenue in percentage form. In 2017 the efficiency ratio of IDLC was 37.19%. That means to get revenue IDLC expense is 37.19%. In overall situation IDLC is in balanced way. Where lankabangla’s expense is far higher to get revenue. So IDLC has good efficiency to utilize money to get revenue. Overall lankabangla is failed to reduce their operating expenses. Where IDLC doing
this efficiently. Here IPDC also better than LankaBangla. Because they also maintain their operating cost.

5.4 Loan Ratio:

<table>
<thead>
<tr>
<th>LR (Loan Ratio)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDLC</td>
<td>81.19%</td>
<td>79.88%</td>
<td>75.19%</td>
<td>78.46%</td>
<td>74.72%</td>
</tr>
<tr>
<td>LankaBangla</td>
<td>77.47%</td>
<td>77.68%</td>
<td>82.90%</td>
<td>80.15%</td>
<td>77.88%</td>
</tr>
<tr>
<td>IPDC</td>
<td>16.15%</td>
<td>73.31%</td>
<td>78.22%</td>
<td>86.29%</td>
<td>87.73%</td>
</tr>
</tbody>
</table>

Table: Loan Ratio

**Formula:** Loan Ratio: \( \frac{\text{Loan and advances}}{\text{Total Assets}} \)

**Interpretation:** Loan Ratio actually explains that how much assets are in 3rd party’s hand. In 2017 IDLC’s Loan ratio was 74.72%. That shows that, they have 74.72 taka loan out of 100 taka asset. That is not much good. But if we consider the last couple of years it was more except 2015. On the other hand LankaBangla is in bad position. In 2015, 2016 the ratio was 82.90 & 80.15 percent. Now it is 77.88%. This is near to IDLC. But IDLC is tried to decrease this
situation. Here IPDC was very good position in 2013 but recent year their loan ratio was very high.

Overall this situation is little bit alarming for three of the company.

5.4 Earnings Per Share

<table>
<thead>
<tr>
<th>EPS</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDLC</td>
<td>4.16</td>
<td>6.19</td>
<td>5.18</td>
<td>7.08</td>
<td>6.13</td>
</tr>
<tr>
<td>LankaBangla</td>
<td>4.58</td>
<td>2.08</td>
<td>1.75</td>
<td>2.88</td>
<td>5.97</td>
</tr>
<tr>
<td>IPDC</td>
<td>1.36</td>
<td>1.44</td>
<td>1.90</td>
<td>2.00</td>
<td>1.85</td>
</tr>
</tbody>
</table>

Table: EPS

![Earnings Per Share](image)

**Figure 23: EPS**

**Implication:** EPS shows that how much profit allocated to each share. Here we see that IDLC was provided better EPS then LankaBangla& IPDC Finance. Every year IDLC was increasing their EPS. In 2013 LankaBangla was almost same to IDLC but in 2014 & 2015 they decrease their EPS. Its means LankaBangla net income was decreased. On the other hand, IPDC was maintaining a same EPS every year. But it was lower than IDLC & LankaBangla.
Chapter 6

Recommendation & Conclusion
6.1. Recommendations:
The importance of SME is growing very high day by day. By this sector countries economy is increasing faster. In recent calculation SME contributes almost 25 percent of the total GDP. It is also reducing the unemployment by creating new employments. The contribution of the SME sector is enormous. IDLC, IPDC & LankaBangla the three companies are very good in finance industries. But the ratio indicates that IDLC little batter then the IPDC & LankaBangla in some situation. So if IDLC wants to number one finance company they should improve some areas.

✓ IDLC requires more market research to serve new services or product according to clients’ requirement.
✓ For the agro financing purpose IDLC should make a new service or loan scheme. Where Lankabangla is providing ‘Swarnaloi Loan’ for the agro financing.
✓ To provide the information about SME loan, IDLC should conduct different seminars or workshop in district level or rural areas.
✓ It is important to conduct some programs to provide clear information about the requirements of loan. By this the customer will understand while they will take loan.
✓ For the urgent file they should response faster.
✓ There can be some program for interns like skill development.
✓ There are some bugs in internal database software. They need to focus on it. By this the error problem will be lower.
✓ The demand of SME loan is increasing day by day. In future they might need different new products. Management should concern about it.
✓ They should concern about their operating expenses in order to maximise their profit.
✓ ROE has little bit decrease in 2017. So they should concern about this. By this the profitability will high.
✓ Data entry process should be faster.
✓ Services of loan requisition process need to be more flexible. By this they can serve more people.
✓ To mitigate the risk they should invest in diversified portfolio.
✓ When the loan application comes more and more, sometimes it’s difficult for the credit analyst to analyse timely. So the manpower should be increased. Departments need to concern about it.
Conclusion:
We know the role and importance of SME sector to develop the country’s economies enormous. That’s way the demand of SME is increasing rapidly. One countries economic flow can be change by this sector. Bangladesh is a place where there are enormous opportunities for short & medium business. As the lacking of jobs, people are trying start their own business. By this, it is beneficiary for the country. Because the unemployment rate reduces by the blessings of SME sectors.

As the demand is increasing the loan against this sector is also increasing. To start the business entrepreneurs need capital and to help the enthusiast entrepreneurs’ banks& non-banks are always ready to provide their service. IDLC is one of them to help the SMEs. They have different types of services according the demand of clients.

IDLC finance is holding the leading position now in Bangladesh for their services. Their activity and services are so fast. Their ‘Turnaround Time’ is less than any other organizations. They are also involved in different CSR activities. By this they are helping many people in rural as well as urban people to develop the society. That’s why they are the market leader. They should continue their progress to help the SMEs and the economy of Bangladesh.
Chapter 7

Bibliography
7.1. References:

7.2. Appendix: SME Appraisal report:

[Image of the document]
SBM Division

JDAC Finance Ltd.

Appraisal Report, Small Business Financing

Short Name: | Nature:
--- | ---
n/a | n/a

- High competition prevails in the market it serves.
- Successor planning of the business is not clear.
- The client does not have any personal net worth in Shaka. Though the shop he is operating is a destination owned.
- The client has significant accounts receivables in the market, some of which might become bad.

- Cheque Dishonored during loan tenure: 0.00
- Maximum MOP with ILIC: 0.00

- Successor Plan: No
- Relationship: n/a

Strengths & Features

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Investment in the Business</td>
<td>BD 35,411,000</td>
</tr>
<tr>
<td>Fixed Asset (Excluding Land &amp; Building)</td>
<td>BD 446,000</td>
</tr>
<tr>
<td>Equity Investment</td>
<td>BD 31,793,214</td>
</tr>
<tr>
<td>Debt Service Coverage Ratio</td>
<td>1.76</td>
</tr>
<tr>
<td>Liability to Equity (after availing the loan)</td>
<td>0.18</td>
</tr>
<tr>
<td>Bank Transaction (%)</td>
<td>0.7</td>
</tr>
<tr>
<td>Security Coverage (%)</td>
<td>0.1</td>
</tr>
<tr>
<td>Risk Profile Score</td>
<td>Approve</td>
</tr>
</tbody>
</table>

Financial Indicators

- Additional Monthly Earnings (verified from marketing end): BD 0
- Residential Status: Permanent
- Market Feedback & Reputation: Excellent
- Payment Performance with ILIC: Excellent
- Previous Experience with other FI’s: Very Good
- Location Advantage: Suitable
- Deposition of Rental/Possession Deed: n/a

- Total Net Worth: One apartment at Gorna, Khilgaon, possession owned showroom at Khan Market, Newalpur and 33 decimal land at Cox's Bazar.

- Other Strengths of the proposal (If Any):
  - Very impressive track record.
  - Excellent repayment track record.
  - Equity investment is more than 31.5%

Material Change in Business (abnormal business growth or decline):

- The client has procured an additional godown after our financing.
- Sales have increased by 80% since our last financing.
- Bank transaction has decreased but cash remittance has increased.

Material Change in Security (security charge or PG change):

- One third-party PG has been changed. We have taken PG of Mr. Monir Hossain, instead of Mr. Mohshuddin Ahmed.

4. Market Feedback

<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
<th>Relation</th>
<th>Years of Relationship</th>
<th>Feedback Type</th>
<th>Remarks &amp; Contact No. (Optional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gray Electric</td>
<td>Dhaka</td>
<td>Customer</td>
<td>10</td>
<td>Excellent</td>
<td>01912903573</td>
</tr>
<tr>
<td>Global Electric House</td>
<td>Morig</td>
<td>Customer</td>
<td>10</td>
<td>Very Good</td>
<td>01616743426</td>
</tr>
<tr>
<td>New Jersey Electronic</td>
<td>Sylhet</td>
<td>Customer</td>
<td>14</td>
<td>Very Good</td>
<td>01912229988</td>
</tr>
</tbody>
</table>

Considering all of the above, we may exercise the proposal.

Prepared by: [Signature]