

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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Letter of Transmittal

04th August, 2018

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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 started 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 data 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)
3. Annual reports of LankaBangla 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), Sadharan Bima Corporation and The City Bank Limited, Bangladesh Limited.

IDLC AT A GLANCE



38 BRANCHES ACROSS THE COUNTRY



WIDE RANGE OF FINANCIAL
PRODUCTS AND SERVICES



CAPITAL MARKET INVESTMENT
PRODUCTS AND SERVICES THROUGH
SUBSIDIARIES



MORE THAN 1400 EMPLOYEES

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;

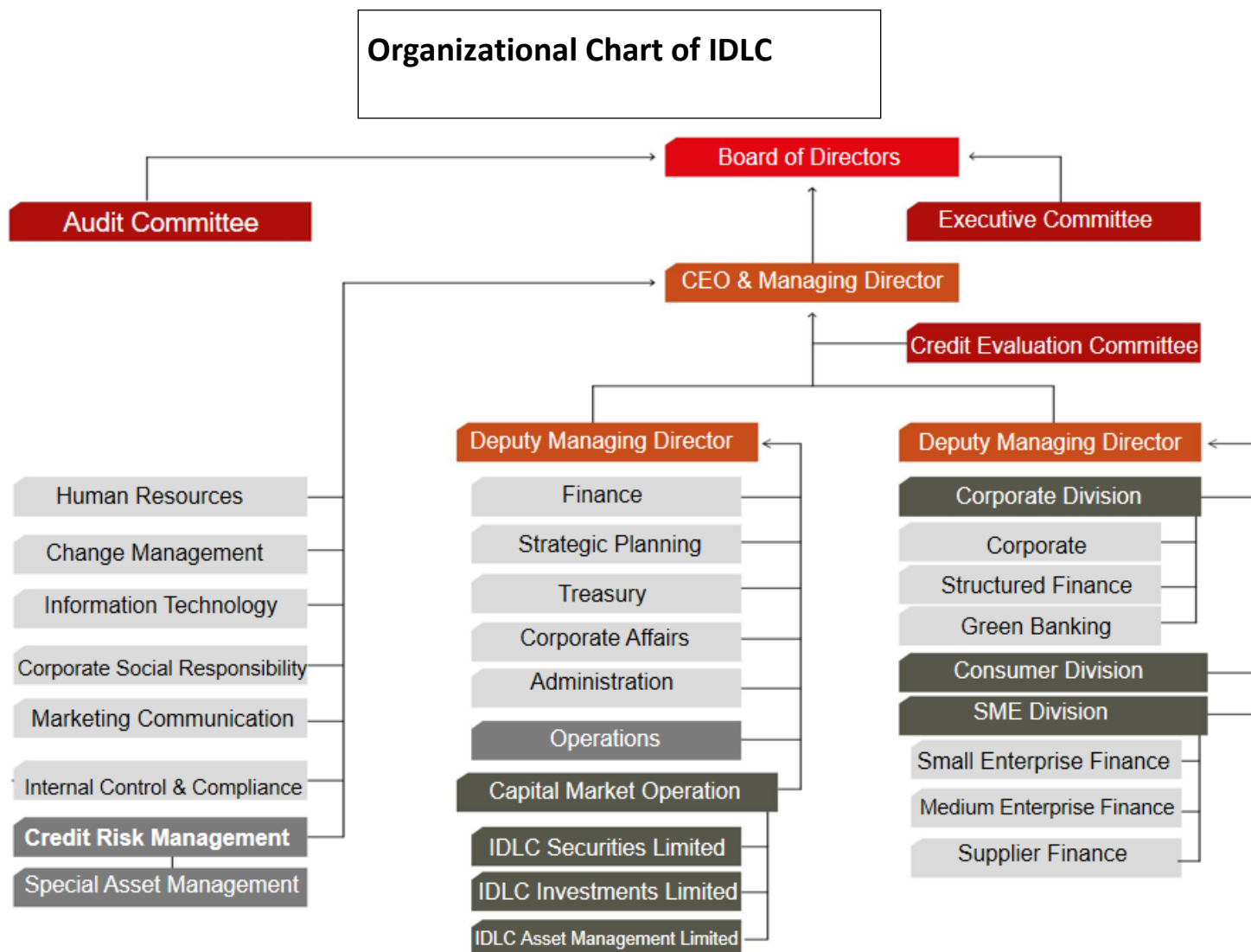
- ✓ Equal Opportunity
- ✓ Integrity
- ✓ Customer Focus
- ✓ Trust and respect
- ✓ Passion
- ✓ Eco- Friendly
- ✓ Simplicity

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 control 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.

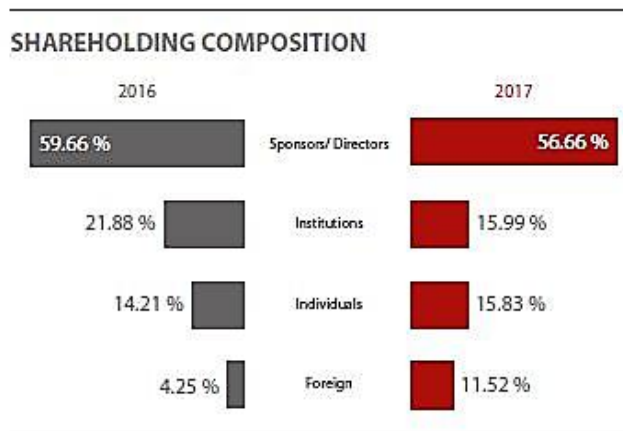
- ✓ Employees need to do their work with integrity dignity & competence. They also need to follow ethical manner when they deal with customers, colleagues or public.
- ✓ They need to have knowledge to perform with applicable rules and laws.
- ✓ Employees need to encourage others to have professional 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]

Sl. No.	Name of Shareholders	Number of shares	% of total Shares
1	SPONSORS/DIRECTORS		
	The City Bank Limited (CBL) and Its subsidiaries	87,510,575	23.21
	The City Bank Limited (CBL)	33,935,329	9.00
	City Bank Capital Resources Limited (CBCRL)	37,328,028	9.90
	City Brokerage Limited	16,247,218	4.31
	Transcom Group	50,273,164	13.33
	Eskayef Pharmaceuticals Limited	30,164,062	8.00
	Transcraft Limited	15,132,033	4.01
	Bangladesh Lamps Limited	4,977,069	1.32
	Sadharan Bima Corporation (SBC)	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		
	Institutions:		
	Bangladesh Fund	6,330,000	1.68
	Investment Corporation of Bangladesh (ICB)	5,251,913	1.39
	Marina Apparels Limited	3,770,506	1.00
	Other Institutions	44,930,605	11.92
	Sub-Total	60,283,024	15.99
	Individuals:		
	General Public (Individuals)	59,688,255	15.83
	Sub-Total	59,688,255	15.83
3	FOREIGN		
	Institutions & Individuals	43,436,924	11.52
	Sub-Total	43,436,924	11.52
	Total Holdings	377,050,780	100.00



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:

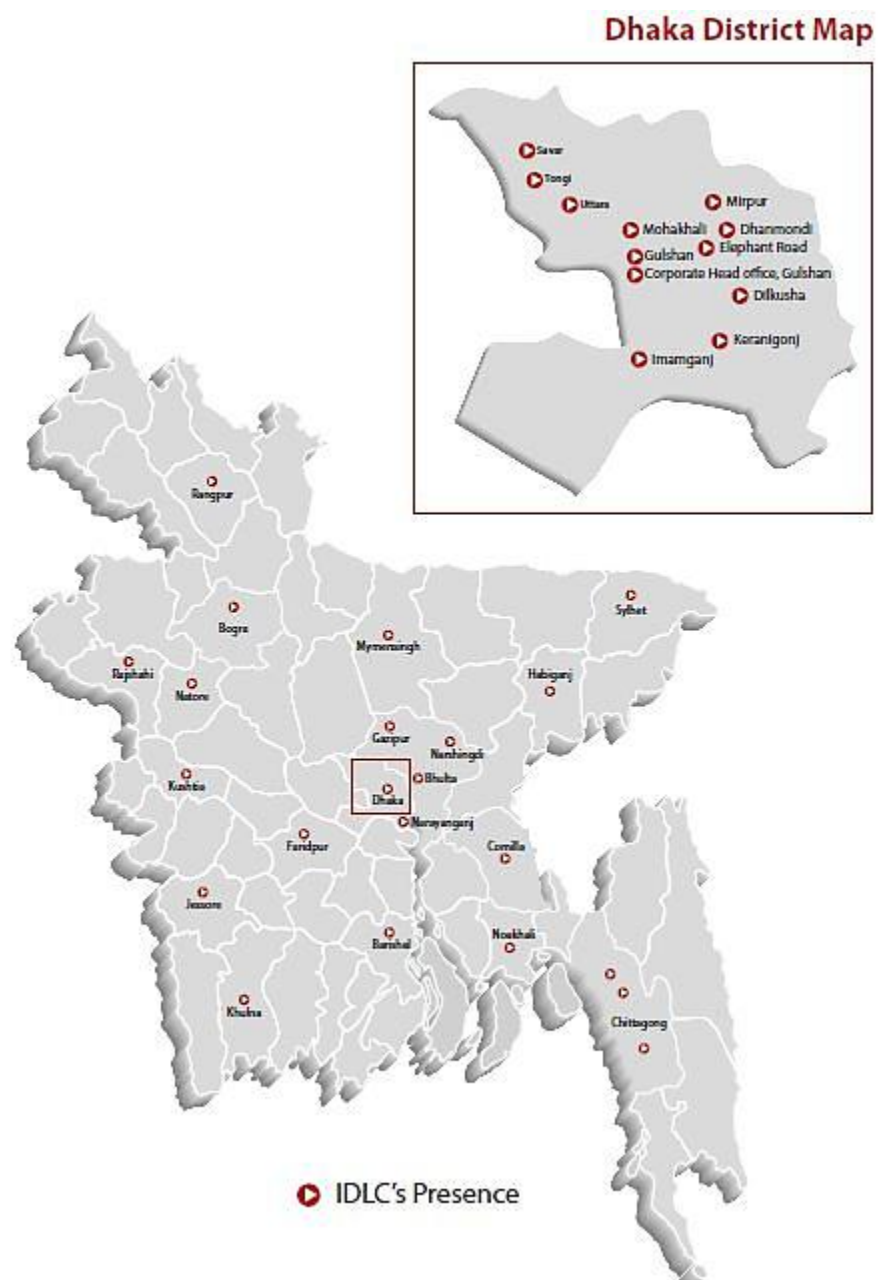
- In this winter IDLC donates warm clothes to ProthomAlo trust.
- By collaborating with Green Saver, IDLC teaches students at Bhulta High School and college about environment.
- IDLC update the ‘Local Cultural Hub At Noakhali’
- To do volunteer works IDLC provides a community platform called ‘**KhushirKheya**’

Some moments:





2.12 Location of Head Office and Different Branches of IDLC:



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,

Saving Facilities

DEPOSIT INTEREST RATE MATRIX				
Product	Term	Amount up to 50 Lacs	50 Lacs < Amount < 1crore	Amount of 1 crore and above
Regular Term Deposit	3-5 months	8.50%	8.75%	9.00%
	6-11 Months	8.75%	9.00%	9.25%
	12-15 Months	9.00%	9.25%	9.50%
	2 years	9.25%	9.50%	9.75%
	3 years and above	9.50%	9.75%	9.75%
500 Days Term Deposit	500 Days	9.00%	9.25%	9.50%
Monthly Earner Deposit	1 Year	9.00%	9.25%	9.50%
	2 years	9.25%	9.50%	9.75%
	3 years and above	9.50%	9.75%	9.75%
Quarterly Earner Deposit	1 Year	9.00%	9.25%	9.50%
	2 years	9.25%	9.50%	9.75%
	3 years and above	9.50%	9.75%	9.75%
Double Money Deposit	7 years 3 months			
Triple Money Deposit	11 years			

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

Interest Rate	Maximum Term	Maximum Age
Fixed	25 years	65 years
Variable	20 years	65 years

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 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. 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. REGISTRA 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 feathers.

3.3. PRE ORDERED CAR LOAN:

PRODUCT FEATURES:

- ✓ Same as New Car Loan feathers.

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).

Service-holders/Professionals	BDT= 40,000
Landlords	BDT= 50,000
Business Person (SME)	BDT= 50,000
Business Person (Corporate)	BDT= 75,000
NRB Service-holders	BDT= 75,000
NRB Business Persons	BDT= 100,000

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 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 curtail contribution. They are playing 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 financial market. Different banks & financial institution are now focusing on the sector. And they are actively concentrating.

4.2. SME definition in Bangladesh:

Types of Industry		Replacement Cost (Excluding Land and Factory building cost)	Number of employees
Small Industry	Manufacturing	BDT 7.5 million to 150 million	31 to 120
	Service	BDT 1 million to 20 million	16 to 50
Medium Industry	Manufacturing	BDT 150 million to 500 million	121 to 300 But for labour/ RMG industries, it is not more than 1000
	Service	BDT 20 million to 300 million	51 to 120

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 & industrialization these types of organizations are working relentlessly. They are also creating new employment opportunity. 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 totalGDP.
- ✓ 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)

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

Source: Bangladesh Bureau of Statistics

Role of SMEs in Different Aspects of Business:

Aspects	Contribution
National Gross Domestic Products	25%
Total Labor Force	25%
Industrial Job	85%
Gross Manufacturing Output	40%
Percent Of Business	Over 95%
Total Exporting Earnings	89%
Absorbed Industrial Workers	70 to 80%

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:

Countries	Enterprises
Malaysia	97.3%
China	97.3%
Kazakhstan	97.5%
Singapore	99.4%
Vietnam	97.7%
Japan	99.7%

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:

Authorities	Amount	Clients
Board of Director	Exposure more than BDT 250million	New & Existing Clients
Executive Committee	Exposure more than BDT 50million to 250 million	New & Existing Clients
CEO & Managing Director	Up to 50 million	New clients
	Up to 70 million	Existing clients.

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:

Collateral	Security Coverage
Land	80% of Market value
Building	50% of market value
Vehicle	Within down value
Share	50% market value or face value; which is lower.
cash security on FDR	100%

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:

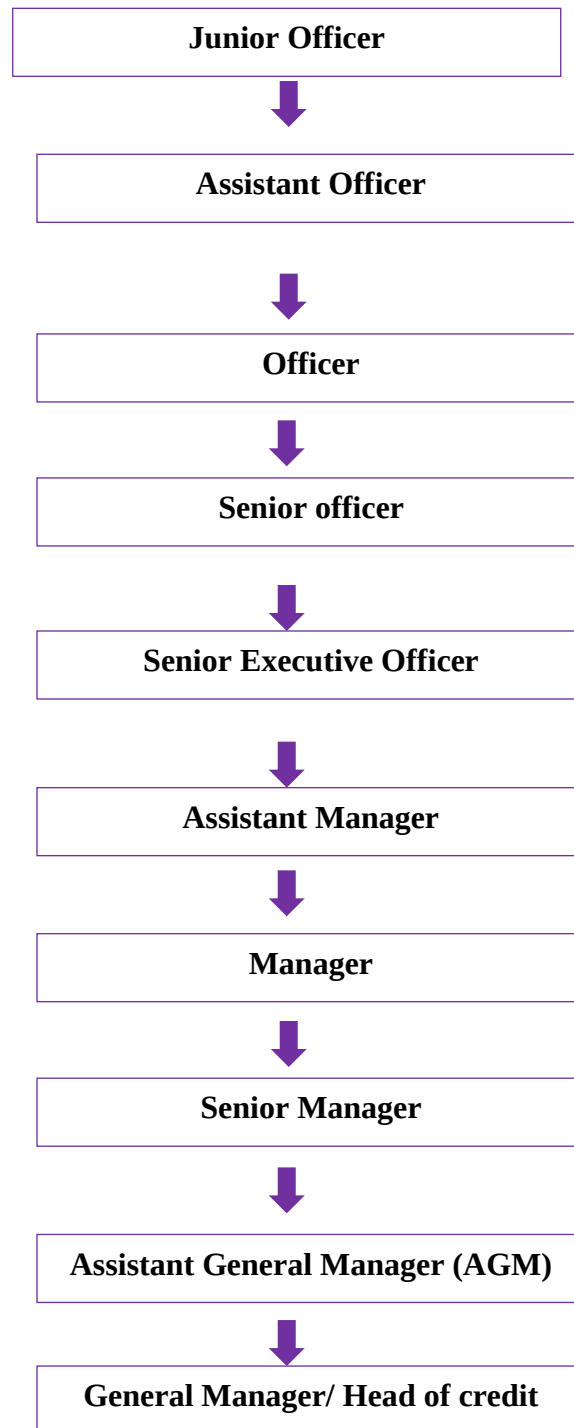


Figure 15:Official Ranking in SME

Source: Internal Data Source

4.8.SME Products of IDLC:

In is 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 leader 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 guide lines 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 forthe 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 dropdowns. 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:

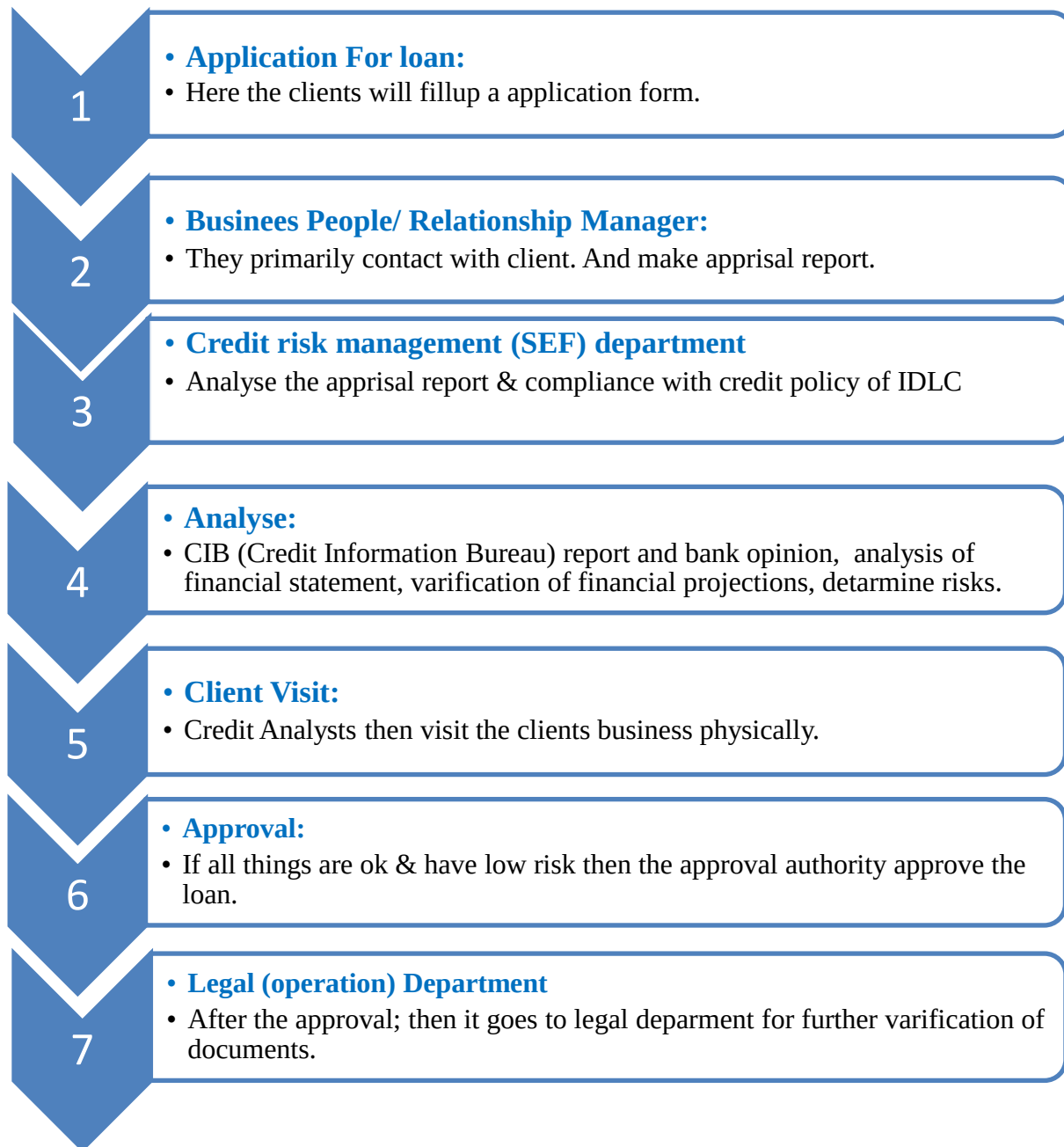


Figure 16: Loan process chart of IDLC

Source:Internal Date 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:

ROA(Return on Asset)	2013	2014	2015	2016	2017
IDLC	1.33%	2.11%	1.99%	2.24%	2.35%
LankaBangla	2.98%	1.16%	0.83%	1.24%	2.25%
IPDC	1.83%	2.02%	1.06%	0.77%	0.85%

Table: Return on Asset

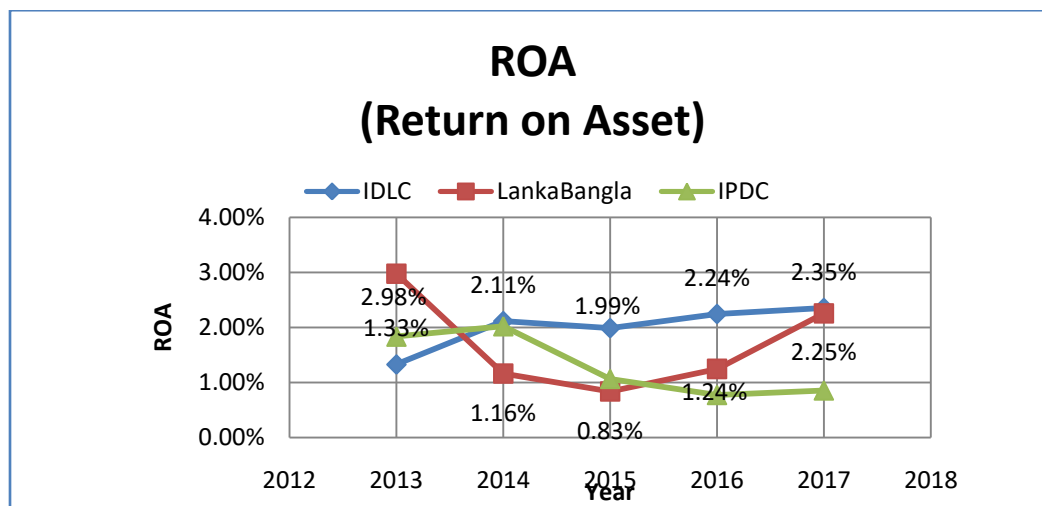


Figure 17: Return on Asset

Formula: 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:

ROE(Return on Equity)	2013	2014	2015	2016	2017
IDLC	12.48%	19.08%	18.74%	19.92%	17.86%
LankaBangla	13.96%	6.54%	6.72%	11.90%	23.13%
IPDC	7.00%	7.00%	10.00%	11.00%	11.00%

Table: Return on Equity

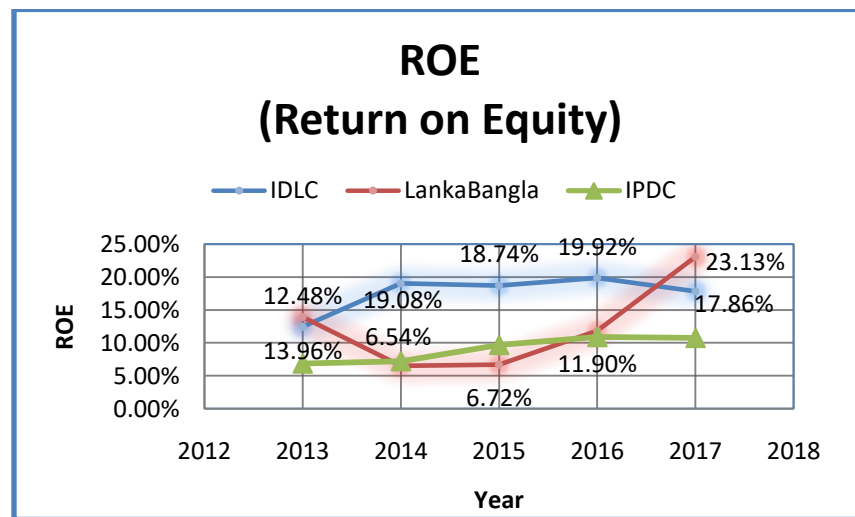


Figure 18: Return on Equity

Formula: 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:

NIM(Net Interest Margin)	2013	2014	2015	2016	2017
IDLC	4.26%	5.07%	4.80%	4.85%	4.29%
LankaBangla	2.56%	2.50%	2.25%	2.80%	2.77%
IPDC	0.87%	5.84%	5.62%	2.94%	2.82%

Table: Net Interest Margin

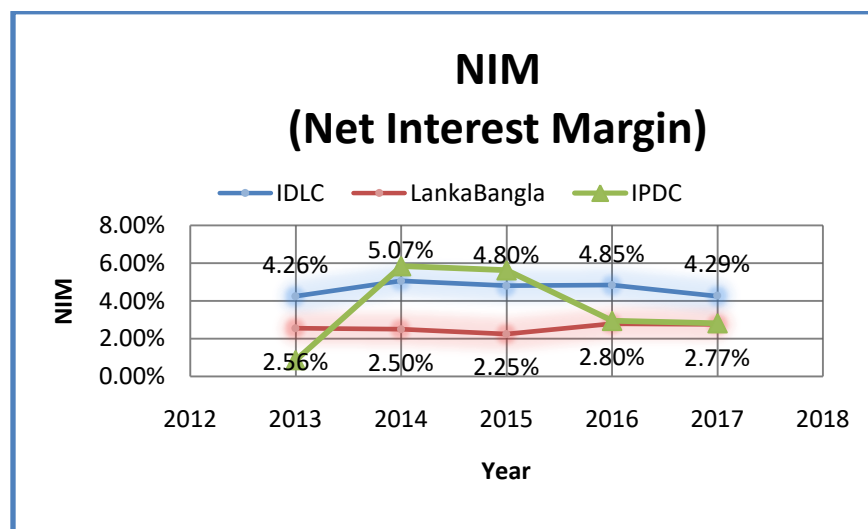


Figure 19: Net Interest Margin

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:

EM(Equity Multiplier)	2013	2014	2015	2016	2017
IDLC	9.40	9.03	9.43	8.88	7.60
LankaBangla	4.69	5.63	8.06	9.56	10.26
IPDC	17.22	3.38	3.31	8.14	12.63

Table: Equity Multiplier

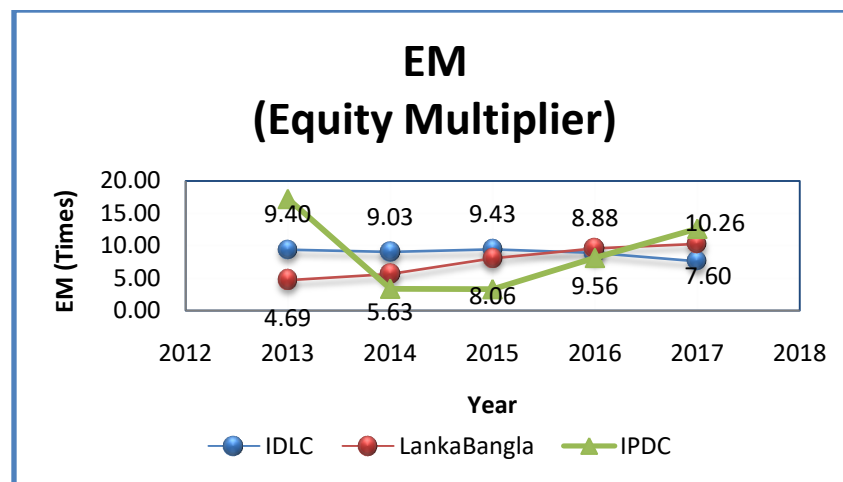


Figure 20: Equity Multiplier

Formula:
$$\text{Equity Multiplier} = \frac{\text{Total Assets}}{\text{Total Shareholders Equity}}$$

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. From 2013 to 2016 it increased. It means that IDLC bought assets by taking loans 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 trying 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:

ER(Efficiency Ratio)	2013	2014	2015	2016	2017
IDLC	45.05%	40.02%	35.92%	37.97%	37.19%
LankaBangla	40.22%	62.16%	63.92%	59.89%	51.95%
IPDC	32.03%	31.82%	30.28%	40.38%	45.99%

Table: Efficiency Ratio

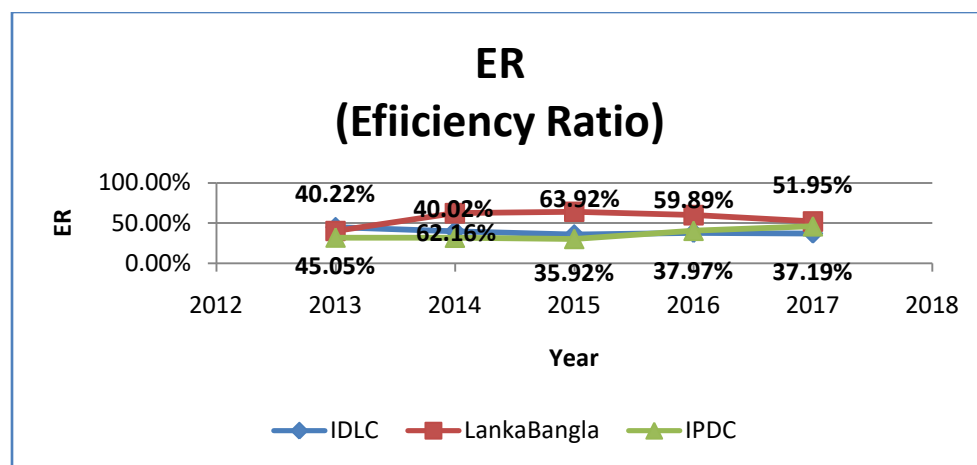


Figure 21: Efficiency Ratio

Formula:

$$\text{Efficiency Ratio} = \frac{\text{Expenses}}{\text{Revenue}}$$

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:

LR(Loan Ratio)	2013	2014	2015	2016	2017
IDLC	81.19%	79.88%	75.19%	78.46%	74.72%
LankaBangla	77.47%	77.68%	82.90%	80.15%	77.88%
IPDC	16.15%	73.31%	78.22%	86.29%	87.73%

Table: Loan Ratio

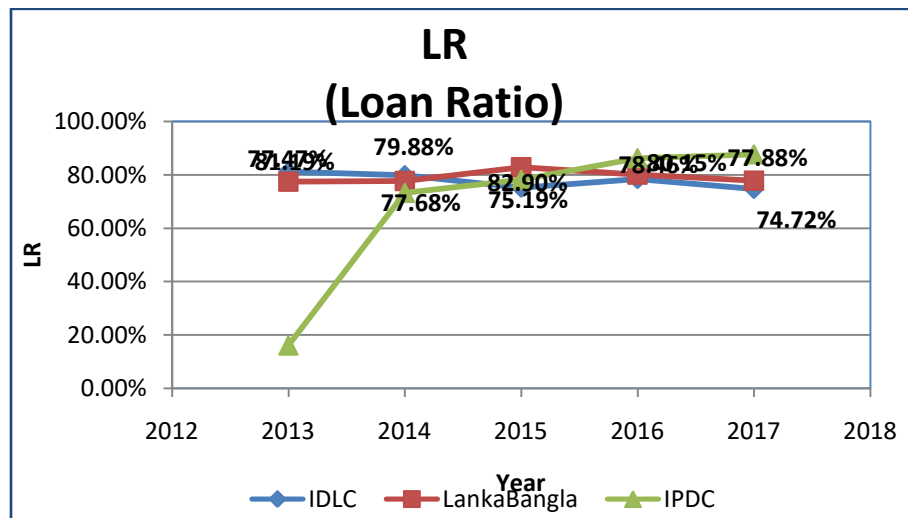


Figure 22: Loan Ratio

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 in a very good position in 2013 but in the recent year their loan ratio was very high.

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

5.4 Earnings Per Share

EPS	2013	2014	2015	2016	2017
IDLC	4.16	6.19	5.18	7.08	6.13
LankaBangla	4.58	2.08	1.75	2.88	5.97
IPDC	1.36	1.44	1.90	2.00	1.85

Table: EPS

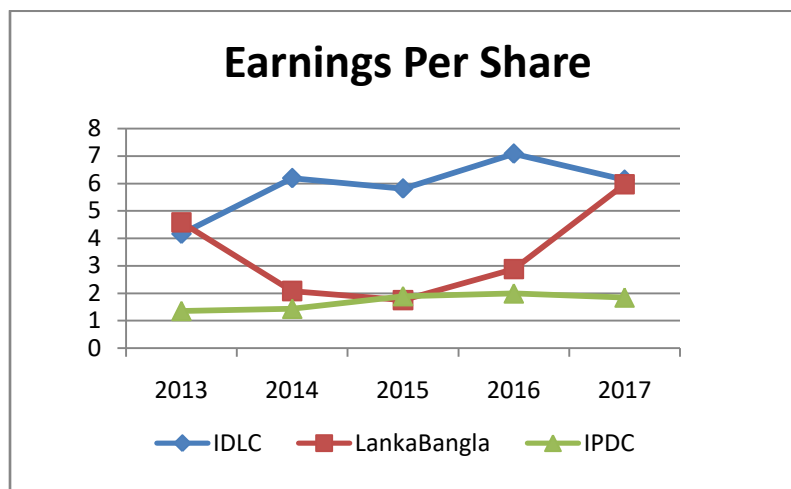


Figure 23: EPS

Implication: EPS shows that how much profit is allocated to each share. Here we see that IDLC was provided better EPS than LankaBangla & IPDC Finance. Every year IDLC was increasing their EPS. In 2013 LankaBangla was almost same to IDLC but in 2014 & 2015 they decreased their EPS. It means LankaBangla's 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 better 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

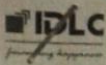
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7.2. Appendix: SME Appraisal report:

SME Division		IDLC Finance Ltd.		Appraisal Report_Small Business Financing	
		Approved By: Regional Credit Manager Mehedi Hasan			
1. GENERAL INFORMATION:					
Branch Name:	Dilkusha		OF No:	155547	Date: July 23, 2017
Business Name:	OYSHEE ELECTRIC HOUSE		Business Since:	2000	
Business Address:	Nawabpur Khan Market, 161, Nawabpur Road, Nawabpur, War, Dhaka, Bangladesh				
Nature of Business:	Trader of Electric Items				
TIN No:	165649607591	Trade License No.:	0440889	Trade License Date:	01/11/05/265
Proprietor's/ Director's Name:	IQBAL HOSSAIN	Education:	HSC/Diploma	Marital Status:	Married
NID No:	1919410468925	Date of Birth:	13-Aug-58	Age:	59
Relevant Business Experience (Yrs):	16	Age of Business:	17 Yrs	Business Type:	Trading
Legal Status/ Type of ownership:	Proprietorship	Organization Type:	Wholesaler	Ownership Status (Gender):	Majority Male Owned Enterprise
Sector:	Home Appliances and House Hold Items	Economic Purpose Code:	8111	Location (Division-District):	Dhaka
Sub Sector:	Household Electrical & Electronics Goods	Location (Urban/Rural):	Urban		
Threat Sectors (As per BB):	Other	Borrower (As per BB):	New Borrowing Client		
Financing Details					
Financing Amount:	BDT 2,000,000	Interest Rate:	17.00%	Tenure (Months):	36
IDLC Financing:	Term Loan (BDT)	Lease	Short Term Loan (BDT)	Total Loan/Lease (BDT)	
Existing Net Exposure	0	0	0	0	
Current Proposal (Net of SD & CS)	2,000,000	0	0	2,000,000	
Cumulative Net Exposure	2,000,000	0	0	2,000,000	
Previous Highest Net Exposure	1,000,000	0	0	1,000,000	
Purpose					
Purpose of Financing (Business):	The client intends to increase the inventory level to accommodate the forthcoming demand in the summer season. Therefore, he approached us for a re-financing of BDT 2.0 mln in this regard.				
Proposed Security Details					
Other Security:	Amount (BDT)				
Existing Employees:	4	Permanent Employee:	4	Female Employees:	0
Forecasted (Increase):	1	Forecasted (Decrease):	0	Total Forecasted Employee:	5
IDLC FINANCING:					
Product Name & Code:	SE LOAN UNSECURED, Code:7101				
Sub Category:	N/A				
RGM Scores:	Credit Score	PD Estimate	Risk Group	Recommendation	Money Laundering or Terrorist Activities Risk Grading
	853.00	1.41	1.00	APPROVE	Low
CNO Score (Aliashon):	#DIV/0!				
Environmental Risk Management:	Checklist Filled Up	ERM Grading:	Low	Project Category:	N/A
Loan Investment Purpose (As per BB):	Building (Construction):	Machinery/ Equipment:	Vehicle:	Working Capital:	Repaying Other FI Liabilities:
	BDT 0	BDT 0	BDT 0	BDT 2,000,000	BDT 0
Future Business Plan:	Expansion		Up-Sell Opportunities (within SEF)		Cross-Sell Opportunities:
	0		0		0
Any Exception/Deviation:	Proposed: In this case, financing after paying 4 installments Eligible for financing - After Paying 5 regular installments Repeat Loan 0 0 0 Existing PPG: In this case, financing after paying 4 installments Eligible for financing - After Paying 5 regular installments Repeat Loan 0 0 0				
Application Date for the Facility:	18-Jul-17	Date of Factory/Premises Visit:	18-Jul-17		
Initiator's Code:	354819	Visit Made By:	Shefath UI Islam		
Client Reference (Marketing):	Mominul Islam	Visit Made By:	Shefath UI Islam		
Sales Team Leader (STL/STM):	Mashur Rahman	Credit Analyst:	Shefath UI Islam		
2. BUSINESS DETAILS:					
History of Main Sponsors:					
Person(s) Met:	IQBAL HOSSAIN				
: Mr. Mohammad Iqbal Hossain, proprietor of the applying concern started his business career in 1980 at Nawabpur with his brother's business of electric items. Later in 1990, he started his own business under the banner of Oyshee Electric House for trading of electric items. : In 2006, it purchased a possession of the shop located at Khan & Samir Electric market at 161, Nawabpur Road, Dhaka : In 2008, it started import under the banner of Oyshee Electric House. : The product portfolio consists of electric items like switch board, circuit breaker, socket etc. : At present, it maintains a showroom and three godowns at Nawabpur. : It imports from China by using its own IRC and also by using IRC of others. : The sales is 100% wholesales basis. : Transaction are made through both cash and bank transaction as well.					
Showrooms:	1	Godowns:	3	Factory Premise:	Relocated:
Premise Ownership Status:	Showroom:	Owned	Godowns:	Rented	Factory Premise:
Business Dynamics:	Trader of Electric Items				
Business Nature:	Retail %:	10%	Wholesale %:	90%	Sales Keeping:
Business Details:	Cash				
The concern is importing items from China and distributing those products all over the country.	Service %:				
Procurement:	Mainly, importing product from China. Total BDT 11.85 mln worth of goods were imported last year. Moreover, the client also procures products from nearby importers.				
Distribution:	Mostly, to Azad Electric, Setu Electric, Roleon Electric, Sagor Electric, Marter Electric and several other retailers all over the country.				
3. Risk Factors / Weaknesses:					
Prepared By	IO/AO	PO/EO	SEO	Asst. Manager	Manager

SME Division		IDLC Finance Ltd.		Appraisal Report_Small Business Financing													
Risky Factors / Weaknesses:		■ High competition prevails in the market it caters. ■ Succession planning of the business is not clear. ■ The client does not have any personal net worth in Dhaka. Though the shop he is operating is possession owned. ■ The client has significant accounts receivables in the market, some of which might become bad.															
Employment Behaviour:		Cheque Dishonored during loan tenure		0.00	Max MOD with IDLC												
Succession Plan:		Succession Plan:		No	Relationship:												
Strength Factors:																	
Strengths of the Proposal:		Criteria		Remarks													
Financial Indicators:		■ Total Investment in the Business ■ Fixed Asset (Excluding Land & Building) ■ Equity Investment ■ Debt Service Coverage Ratio ■ Liability to Equity (After availing the loan) ■ Bank Transaction (%) ■ Security Coverage (%) ■ RGM Final Score		BDT 35,461,000 BDT 486,000 BDT 31,793,214 1.76 0.18 51% 0% APPROVE													
Non Financial Indicators:		■ Additional Monthly Earnings (verified from marketing end) ■ Residential Status ■ Market Feedback & Reputation ■ Payment Performance with IDLC ■ Previous Experience with other FI's ■ Locational Advantage ■ Deposition of Rental/Possession Deed:		BDT 0 Permanent Excellent Excellent Very Good Suitable N/A													
Personal Net Worth		One apartment at Goran, Khilgaon, possession owned showroom at Khan Market, Nawabpur and 33 decimal land at Comilla.															
Other Strengths of the proposal (If Any)		■ Very impressive recycle time. ■ Excellent repayment track record. ■ Equity investment is more than 31.50 min.															
Material Change in Business: (abnormal business growth or decline)		■ The client has procured an additional godown after our financing. ■ Sales has increased by almost 80% since our last financing. ■ Bank transaction has decreased but credit summation has increased.															
Material Change in Security: (security change or PG change)		One third party PG has been changed. We have taken PG of Mr. Monir Hossain, instead of Mr. Mohiuddin Ahmed.															
4. Market Feedback:																	
Communicated with		Location	Relation	Years of Relationship	Feedback Type	Remarks & / Contact Nos. (Optional)											
Setu Electric		Dhaka	Customer	10	Excellent	01919019573											
Master Electric House		Mirpur	Customer	16	Very Good	01819075828											
New Janata Electronic		Sylhet	Customer	14	Very Good	01912328984											
Considering all of the above we may sanction the proposal																	
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Prepared By</td> <td style="width: 15%;">IO/AO</td> <td style="width: 15%;">PO/EO</td> <td style="width: 15%;">SEO</td> <td style="width: 15%;">Asst. Manager</td> <td style="width: 15%;">Manager</td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </table>						Prepared By	IO/AO	PO/EO	SEO	Asst. Manager	Manager						
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