

Report On
Impact of IPDC Finance Limited on Small Business Entrepreneurs
through Sheba. XYZ Project

By

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An internship report submitted to the BRAC Business School in partial fulfillment of the
requirements for the degree of
Bachelors of Business Administration

BRAC Business School
BRAC University
April 2020

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Declaration

It is hereby declared that

1. The internship report submitted is my own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help

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Letter of Transmittal

Dr. Sharmin Shabnam Rahman
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Subject: Submission of internship report on “Impact of IPDC Finance Limited on Small Business Entrepreneurs through Sheba. XYZ Project”.

Dear Ma’am,

With due respect, as part of the course requirements “Bus 400” I have prepared the internship report entitled “Impact of IPDC Finance Limited on Small Business Entrepreneurs through Sheba. XYZ Project”.

I have given utmost effort to prepare the report. I have tried to put my experiences, learning and the theories to make the report as informative as possible.

It had been a great pleasure to work under your supervision. I sincerely believe that it will fulfill the purpose of the internship and all the requirements.

Sincerely yours,

Faheem Nur Rashid
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BRAC Business School
BRAC University
Date: April 21, 2020.

Non-Disclosure Agreement

This agreement is made and entered between IPDC Finance Limited and the undersigned student at BRAC University, Faheem Nur Rashid.

Here I declare that I have not disclosed any confidential or harmful information of the company in this report. This report was made only for academic purpose as a part of my undergraduate degree completion procedure.

This report will not be published and it will only be withheld by BRAC University as a record for my internship completion

Acknowledgement

I want to express my deepest gratitude to my academic supervisor Dr. Sharmin Shabnam Rahman, Assistant Professor of BRAC Business School, who has helped me constantly and always provided solutions to my problems regardless of all the constraints.

Moreover, I am grateful to the MME Investment Team of the SME Department of IPDC Finance Limited who made my internship opportunity in the company an enticing experience. I would like to thank my Supervisor Mohammad Mahmudur Rahman Shawon, AGM & Head of SME, MME Investment, for always looking after my learnings and providing directions whenever I needed. I would also like to thank the following personnel: Mohammad Adnan Islam, Regional Business Manager of MME Investment; Tanvir Ahmed, Financial Analyst, MME Investment; Md. Minhazul Islam, Strategic Partnership Executive, MME Investment. They have guided me throughout my internship tenure.

Executive Summary

IPDC Finance Limited is one of the well-known Non-Banking Financial Institutions (NBFIs) of the country and a diverse organization in the financial sector of Bangladesh. From the inception in 1981 to the current times, IPDC Finance limited has financed many economically viable projects in the country. With its determination to always be one step ahead of the competitors in the financial sector, IPDC Finance Limited has launched many financial products which reflect on the constant thrive for innovation of the company.

IPDC Finance Limited has always undertaken projects which has sustainable effects in the economy and has been a pioneer in such activities. One of the key strategies of IPDC Finance Limited is developing the Small and Medium Enterprise (SME) sector of Bangladesh and offer solutions, which cater to the needs of the ever growing SME sector.

With this motivation, Medium Market Enterprise (MME) Investment Team of SME Department of IPDC Finance Limited has become associated with Sheba. XYZ, an app based service provider, for the business development of its enlisted entrepreneurs. These entrepreneurs play a pivotal role in maintaining services at the highest level facilitated by Sheba. XYZ.

The report aimed at reviewing and assessing the financial services provided by the Sheba. XYZ project, and the impact of the IPDC Finance Limited on the entrepreneurs of SME sector through introducing inclusive financial services using formal banking channel of the country.

The assessment indicated that the Sheba. XYZ project has allowed IPDC Finance Limited to disburse 35 Term Loans more than BDT 21 Million. As a result of these Term Loans, small business entrepreneurs obtained access to formal financial services, as well as, significantly increased their business profitability and their business operational capacity.

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List of Acronyms

ADFIAB	Association of Development Financing Institutions in Asia and the Pacific
AGM	Assistant General Manager
AKFED	Aga Khan Foundation for Economic Development
ALCO	Asset-Liability Committee
BDT	Bangladesh Taka
BSCEA	Bangladesh Supply Chain Excellence Awards
CAF	Clientele Acknowledgement Form
CDC	Commonwealth Development Corporation
CEO	Chief Executive Officer
CFF	Clientele Feedback Form
CFO	Chief Financial Officer
CIB	Credit Information Bureau
CPV	Contact Point Verification
CRM	Credit Risk Management
CSR	Corporate Social Responsibility
DBH	Delta Brac Housing
DEG	German Investment and Development Company
EPS	Earnings Per Share
ERC	Employee Recreation Ceremony
FDR	Fixed Deposit Receipt
HR	Human Resource
ICAB	Institute of Chartered Accounts of Bangladesh

IFC	International Finance
IPDC	Industrial Promotion and Developments Company of Bangladesh
IT	Information Technology
MANCOM	Management Committee
MCC	Management Credit Committee
MD	Managing Director
MME	Medium Market Enterprise
MOU	Memorandum of Understanding
NAV	Net Asset Value
NBFI	Non-Banking Financial Institution
NBFI 3	Non-Banking Financial Institution Form 3
NID	National Identity Card
NPL	Non-Performing Loan
OPs	Operations Department
PGs	Personal Guarantors
ROA	Return on Assets
ROE	Return on Equity
SME	Small Medium Enterprise
SP	Service Provider Statement
SWOT	Strengths, Weaknesses, Opportunities and Threats
TIN	Taxpayer's Identification Number

Glossary

Credit Information Bureau (CIB): The Credit Information Bureau (CIB) of Bangladesh Bank is responsible for collecting, processing and maintaining an updated database of credit related information supplied by participants and institutions which extend credit. For example:
Banks

Clientele Acknowledgement Form (CAF): The purpose of these forms is to communicate effectively with the clients with optimal transparency. This is to note that, the language for these forms must be set according to the client's preference in order for the client to understand the contents of the form

Clientele Feedback Form (CFF): The prime objective of this form is to ensure more transparency and accountability of the Financial Institutions and to strengthen the relationship between the Financial Institution and the client.

Earnings per Share (EPS): Earnings per Share refers to amount of profit earned against each unit of share owned in the company.

Net Asset Value (NAV): The Net Asset Value represents the price of per unit of a fund on a specific date or time.

Non-Banking Financial Institution (NBFI): NBFI is a financial institution that does not have a full banking license and has to conduct its transaction through regular banks.

Non-Performing Loan (NPL): A Non-Performing Loan is a loan in which the borrower did not pay the scheduled payments for a specified period.

Term Loan: A term loan is a loan from a bank for a specific amount that has a specified repayment schedule.

Chapter 1

Overview of Internship

1.1 Student Information

Name: Faheem Nur Rashid

ID: 16104010

Program: Bachelor of Business Administration

Major/Specialization: Finance

1.2 Internship Information

1.2.1 Company Information

Tenure: January 5, 2020 to April 4, 2020. A total tenure of 3 months.

Company Name: IPDC Finance Limited.

Department: MME Investment of SME Department.

Address of the company: Hosna Centre, 106 Gulshan Avenue, Dhaka 1212.

1.2.2 On-site Supervisor's Information

Name: Mohammad Mahmudur Rahman Shawon

Designation: AGM & Head of SME, MME Investment.

1.2.3 Job Scope

As an intern I was assigned with the following job responsibilities:

1. Be engaged at the core works of Sheba. XYZ Project and suggest scope of improvements.
2. Assist the Relationship Manager of Sheba. XYZ Project.
3. Prepare Loan Proposals for Sheba. XYZ Project.
4. Assist Relationship Managers of SME Department to maintain communication with the clientele.
5. Assist Financial Analysts in preparing financial statements for loan proposals.
6. Assist Head of SME in drafting official letters.
7. Maintain internal and external communications effectively.
8. Bring Fixed Deposit Receipt (FDR) to the company.
9. Suggest scope of improvements on a weekly basis to the Head of SME.

1.3 Internship Outcomes

1.3.1 Student's Contribution to the Company

As an intern I contributed to the company through the following works:

1. Doing a Telephone survey of the client's business over the phone:

In the business generation stage of Sheba. XYZ, initially we needed to evaluate an overall assessment of the client. For that, I conducted general surveys over the phone with the client. The clients were asked about some basic questions regarding their businesses which covered topics below:

- a. Nature of the Business
- b. Establishment Date of the Business
- c. The physical location of the Business
- d. Purpose of the term loan which will be sanctioned in the name of the business
- e. Proprietor's relationships with the personal guarantors
- f. The number of employees the business possess which includes both part time and full time employees
- g. Any previous bank loans that the business has with any other financial institution

These topics were covered by asking various questions in a very friendly manner. I had to be polite and at the same time be detail oriented while asking the questions. The answers of the clients were noted down which was used for the later part of the process.

2. Preparing the loan proposal and financials of the clients of Sheba. XYZ project:

I formulated the loan proposals which comprised the highlights of the client's financial performance for one year with Sheba. XYZ. This proposal also consisted of other financial statements: such as, the Balance Sheet and the Income Statement of the client. The information obtained from the telephone survey was used to prepare the financial statements. I also prepared comprehensive assessment of the business, which included an overall outlook of the business and the proposed features of the Term Loan. This business assessment was used by the Management Credit Committee (MCC), who reviewed the sanctioning possibility of the loan, to decide whether to approve the proposed Term Loan or not.

The initial business assessment file for the approval of MCC consists of the following Documents:

- a. Photocopy of the NID cards of the proprietor and the personal guarantors
- b. Up to date and valid Trade License of the business
- c. Tin Certificate of the proprietor of the business
- d. Net Worth Statements of the proprietors and the personal guarantors
- e. Loan Application
- f. Proposal of the loan
- g. Financial Statements of the business

3. Conducting client meetings for signing of legal and other necessary documents of the loan:

I needed to conduct the client meetings in the office of IPDC Finance Limited where the clients provided signature in all the legal papers and necessary documents, which are needed to sanction the Term Loan. The clients were required to be present in the premise of the IPDC Finance Limited for two phases, once before the sanctioning of the loan and once after the sanctioning of the loan. I had to regularly follow up with the clients to organize the meeting place and time according to the convenience of the client.

4. Discussing the issues with the respective Relationship Manager:

If any issues occurred during the process then I needed to discuss the constraints with the dedicated Relationship Manager of the Sheba. XYZ project of IPDC Finance Limited's end and to potentially find out solutions to the problems. I had to be agile and creative while solving the problems since there were varied number of problems which arose on regular basis.

5. Maintaining communication with the Credit Risk Management Department:

Due to the nature of the loans, I needed to communicate with the Credit Risk Management (CRM) department regularly regarding the featured proposals of the loan. The CRM department would usually suggest updates on the Loan Proposal which needed to be modified. I also needed to justify my reasons for proposed features of the loan since CRM needed to evaluate the riskiness of the loans. After going through all the updates with CRM, the Loan Proposal would be finally ready to be submitted in the MCC.

6. Providing updates on loan files at the end of the day:

I needed to give an update of my work on the loan files at the end of the day to the designated Relationship Manager for Sheba. XYZ project. We would review the overall work and planned our course of action for the next working day prioritizing the files that needed urgency and special attention.

7. Preparing loan disbursement files for Operations:

After the MCC's approval on the proposed Term Loans, I would start preparing the loan disbursement files with all the necessary documents. This documents would be reviewed by the Operations Department of IPDC Finance Limited to disburse loans. The following documents were needed for the loan disbursement file:

- a. Clientele Acknowledgement Form (CAF)
- b. Clientele Feedback Form (CFF)
- c. Credit Application
- d. Photocopies of NID of the business proprietor and two personal guarantors
- e. NID Verifications
- f. Memorandum of Deposition of Cheques
- g. Disbursement Request Letter
- h. Assignment Payment Letter

- i. Legal Documents
- j. Trade License of the business
- k. Net Worth Statements of the proprietor of the business and of the personal guarantors
- l. Photos of Clients
- m. NBF 3

8. Keeping track of approved, declined and disbursed files:

Initially, Sheba. XYZ used to send the Loan Application along with other important documents physically. Later on, both IPDC and Sheba. XYZ created an online platform where all the data was stored. So in the early stage, I had to remember and note down which files were approved, declined and on the disbursement process. In the later stage, as the portal came into operation, I had to regularly update the data of all the files on the portal and check for any discrepancies in the data.

9. Keep track of assignment payment from Sheba. XYZ :

Since Sheba. XYZ took the burden of payment according to the Memorandum of Understanding (MOU), I had to track the assignment payments of the businesses regularly which were paid by Sheba. XYZ. In addition to that, I provided updates to the Relationship Manager regarding the payments and solve any issues arose during the process.

10. Preparing the proposal of other loan applicants:

Although I was assigned for the Sheba. XYZ project, during the times of less work pressure, I used to work on preparing the loan proposals of other business loan applicants. The Financial Analysts of the MME Investment teams used to guide me throughout the process. Such loan proposals were more rigorous due to the nature of the business and because of the significance of the loan amounts.

11. Preparing drafts for official letters:

I used to write drafts of official letters which were later on sent to significant institutions like Bangladesh Bank, to important personals like Deputy General Manager/Head of Business Finance and to CEO of IPDC Finance Limited. My supervisor who was head of the MME Investment of SME Department, used to guide me and give me pointers to improve the contents of the letter.

12. Bringing FDR to the company:

The head of the MME Investment and also my supervisor assigned individuals with a minimum amount of target of bringing FDR of the company every year. As an intern I was given a target of bringing FDRs worth of 5 Lakhs within my tenure of internship. At the end of the tenure, I was able to bring 15.5 Lakhs worth of FDR from various sources. I did not only achieved my target but I exceeded it as well.

1.3.2 Benefits to the student

During the whole internship period, I learnt and experienced a lot. Indeed it was a very different from the academic environment which I was used to. Due to the internship experience I got significant benefits throughout the three month period. Some significant learnings are the followings:

1. Experiencing the corporate environment:

In the previous four years of my undergraduate life, I did not have much exposure to the corporate environment. However, the internship experience enabled me to put myself in that context as well and helped me to cope up with the challenging corporate work. Initially, it was really difficult for me to suit myself for the 10 am to 6 pm office hours. The responsibilities were intensive and sometimes I would have to get out of the office quite late due to the nature of the work that I had to do. However, as time went by, I managed to get a hold of the situation and excel in the tasks that I was responsible for.

2. Learning the operations of an NBF:

It is not at all possible to understand the operations of an NBF while studying in a University. The academic knowledge we had about an NBF was quite limited due to the fact that we have no experience in working in an NBF. But the internship opportunity helped me to experience how an NBF functions in the context of our country. The scope of work of such financial institutions in Bangladesh's economy is quite enriched. I also got the opportunity to learn how different departments of an NBF, which individually carries a profound significance, intertwined to run a successful organization that is IPDC Finance Limited in the smoothest possible way.

3. Learning corporate etiquettes and communication:

As an intern, I had to maintain both internal and external communication for the company on a regular basis. I had the opportunity to meet a number of significant industry specialists due to the nature of the work. All the encounters with the clients and industry professionals helped me to learn the corporate etiquettes and communication methods, which will benefit me throughout the rest of my professional career.

4. Learning the operations of various industries:

As part of our verification process for financing a company, IPDC Finance Limited physically visited the facilities of the loan applicants whose operational capacities were profound in nature. It helped them not only to verify the information provided by the clients but also gather the overall understanding of the functionality of the businesses. As an intern, I was lucky enough to visit a few companies from various industries which helped me to learn the operations of these companies and what methods of operations they apply for ensuring their sustainability in the long run.

5. Having an understanding of the overall nature of the economy of Bangladesh:

As part of financing various projects, IPDC Finance Limited had to abide by the rules and regulations provided by Bangladesh Bank. Being around important persons of the company helped me to understand how each change of regulation affected the company and how the company coped up with all the changing situations. During my internship tenure, Bangladesh Bank was planning to apply a single digit deposit and lending rate for the businesses. Thereupon, IPDC Finance Limited had to go through rigorous decision making process on how to operate various financial products they had offered, which might be affected due to the changes in the regulation. Moreover, at the very last part of my internship period, the pandemic of Corona Virus broke out. This unfortunate situation forced the company to make strong decisions of how to face the challenges which will be thrown by the economy due to the situation. All these experiences gave me a significant understanding of how the economy of Bangladesh works and how the companies tend to tackle the significant and constant changes in the economy.

6. Gathering work experiences through significant job responsibilities:

As an intern in IPDC Finance Limited, I had contributed to the company with some meaningful work and responsibilities that I bore during the internship period. They were quite significant and personally to me they were very enriching. Through doing the tasks, I did not only get to hone and apply the knowledge that I gathered through academia but also learned to a great extent during the internship. I got to learn a lot from my fellow colleagues who were very open minded and always up for teaching me something new. They encouraged my queries and appreciated my works which gave me enthusiasm to learn more through my work. As the days went on, the nature of my work became more and more significant and it provided a lot of learning opportunities.

7. Learning the methods of client communication and its importance:

In IPDC Finance Limited, client communication was monitored very strictly and every client was prioritized at the utmost level. In the initial stage of the Sheba. XYZ project, I attended a lot of client meetings with my mentor but later on I attended the clients on my own. It was a wholesome experience which taught me how important a client is to the organization no matter how small the financing amount or the deposit amount is. All the clients were treated with utmost respect and friendliness which visibly showed satisfaction in their dealings with IPDC Finance Limited.

8. Learning the importance of maintaining a healthy work environment:

Working in a financial institution is quite rigorous and takes a significant amount of time from an employee's daily life. However, I learnt that it is very important to maintain a very healthy work environment for the employees to keep the cogs of the machine running at the finest. IPDC Finance Limited celebrated all the important festivals during my internship tenure and all the employees were very much eager to participate in all of them. IPDC Finance Limited has a norm of arranging Employee Recreation Ceremony (ERC) every year. All these gave a fresh break from the regular intensive work routine of the employees and they came back with more enthusiasm in their work place and came back with a sense of belongingness which is priceless.

1.3.3 Difficulties faced during Internship

There are a few difficulties that I faced during the Internship. They are:

1. The filing space for the department is quite insufficient. As a result, I did have to provide a lot of time in finding the previously completed files which needed some moderations.
2. Although IPDC Finance Limited has an open office concept which I really liked, the space congestion is another problem which I think proved to be a problem. During the whole internship period I had to change my working space thrice which was a bit of a hindrance for my work.

Having said that, it would be hard not to acknowledge how minor inconveniences these two problems proved to be due to the friendliness and helpfulness of all the employees of IPDC Finance Limited. My colleagues always looked after my learning and wellbeing which made my internship an ecstatic experience.

1.3.4 Recommendations

Frankly it is quite hard to provide recommendations for IPDC Finance Limited since I could not ask for a better experience than they have provided. Still there are a few suggestions I would like to mention which might need some supervision.

1. An orientation for the Interns:

An orientation program for the interns would help the newly recruited interns to settle into the company more quickly and get an overall understanding of the organization before the actual work starts. It might provide a sense of belongingness and a sense of direction.

2. Comprehensive Internship Selection Process:

My own selection process was very extensive and difficult. I had to go through a written test and a face to face interview. However, IPDC has a reputation of retaining interns as permanent employees after the internship period so they should be more selective in choosing the interns. They can use this process to select prospective employees who will go through all the tasks and be prepared to jumpstart their career at IPDC Finance Limited right after their internship tenure.

3. Digitalizing the filing process:

Physically looking through the files takes a significant amount of time whereas digitizing the files will help not only to save time but also to increase the quality of work.

4. Trying to increase the sitting capacity of the office:

Shortage of sitting capacity for the interns does provide a hindrance in the quality of work as they have to change their work desk a lot. It could be solved by providing a designated work station for the interns, so that they could cope up with the work very easily.

Chapter 2

Organization Part: Overview, Operations and a Strategic Analysis

2.1 Introduction

2.1.1 Objective

The objective of this chapter is to conduct a strategic analysis of the overall organization. It provides insights about the company and at the same time gives an idea about significant departments' policies and practices.

2.1.2 Methodology

Both primary data and secondary data are collected to conduct the strategic analysis of the organization.

1. **Primary Data:** The employees and the top management of the various departments were the sources of the primary data. I enquired about practices and policies of their respective department to which they provided consolidated information which helped me to run the strategic analysis.
2. **Secondary Data:** For the collection of secondary data I resorted to the 2018 Annual Report of the IPDC Finance Limited which was published in 2019. I have also used the official website of IPDC Finance Limited as another source of secondary data.

2.1.3 Scope of the Analysis

Throughout the whole internship period, I conducted the analysis. I have gone through the manuals of various departments to get a proper understanding of the department's practices. I had to collect information based on oral conversation with the employees when certain data was not available.

2.1.4 Limitations

As an intern, I had limitations to access the information of various departments. Due to the company policy, I had restrictions to garner knowledge about unique company practices which gave IPDC Finance Limited a competitive edge in the market.

2.1.5 Significance

IPDC Finance Limited is recognized as one of the top NBFIs of the country by the customers and industry specialists. Being a pioneer of the industry, this strategic analysis will be an overview of their successful business model which can be an example to the aspiring NBFIs of the country. This analysis will also set a base for this report as it will provide an in-depth understanding of what the company stands for and how the topic of this report aligns with the practices of the company.

2.2 Overview of the Company

2.2.1 Introduction

IPDC Finance limited is the first private sector financial institution of the country which was established in 1981. Previously it was known as the ‘Industrial Promotion and Development Company of Bangladesh’ where it had significant names as the founding stakeholders of the company such as International Finance (IFC), German Investment and Development Company (DEG), The Aga Khan Foundation for Economic Development (AKFED), Commonwealth Development Corporation (CDC) and the Government of Bangladesh. Currently IPDC Finance Limited has over 649 employees operating in 12 branches with a loan portfolio of 46.5 billion BDT and deposit portfolio of 40.2 billion BDT. [1]

2.2.2 Vision, Mission and Core Values

With the valiant effort of transforming the financial industry of Bangladesh to have a long lasting impact in the economy of Bangladesh, IPDC possesses Vision, Mission and Values which aligns with such objectives.

2.2.2.1 Vision

To become the most passionate financial brand in the country with special focus on youth, women and underserved areas. [2]

2.2.2.2 Mission

To enable our customers and communities to rise unbound, to live up to their fullest potential by extending innovative financial solutions in a friendly, timely, transparent and cost effective manner. [2]

2.2.2.3 Core Values

The three core values are the strong pillars of IPDC Finance Limited. They are: [2]

1. Serving customers with passion and honesty
2. Going beyond the normal call of duty
3. Relentlessly pursuing innovation

2.2.3 Strategic Aim of the Company

IPDC Finance Limited, being one of the industry leaders in the financial sector of the country, possess the following strategic aims to further the company's position in the market:

1. **Home Loans:** IPDC envisions to cater for the needs of home loans to the middle and lower income family due to the growing demand.
2. **Women Empowerment:** Empowering women through financing has always been a strategic priority to IPDC Finance Limited
3. **Creating Entrepreneurs:** IPDC Finance Limited intends to promote the emerging entrepreneurs and the growing trend of entrepreneurship among the new generation with innovative products and services.
4. **Extending beyond megacities:** IPDC Finance Limited wants to extend its reach beyond megacities with retail credit facilities where competition is yet to intensify.
5. **Consolidating position in the consumer market:** IPDC Finance Limited endeavors to put a strong hold position in the consumer financing market.

2.2.4 Products and Services of the company

For the strategic orientation of the business, IPDC Finance Limited has divided its business activities in three broad strategic business units: namely Corporate, SME and Retail. The products offered by these divisions are usually divided into two main categories and they are Loan Products and Deposit Products.

1. Loan Products:

a. Corporate Business Products:

- i. Lease Finance
- ii. Term Loans
- iii. Project and Syndication Financing
- iv. Short-term Financing
- v. Investments in Preference and Common Shares

- b. SME Products:
 - i. Term Loans
 - ii. Short-term Financing
 - iii. Work Order Finance
 - iv. Factoring
 - v. Joyee: Loan for women entrepreneurs with interest rate of 8%
 - vi. Lease Finance
- c. Retail Products:
 - i. Home Loans
 - ii. Auto Loans
 - iii. Personal Loans

2. Deposit Products:

- a. Savings Scheme:
 - i. Deposit Premium Scheme: Fixed installments capitalized annually.
 - ii. Millionaire Deposit Scheme: A monthly scheme with flexible long-term tenure that gives a maturity value of BDT 1 million.
 - iii. Ultiflex Deposit Scheme: Any amount of money deposited at a fixed rate with a tenure of 2 years.
- b. Deposit Schemes:
 - i. Annual Profit Scheme: A fixed amount no less than BDT 10,000 must be deposited in which mode of interest payment is annual.
 - ii. Cumulative Profit Scheme: A fixed amount no less than BDT 10,000 must be deposited in which interest is paid at maturity.
 - iii. Fixed Deposit General: A fixed amount no less than BDT 10,000 must be deposited in which minimum tenure is 3 months and interest is paid at maturity.
 - iv. Monthly Profit Scheme: A fixed amount no less than BDT 50,000 must be deposited in which the minimum tenure is 3 months and interest is paid on a monthly basis.
 - v. Double Money Deposit Scheme: A fixed amount no less than BDT 50,000 must be deposited in which the deposited amount is doubled after a certain period.

- vi. Quarterly Profit Schemes: A fixed amount no less than BDT 50,000 must be deposited in which minimum tenure is 1 year and interest is paid on quarterly basis.

2.3 Management Practices

IPDC Finance Limited has a diverse management team and HR team who continuously thrives at its work to propel the company in achieving its goal. The whole team of IPDC Finance Limited is divided in such a way which strikes a balance between efficiency and innovation. The authorities of the company always look for efficient ways to tackle the problems of the volatile market of the country. They also emphasize on providing innovative solutions to cater the constantly changing market needs.

2.3.1 Organogram

Figure 1 shows the organogram of IPDC Finance Limited

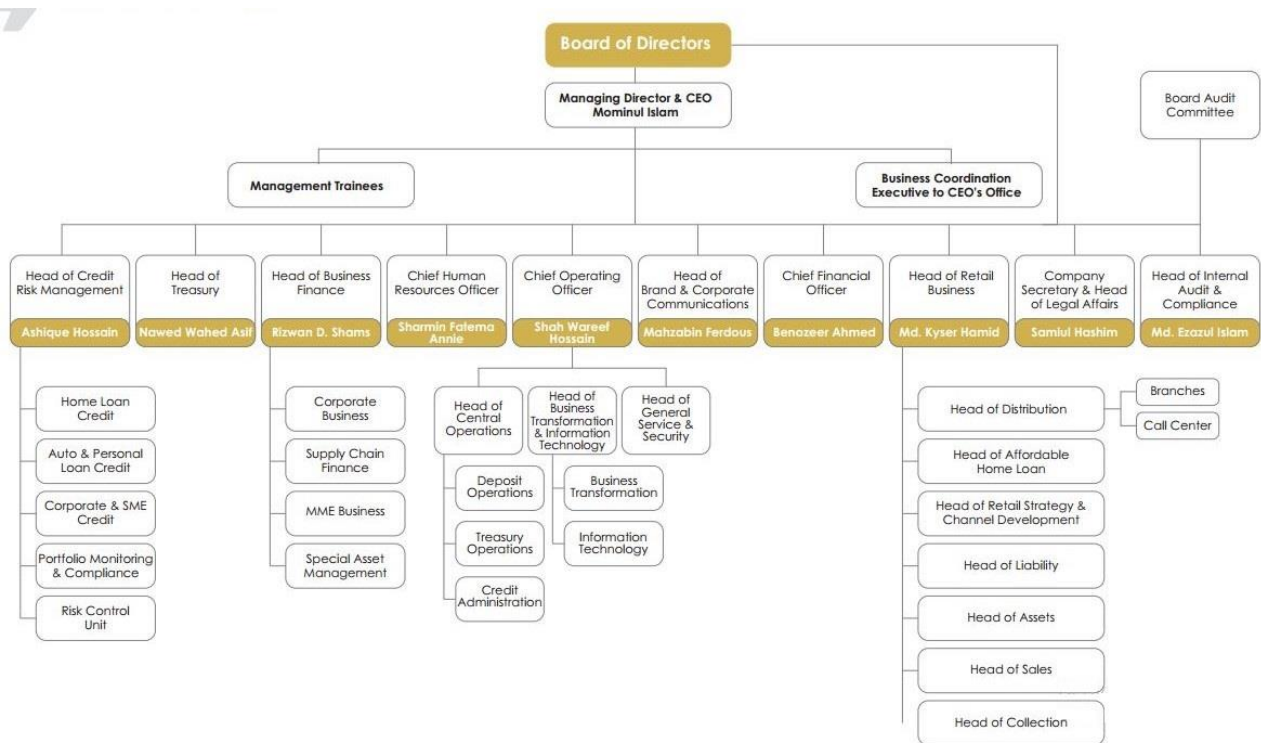


Figure 1: Organogram of IPDC Finance Limited

Source: Annual Report 2018 of IPDC Finance Limited

2.3.2 Significant Management Teams

The following committees are the significant management teams who propel the organization to its vision: [3]

1. **MANCOM:** The highest of all Management Teams consists of the Chairman of IPDC, CEO and MD of IPDC Finance Limited, Department Heads, Independent Directors and Nominated Directors of the stakeholder companies.
2. **Risk Management Forum:** This management Team consists of the heads of the various departments and top personnel along with the CEO and CFO who designs the overall risk management strategy of the organization.
3. **IT Steering Committee:** This committee consists of the CEO of IPDC Finance Limited and other top managerial personnel which formulates the IT strategy of the company.
4. **Sustainable Finance Committee:** This committee provides necessary supervision to the Sustainable Finance Unit of the company.
5. **ALCO:** Short for Asset-Liability Committee, assesses the macro economic situation of the company and sets the company policies accordingly.
6. **National Integrity Strategy Committee:** This committee consists of the top managerial personnel from HR and Internal Audit & Compliance which promotes awareness regarding integrity, transparency and accessibility to information.
7. **MCC:** Short for Management Credit Committee consisting CEO of IPDC Finance Limited, Head of Business Finance and other managerial personnel who provide credit approval within management limit. All the Loan Applications of Sheba. XYZ goes through the supervision of MCC.

2.3.3 HR Approach

Here are few key HR approaches of IPDC Finance Limited: [4]

1. Improving the diversity of the employees to foster innovation and creativity
2. Create a culture of constant learning through job rotation and training
3. Embed organizational values among the employees through team building
4. Focusing on talent requisition and succession planning to ensure sustainability

2.3.4 Outcomes of HR Approach

Due to the modern HR approach of the company, it is very successful in retaining its employees with a very low employee turnover ratio. IPDC Finance Limited tries to embed a sense of belongingness among the employees through organizing various training sessions and informal events. They have been successful in their approach throughout the years.

2.3.5 Key Highlights

IPDC consistently tries to motivate its employees to excel in their work through various compensation and awards. Here are a list of them: [5]

1. Chairman's Award
2. Champion of Innovation Award
3. High Performer's Club
4. Integrity and Honesty Award
5. Performance Bonus
6. Long Term Incentive Award
7. Excellence Award
8. Achievement Award

2.4 Marketing Practices

IPDC Finance Limited has a vibrant and purposeful marketing department which is thriving in the current market scenario to make IPDC Finance Limited one of the known and reliable financial institutions of the country. With due diligence the whole marketing team is constantly on the move to provide solutions to critical marketing needs of the organization with the inclination towards its modern marketing approaches.

2.4.1 Marketing Approach

Here are few key marketing approach of IPDC Finance Limited: [6]

1. Focusing on market communication which incurs low cost but provides high yield
2. Promoting innovative strategic products through organizing flagship events
3. Recruiting creative and innovative personnel who would add value and consolidate the market approaches
4. Enhancing customer relationship management and business intelligence to create customer centric business solutions

2.4.2 Outcomes

IPDC Finance Limited due to its innovative marketing strategies gathered quite a few accolades throughout the way. Here a few are mentioned:

1. Superbrand 2018
2. BSCEA Awards 2018
3. ADFIAB Best CSR Award 2017
4. ADFIAB CSR Merit Award 2018

Source: Annual Report 2018 of IPDC Finance Limited

2.4.3 Key Highlights

Few key highlights which consolidate the marketing approaches of IPDC Finance Limited are shown in two tables. Table 1 shows the digital presence of IPDC Finance Limited in various social media and digital platforms. Table 2 shows a number of features in various mainstream media outlets.

Table 1: Digital Presence in 2018

Particulars	Numbers
Official Page Followers	315,470
Engagement	2,381,941
Reach	39,455,193
Impression	48,195,029

Source: Annual Report 2018 of IPDC Finance Limited

Table 2: Public Presence in 2018

Particulars	Numbers
Press Conference Arrangements	2
Events	5
Interview	7
Feature Articles	20
Press Release	31
Media Visits	51
PR Value	163,730,144

Source: Annual Report 2018 of IPDC Finance Limited

2.5 Financial Performance & Accounting Practices

2.5.1 Financial Performance of IPDC Finance Limited

The financial performance of IPDC Finance Limited is depicted through two tables. Table 3 shows the Balance Sheet of IPDC Finance Limited for the year ended on 31st December, 2018 and Table 4 shows the Income Statement of the company for the year ended on 31st December, 2018. Both of the tables have data from the previous years to show a year to year comparison of financial performance of the company.

Table 3: Balance Sheet (as at 31st December, 2018)

Particulars	2018	2017
Property and Assets		
Cash	487,473,154	376,842,857
Balance With Other Banks and Financial Institutions	3,271,928,101	2,903,201,362
Money at call and short Notice	868,808,367	662,732,580
Loans, Advances and Leases	44,325,273,003	34,466,955,374
Fixed Assets	545,053,212	267,048,183
Other Assets	1,008,892,664	608,309,595
Non-Banking Assets	3,752,405	3,752,405
Total Assets	50,511,180,906	39,288,942,356
Liabilities and Capital		
Liabilities	5,916,890,787	4,214,082,142
Deposits and other accounts	37,066,078,306	29,746,862,008
Other Liabilities	3,776,284,442	2,217,459,284
Total Liabilities	46,759,253,535	36,178,403,434
Shareholder's Equity	3,751,927,371	3,110,538,922
Total Liabilities and Shareholder's Equity	50,511,180,906	39,288,942,356
NAV	17.20	14.26

Source: Annual Report 2018 of IPDC Finance Limited

Table 4: Income Statement (as at 31st December, 2018)

Particulars	2018	2017
Operating Income	1,874,533,431	1,245,507,534
Operating Expenses	751,616,194	572,810,429
Profit Before Provision	1,122,917,237	672,697,105
Total Provision	262,347,450	158,953,860
Profit Before Tax	860,569,787	513,743,245
Provision for Taxation	410,566,550	178,317,942
Net Profit After Tax	450,003,237	335,425,303
Appropriations	90,000,647	67,085,061
Retained Surplus	360,002,590	268,340,242
EPS	2.06	1.54

Source: Annual Report 2018 of IPDC Finance Limited

2.5.2 Accounting Practices of IPDC Finance Limited

The Internal Audit Committee of IPDC Finance Limited has ensured proper financial recording practices and principals which complies with the corporate governance principles. The Internal Audit Committee also heads the Risk Management Committee of IPDC Finance Limited which works relentlessly to mitigate risks in a highly volatile financial market of the country.

2.5.3 Outcomes of Accounting Practices of IPDC Finance Limited

Due to the high standards of accounting Practices of IPDC Finance Limited it garnered the following accolades:

1. ICAB 2nd Best Presented Annual Report Award 2017
2. ICAB 3rd Best Presented Annual Report Award 2018

2.6 Operations Management and Information System Approaches

IPDC Finance Limited has a very strong IT Infrastructure which allows the company to provide innovative digital solutions to the market. Strong IT infrastructure along with the efficient Operations Management of the company helps IPDC Finance Limited to excel in the market.

2.6.1 Key Approaches

Here are a few key approaches of the Operations Management and Information System of the company:

1. Increasing the presence of IPDC Finance Limited in the key strategic areas of the country.
2. Optimizing the various processes of the company through strong infrastructure
3. Allocating IPDC Finance Limited's constrained financial resources to the projects which aligns with the strategic objective of the company
4. Decentralizing processing to optimize efficiency.

2.6.2 Outcomes of Key Approaches

Due to the implementation of the key approaches IPDC Finance Limited enjoyed the following outcomes:

1. IPDC Finance Limited introduced the first ever digital supply chain financing product named "Orjon" in the market.
2. IPDC Finance Limited has developed a digital wallet with innovative digital payment options for consumer white goods platform.
3. It opened 12 branches in 9 districts of the country
4. It garnered a considerable amount of fixed asset worth BDT 545 Million with a capital expenditure of 98 Million

2.7 Industry and Competitive Analysis

For the industry analysis I have taken three NBFIs, namely IDLC Finance Limited, Lanka Bangla Finance Limited and DBH apart from IPDC Finance Limited and I will do a comparative analysis of the 2017 and 2018 financials of the all the organizations to get an overall idea of the stance of IPDC Finance Limited in this competitive market.

The three NBFIs were chosen based on the profitability and market recognition. According to the annual reports of 2018 of the respective organizations, the annual profit of IDLC Finance Limited stood at BDT 1,591 million, the annual profit of DBH stood at BDT 1,048 million and the annual profit of Lanka Bangla Finance Limited stood at 444 million.

I will compare three key ratios for this:

- 1. Return on Equity (ROE):** “The return on total assets often called the return on investment (ROI), measures the overall effectiveness of management in generating profits with its available assets. The higher the firm’s total assets, the better. The return on total assets is calculated as,
$$ROA = \text{Earnings Available for common stockholders} \div \text{Total Assets} \text{ [7]}$$
- 2. Return on Assets (ROA):** “The return on total equity measures the return earned on the common stock holders’ investment in the firm. Generally, the owners are better off the higher is this return. Return on equity is calculated as, [7]
$$ROE = \text{Earnings Available for common stockholders} \div \text{Common Stock Equity} \text{”}$$
- 3. Non-Performing Loan (NPL):** “A nonperforming loan (NPL) is a loan in which the borrower is in default due to the fact that they have not made the scheduled payments for a specified period.” [8]

Adding to the above points I also provided a SWOT analysis of IPDC Finance Limited.

2.7.1 ROE Analysis

The following Table shows the comparative analysis of ROE among the companies, namely, IPDC Finance Limited, IDLC Finance Limited, Lanka Bangla Finance Limited and DBH for the year 2017 and 2018

Table 5: Comparative analysis of ROE for the year of 2017 and 2018

Year	IPDC	IDLC	Lanka Bangla	DBH
2017	11.4%	17.41%	25.66%	20.75%
2018	13.1%	14.73%	4.90%	22.30%

Table 5 shows how IPDC Finance Limited has increased its ROE from the previous year and stands closely with IDLC Finance Limited just behind DBH.

2.7.2 ROA Analysis

The following Table shows the comparative analysis of ROA among the companies, namely, IPDC Finance Limited, IDLC Finance Limited, Lanka Bangla Finance Limited and DBH for the year 2017 and 2018

Table 6: Comparative analysis of ROA for the year of 2017 and 2018

Year	IPDC	IDLC	Lanka Bangla	DBH
2017	1.1%	1.87%	2.58%	1.88%
2018	1%	1.61%	0.51%	1.87%

Table 6 shows how IPDC holds its consolidated position and did not vary from the previous year just like DBH whereas other companies showed significant deviations.

2.7.3 NPL Analysis

The following Table shows the comparative analysis of NPL among the companies, namely, IPDC Finance Limited, IDLC Finance Limited, Lanka Bangla Finance Limited and DBH for the year 2017 and 2018

Table 7: Comparative analysis of NPL for the year of 2017 and 2018

Year	IPDC	IDLC	Lanka Bangla	DBH
2017	0.62%	2.77%	3.07%	0.27%
2018	2.14%	2.20%	3.60%	0.30%

Table 7 shows IPDC Finance Limited is in the second best position in the industry in terms of non-performing loans which is considered a very important factor for the financing companies.

2.7.4 SWOT Analysis

SWOT stands for Strengths, Weaknesses, Opportunity and Threats. Figure 2 shows the SWOT analysis of IPDC Finance Limited.



Figure 2: SWOT analysis of IPDC Finance Limited

2.7.5 Overall Assessment

Based on the comparison of ROE, ROA, NPL and SWOT Analysis we can assess that IPDC has a strong hold position in the industry with the potential to consolidate their position in the near future.

2.8 Summary and Conclusions

2.8.1 Summary

From this chapter we can summarize the overall structure of the company and have an overview of the company. From the inception of 1981 to modern times IPDC Finance Limited has been efficiently running its operations to be one of the market leaders of the finance industry. Its innovative and coherent approaches of different significant department of the organization has made the business model of the IPDC Finance Limited a sustainable one.

2.8.2 Conclusion

To conclude I would like to opine that the aspiring financial institutions of the country should follow the model of IPDC Finance Limited. All the financial institutions of the country should be inspired by the constant persuasion of IPDC Finance Limited towards innovation and efficiency despite the hurdles that the economy of Bangladesh has thrown in its way.

2.9 Recommendations

After conducting a strategic analysis of the organization here are a few recommendations from my part:

1. **Having more presence among the student community:**

Students and younger generations lack proper knowledge about NBFIs. Since the students represent the larger part of the younger generation, IPDC Finance Limited should take more initiatives to educate the students about their existence. It will not only increase the possibility of generating more business once the students become potential clients but also attract intellectual individuals to join their company and advance their company to unbound potential.

2. **Making each branch competent on its own:**

In the current system of operations all the business loan files come to the head office for financial analysis and other important issues. It takes much more time to disburse the financing amount of a potential borrower. If IPDC Finance Limited takes initiatives to make each branch competent on its own to do all the important financial analysis and documentation of the clients then it would result in a much faster paced system.

3. **Increasing presence in the areas outside the megacities:**

IPDC Finance Limited has a strategic aim to expand its facilities outside megacities and it should implement such a strategy as early as possible. It will provide competitive advantage to the company. Moreover, the customers from such regions would be able to avail the services of IPDC Finance Limited which will increase the clientele base of the company.

Chapter 3

Project Part: Impact of IPDC Finance Limited on Small Business Entrepreneurs through Sheba. XYZ Project

3.1 Introduction

3.1.1 Background

3.1.1.1 Introduction to Sheba. XYZ

Sheba. XYZ is an app based service provider who engages various small scale service providers and small scale entrepreneurs in their operations. Be it a plumbing job or providing a car rental service for a few hours, Sheba. XYZ is a perfect destination for any kind of quick and efficient solution. Sheba. XYZ offers a comprehensive range of services which cater to the everyday needs of the customers both at office and at home. They have skilled technicians and innovative product solutions which focus on changing perception of the customers and induce them to embrace the digital platform of service providers.

Sheba. XYZ has also provided procurement guidelines to its service providers highlighting the socially responsible procurement practices which will enable the customers to obtain fast, secured and quality full services. Sheba. XYZ works as a liaison between the customers and the service providers and charges commission on the fee of every service that is provided to the customers.

The service of Sheba. XYZ falls under 21 categories. They are:

- Appliance Repair
- Beauty Services
- Shifting
- Cleaning & Pest Control
- Car Rental
- Driver Service
- Trips and Travels
- Tourism
- Car Care Services
- Electric and Plumbing
- Food
- Laundry
- Painting and Renovation
- Insurance Service
- Men's Care
- Business Support
- Gadgets Repair
- Government Services
- Emergency Services
- Medical and Health Care

- Property Documentation

3.1.1.2 IPDC Finance Limited and Sheba. XYZ Platform

IPDC Finance Limited has signed an MOU with Sheba. XYZ agreeing to finance the service providers of Sheba. XYZ platform. The objective of this project is to finance the enlisted new entrepreneurs or service providers of Sheba. XYZ platform, who are not generally associated with the formal banking system and are not included in the conventional financing. Through this project IPDC, on basis of their assessment of the client's business, will provide term loans according to the client's need so that the small business entrepreneurs can invest in their business and potentially have the opportunity to grow their business.

In this project both the IPDC Finance Limited and Sheba. XYZ have assigned responsibilities to complete the procedures and ensure fast and secured financing. The assigned responsibilities of both the parties are written below:

1. Assigned responsibilities for IPDC Finance Limited

- a. Collecting client documents upon receiving application from Sheba. XYZ
- b. Preparing Credit Proposal of the loan
- c. Completing documentation after approval from designated authority
- d. Preparing Offer letter, Legal Documents and Assignment Payment Letters
- e. Disbursing the sanctioned loan upon request from client

2. Assigned responsibilities for Sheba. XYZ

- a. Preparing Loan Application of potential loan clients and sharing it with IPDC Finance Limited.
- b. Providing performance statement of service provider to IPDC Finance Limited
- c. Completing assignment payment procedure on behalf of the client on agreed upon terms.

3.1.1.3 Process of the Project

The procedure of the project are divided into fifteen tasks as shown in Figure 3. The tasks are explained elaborately below:

1. Business Generation:

In the business generation stage, potential client profiles are sent by Sheba. XYZ. They recommend the name of the service providers who have a good business relation both in terms of monetary value and customer satisfaction. Usually entrepreneurs who are

engaged with Sheba. XYZ for a minimum of 12 months get prioritized by them. They submit the following documents for the assessment of IPDC Finance Limited:

- a. Photocopies of NID of the main sponsor of the business who is the proprietor in all the cases and personal guarantors of the client.
- b. TIN certificate of the proprietor
- c. Updated trade license of the business
- d. Loan Application
- e. Statement of service provider or SP statement which highlights the financial performance of the business for the last 12 months with Sheba. XYZ

2. Assessing the Application:

After the business generation stage, IPDC Finance Limited goes through the profiles of all the potential clients. They assess the documents and authenticity and come up to a conclusion of whether to proceed or not.

3. Conducting Telephone Survey and Setting Up a Client Meeting:

After the initial selection, the chosen clients would be called for undergoing a telephone survey. This survey is conducted to understand the overall profile of the business and also to cross check if all the initial documents submitted by Sheba. XYZ align with the client's words. Usually the telephone survey covers the following topics of the business:

- a. Nature of the business
- b. Establishment date of the business
- c. Physical address of the business
- d. Time of association with Sheba. XYZ
- e. Purpose of the loan
- f. Relations of the main sponsor or the proprietor of the business with two personal guarantors
- g. Number of employees both full time and part time
- h. History of any previous bank loans.

In the telephone survey, a date for the client meeting is also fixed so that the clients, according to their convenience, can come to the head office of IPDC Finance Limited and provide signature in the following documents:

- a. Net-worth Statement
- b. CIB Undertaking Form

4. Collecting CIB from the CRM Department:

After the client meeting takes place and all the signatures are taken from the proprietor and the personal guarantors, the following documents are sent to CRM through mail for downloading CIBs of the business, proprietor and of two personal guarantors:

- a. NID cards
- b. CIB undertaking forms
- c. Trade License

CIB is a portal of Bangladesh Bank where all the loan details from every sanctioned bank of Bangladesh are given. When a person approves of downloading his or her CIB through the signature of his or her, a financial institution applies for downloading the CIB.

5. Assessing the Transaction Pattern in CIB:

As CIB has all the history of loans of every applicant, it provides a comprehensive idea of the applicant's payment pattern. A defaulter can easily be identified through CIB, helping the financial institution to save itself from financing a defaulter.

Since almost all the small business entrepreneurs in Sheba. XYZ are not involved with formal banking channels, usually their CIBs do not have any history of loan. If the CIB is clear of any default in a loan the process moves on to the next stage

6. Preparing Draft Credit Proposal:

In this stage based on the documents provided by Sheba. XYZ and the documents collected from clients namely Net-worth Statement, a draft credit proposal is prepared mentioning all the features of the loan namely loan amount, tenure of the loan etc. A financial highlight of the business is also provided based on the Statement of Service Provider and based on the information collected from the client meeting and Net-worth Statement. An income statement and a balance sheet is prepared based on the performance of the business over the last 12 months.

7. Submitting Draft Credit Proposal for CRM observation:

In This stage, the draft credit proposal is submitted to CRM for their observations. Then CRM goes through all the proposed features of the loan and offers modifications if that is required. Their suggested modifications are usually based on the information given in the draft credit proposal and in the financial statements of the business.

8. Conducting Contact Point Verification:

Contact Point Verification or CPV is done to verify the information given by the client in their application. This is done physically by a designated personal of the CRM who visits the proprietor and his or her guarantors. The designated personal mentions his observations in the CPV report and if any discrepancy is found then it is solved on an urgent basis.

9. Receiving Modifications of the Draft Proposal from CRM and Preparing Final Credit Proposal:

After receiving the proposed modifications in the draft credit proposal from the CRM, the final credit proposal is prepared and submitted to the Management Credit Committee (MCC) for its approval. Usually the loans which are equal or below the amount of one million or ten lakhs, are supervised by MCC which consists of high level managerial personnel and department heads. MCC goes through the proposal and decides whether the loan amount should be sanctioned or not.

10. Receiving Approval of the Loan Facility From MCC:

After receiving the approval of MCC the procedure moves to the disbursement stage where documents are prepared for disbursement of the loan.

11. Preparing Offer Letter and the Legal Documents:

In this stage, an offer letter of the loan is prepared which highlights all the features of the loan only to be accepted by the customer. Also for securitization of the loan, legal documents are prepared by the Legal Department of IPDC Finance Limited.

The clients are called for another time to provide signature on the offer letter and on the legal documents. Also in this meeting, they provide cheque leafs equaling to the number of months of the loan tenure with an extra cheque leaf which covers the full amount of the loan. In case of any default of loan, IPDC Finance Limited would be able to submit the full securitization amount and recover its due payment.

12. Collecting Assignment Payment Letter from Sheba. XYZ:

After the confirmation of the approval of the loan, Sheba. XYZ provides an assignment payment letter to IPDC Finance Limited mentioning they would bear the EMIs of the loan and also a date is specified for the payment of each EMI.

13. Submitting Disbursement File to the OPs:

To issue the cheque in the name of the business, a disbursement file is submitted to the Operation Department (OPs). The disbursement file consists of the following documents:

- a. Clientele Acknowledgement Form (CAF)
- b. Clientele Feedback Form (CFF)
- c. Credit Application
- d. Photocopies of National ID Cards of the proprietor of the business and two personal guarantors
- e. National ID Card Verifications
- f. Memorandum of Deposition of Cheques
- g. Disbursement Request Letter
- h. Assignment Payment Letter
- i. Legal Documents
- j. Trade License of the Business
- k. Net Worth Statements of the proprietor of the business and personal guarantors
- l. Photo of Clients
- m. NBFI 3

OPs goes through all the documents and starts working on issuing the cheque to be disbursed in the name of the business.

14. Disbursement of the Loan:

Finally after the cheque is disbursed from the OPs, the client is called for the final time to hand over the cheque. IPDC Finance Limited entertains any final query of the client regarding the details of the loan and finishes the whole procedure.

15. Receiving EMI Payment from Sheba. XYZ through Electronic Transfer:

In this stage, the cheques are submitted to the bank on the previously agreed date and Sheba. XYZ makes sure the EMI amount of the business is available in the designated bank.

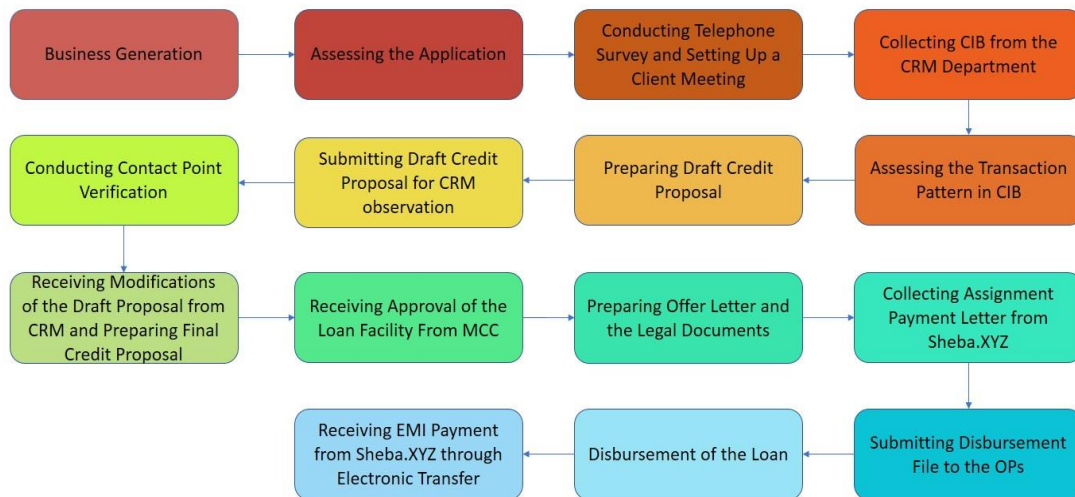


Figure 3: Process of the Project

3.1.1.4 Key Features of the project:

The key features of the project are as following:

1. The financial product of this project is Term Loan. Term loan is a comprehensive solution for all the financial needs of the client and the client can use that amount of loan for any purpose with the sole restriction of the purpose being focused on the growth of the business.
2. There are no restrictions on loan amount or tenure of the loan. It will be decided based on the client's need and the assessment of the business by IPDC Finance Limited.
3. The interest rate for all the loans will be 9% and for women entrepreneurs it will be 8% based on the Refinance Scheme of Bangladesh Bank.
4. Client has to bear the cost of legal documents of the term loan which are prepared for the securitization of the term loan.
5. Disbursement of the term loan will be on a single or multiple tranches based on the request of the client.

6. Sheba. XYZ will bear the burden of paying the EMI of the term loan as agreed on the MOU. IPDC will realize the payments through assignment payments on agreed dates. Sheba. XYZ needs to mention the account numbers of the respective clients with the mention of the amount paid on the behalf of the client. The assignment payments of Sheba. XYZ reduce the default risk of the term loan which consolidates the whole loan process. In extreme condition, any shortage in the EMI will be compensated separately by the business itself.
7. As security of the Term Loan, the main sponsor or the proprietor of the business will have to provide details of two PGs who will bear the risk of guaranteeing and also adds a security factor to the Term Loan.

3.1.2 Objective of the Study

The objective of the report is to determine the enhancement of the profitability and the operations of the businesses, owned by small business entrepreneurs after they have been financed by IPDC Finance Limited.

3.1.3 Significance of the Study

This report provides the importance of financing the small business entrepreneurs as they have the potential to grow exponentially with time with proper guidance and financing. It also depicts the significance of financial inclusion of these smaller businesses to the formal banking channel. As time goes by, these entrepreneurs would play a pivotal role for the economy as they not only target the unemployment issues but also through their growth they can become a force of reckoning. It will push the economy further to a positive direction.

3.2 Methodology

After attending a lot of client meetings and trying to gain an insight of their business pattern, I found that small business entrepreneurs measure the impact of the financing based on two factors. They are:

1. Increase in profitability.
2. Increase in operational capacity of the business.

They measure increase in profitability based on the changes in monthly revenue. Since these small businesses do not prepare financial statements for a year, they keep track of their financials only on a monthly basis.

Moreover, they measure the increase in operational capacity of the business through how many more employees they are acquiring after the financing. Most of these businesses provide the service through the app of Sheba. XYZ. So for them to increase their business capacity they need to hire more employees and be able to take the service request as soon as possible.

3.2.1 Data Collection Method

The data was collected through preparing a survey questionnaire and conducting a telephone survey. All the data collected in the survey are primary data.

3.2.2 Design of the Survey questionnaire

There are two styles of questionnaire used in the survey:

1. Close ended questionnaire:

“Closed questions are those which can be answered with a short response selected from a limited number of possible responses.” [9]

2. Open ended questionnaire:

“While open-ended questions allow the respondent to express an opinion without being influenced by the researcher.” [10]

To understand how the small business entrepreneurs measure the impact of financing, while working in IPDC Finance Limited, I began communicating with the both ends of the rope:

1. Experts from IPDC:

This includes my supervisor from IPDC Finance Limited who has been dealing with the project from the very beginning. He enlightened me to the nature of the customers,

their idea of benefits and their expectation from their businesses. Principally these include monthly revenue and employee number.

2. Clients from Sheba. XYZ:

To perceive the other end of the relationship, I personally talked to a small batch of entrepreneurs of Sheba. XYZ platform while working on disbursing their term loans. We had an open discussion where I asked independent questions like how they measured the impact of any financing and how IPDC is helping them to obtain their business goals.

From closely observing both parties I discovered few things. They are:

1. Small business entrepreneurs are reluctant to disclose in-depth information about their business.
2. Small business entrepreneurs are not comfortable in answering open ended questions. They always prefer close ended questions with options so that they can answer quickly.
3. Small business entrepreneur's main perception about the impact of any financing is based on two things:
 - a. Increase in monthly revenue
 - b. Increase in operational capacity of the business which they measure by employee acquisition.

Since, the targeted respondents' main hesitation was having an open discussion of their business, I arranged a close ended survey to target the main sectors of the analysis of my topic which is how the financing affected the monthly revenue and the operational capacity of the businesses and to what extent.

The questionnaires of the survey were closely recommended by the experts from IPDC Finance Limited and it helped me to identify rigid information from the survey.

3.2.3 Pattern of the Survey questionnaire

There are 16 questions in the survey. 15 of them are close ended questions with one open ended question trying to find out the purpose of the loan. The survey pattern is such because, according to my experience of discussing with the clients, the small business owners tend to be reluctant in answering open ended questions.

I have divided the questionnaire in 4 parts. They are:

1. Section1: Basic Information of the Business

In this Section I try to gather the basic information of the business such as licensed name of the business, legal status, nature of the business, number of operating years, and years of association with Sheba. XYZ and their knowledge of IPDC Finance Limited

2. Section 2: History of previous bank loans

In this section I try to understand if they had previous bank loans and what are the reasons of their disassociation with the formal banking channel of the country.

3. Section 3: Information of financing by IPDC Finance Limited

In this section I gather information about the financing which was provided by IPDC Finance Limited and also try to understand the purpose of their loan.

4. Section 4: Effects on the business after the financing.

The main section of the survey focuses on the effects of the financing by garnering information about the increase in monthly revenue from previous revenue pattern and increase in employee numbers after the financing. I also try to gauge their intention for their future financing requirements.

3.2.3 Sample Size

The sample size of the study is 35. All the respondents were approved of their loan requests whose loan has been disbursed in a time period from the initiation of the project at April 2019 to February, 2020. The total amount of Term Loan disbursed is approximately BDT 150 million.

3.3 Findings and Analysis

3.3.1 Finding 1: Financing Small Business Entrepreneurs directly affect their Monthly Income

I have shown the effects of the financing on the monthly income of the businesses in three categories. They are:

1. Businesses which had monthly revenue below 50 Thousand

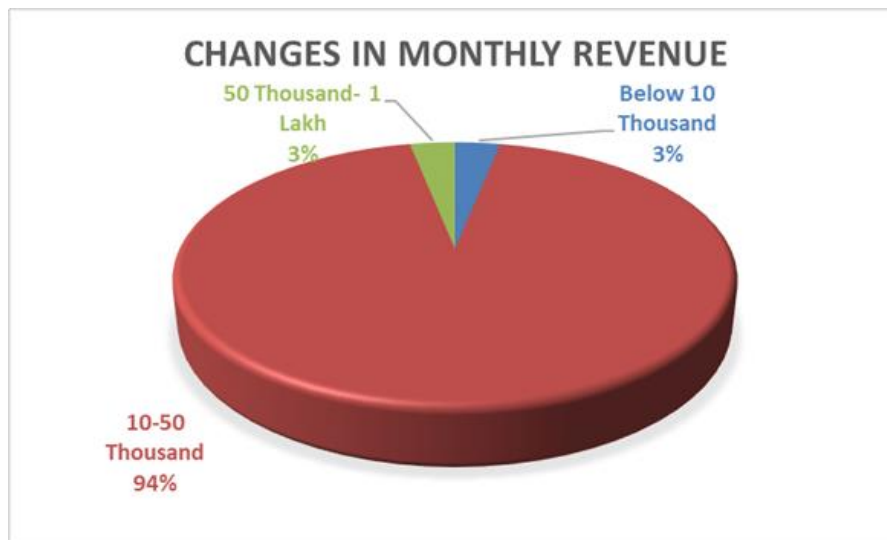


Figure 4: Businesses which had Monthly Revenue below 50 Thousand

Figure 4 shows the changes in the monthly revenue after the financing of IPDC Finance Limited for this category. We can see that about 94% of the businesses showed a monthly revenue increase of 10 Thousand to 50 Thousand, 3% of the businesses showed a monthly revenue increase between 50 Thousand to 1 Lakh and 3% of the businesses showed a monthly revenue increase of 10 Thousand or below.

2. Businesses which had monthly revenue between 50 Thousand to 1 Lakh

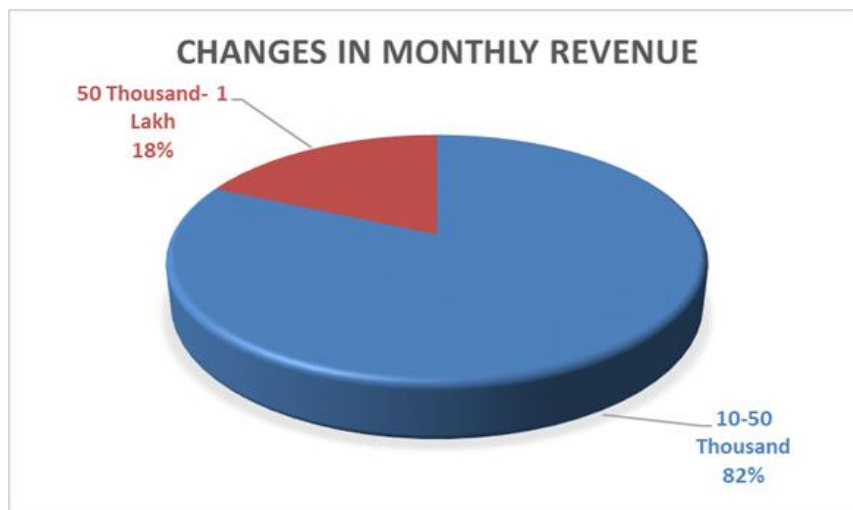


Figure 5: Businesses which had Monthly Revenue between 50 Thousand and 1 Lakh

Figure 5 shows the changes in the monthly revenue after the financing of IPDC Finance Limited for this category. We can see that about 82% of the businesses showed a monthly revenue increase of 10 Thousand to 50 Thousand and 18% of the businesses showed a monthly revenue increase between 50 Thousand to 1 Lakh.

3. Businesses which had monthly revenue between 1 Lakh to 1 Lakh 50 Thousand

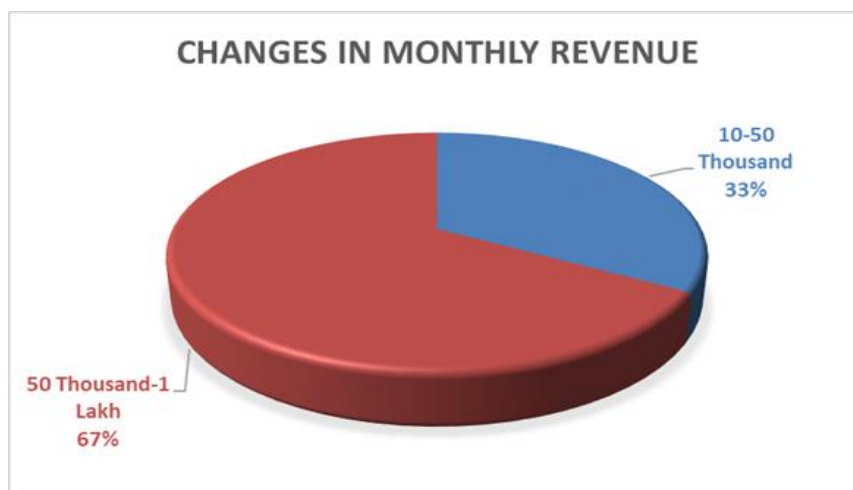


Figure 6: Businesses which had Monthly Revenue between 1 Lakh to 1 Lakh 50 Thousand

Figure 6 shows the changes in the monthly revenue after the financing of IPDC Finance Limited for this category. We can see that about 33% of the businesses showed a monthly revenue increase of 10 Thousand to 50 Thousand and 67% of the businesses showed a monthly revenue increase between 50 Thousand to 1 Lakh.

Overall Assessment: From the analysis, we can come to a conclusion that the higher the finance amount the higher the changes in the monthly revenue which increases the business profitability.

3.3.2. Finding 2: Financing Small Business Entrepreneurs directly affect the hiring of Employees of small businesses

I have shown the effects of the financing on the hiring of the employees of the businesses in two categories. They are:

1. Businesses which had 1 to 10 previous employees



Figure 7: Businesses which had 1 to 10 Previous Employees

Figure 7 shows the changes in the hiring of employees after the financing of IPDC Finance Limited for this category. We can see that about 58% of the businesses hired 1 to 5 new employees after the financing and 42% of the businesses hired 5 to 10 new employees after the financing.

2. Businesses which had 10 to 15 previous Employees



Figure 8: Businesses which had 10 to 15 Previous Employees

Figure 8 shows the changes in the hiring of employees after the financing of IPDC Finance Limited for this category. We can see that about 67% of the businesses hired 1 to 5 new employees after the financing and 33% of the businesses hired 5 to 10 new employees after the financing

Overall Assessment: From the analysis, we can come to the conclusion that the higher the financing amount the higher the probability of hiring more employees which ensures the smooth operations of the business.

3.3.3 Finding 3: Financing amount directly affects the purchase of Fixed Assets of Small Business Entrepreneurs

I have shown the effects of financing amount on purchasing fixed asset by Small Businesses in four categories. They are:

1. Financing amount ranging from 1 Lakh to 2 Lakh



Figure 9: Financing Amount Ranging from 1 Lakh to 2 Lakh

Figure 9 shows the changes in purchasing the fixed assets after the financing for this category. We can see that all the small business entrepreneurs who were financed of amounts between 1 Lakh to 2 Lakh purchased fixed asset worth of 1 Lakh to 2 Lakh in the later stage of their business operation.

2. Financing amount ranging from 2 Lakh to 4 Lakh

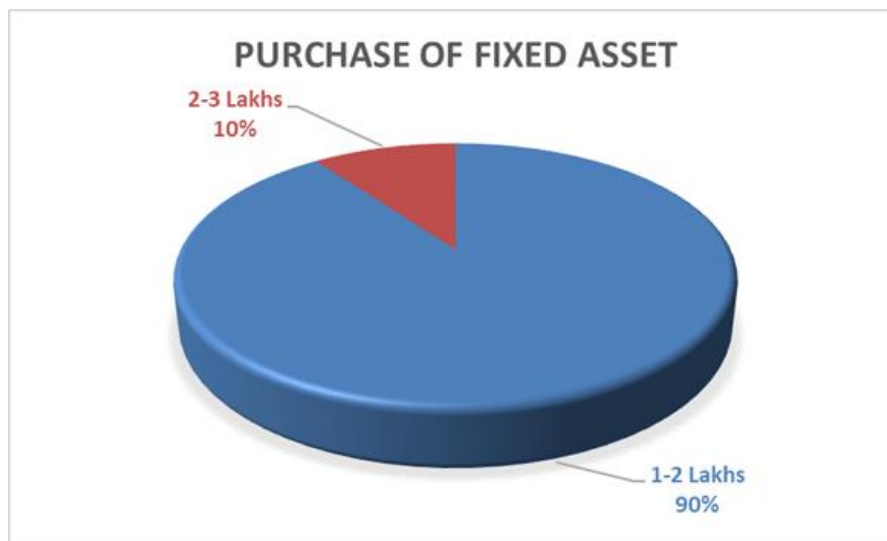


Figure 10: Financing Amount Ranging from 2 Lakh to 4 Lakh

Figure 10 shows the changes in purchasing the fixed assets after the financing for this category. We can see that 90% of the small business entrepreneurs who were financed of amounts between 2 Lakh to 4 Lakh purchased fixed asset worth of 1 Lakh to 2 Lakh in the later stage of their business operation and 10% of the businesses purchased 2 Lakh to 3 Lakh worth of fixed asset in the later stages of business operation.

3. Financing amount ranging from 4 Lakh to 6 Lakh



Figure 11: Financing Amount Ranging from 4 Lakh to 6 Lakh

Figure 11 shows the changes in purchasing the fixed assets after the financing for this category. We can see that all the small business entrepreneurs who were financed of amounts between 4

Lakh to 6 Lakh, purchased fixed asset worth of 2 Lakh to 3 Lakh in the later stage of their business operation.

4. Financing Amount ranging from 6 Lakh to 8 Lakh

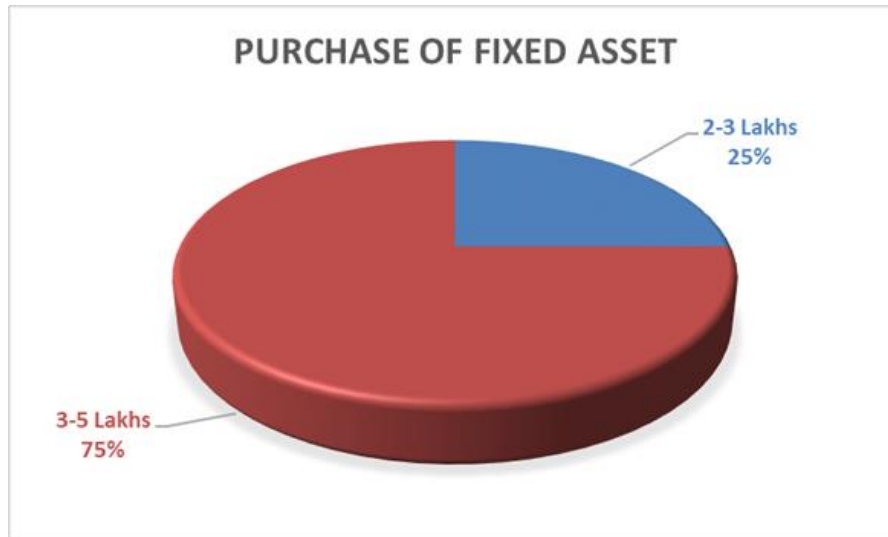


Figure 12: Financing Amount Ranging from 6 Lakh to 8 Lakh

Figure 12 shows the changes in purchasing the fixed assets after the financing for this category. We can see that all the small business entrepreneurs who were financed of amounts between 4 Lakh to 6 Lakh, purchased fixed asset worth of 2 Lakh to 3 Lakh in the later stage of their business operation.

Overall Assessment: From the analysis, we can come to the conclusion that the higher the financing amount the higher the possibility of purchasing fixed asset by the small business entrepreneurs for later stages of their business operation.

3.3.4 Finding 4: The purpose of the loan is related with the requested loan amount

I have shown the relationship of the requested financing amount with the purpose of taking the financing in three categories. They are:

1. Requested financing amount ranging from 1 Lakh to 2 Lakh

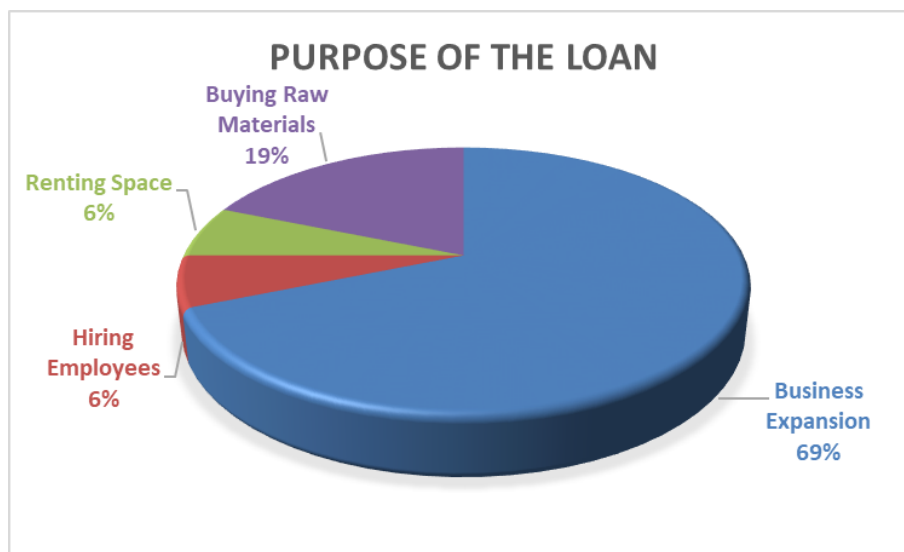


Figure 13: Financing Amount Ranging from 1 Lakh to 2 Lakh

Figure 13 shows the relationship between requested financing amount and the purpose of taking the loan for this category. We can see, in the category of requested financing amount ranging from 1 Lakh to 2 Lakh, the purpose of 69% of the business was business expansion, the purpose of 19% of the businesses was buying raw materials, the purpose of 6% of the business was renting space and the purpose of 6% of the business was hiring employees.

2. Requested financing amount ranging from 2 Lakh to 4 Lakh

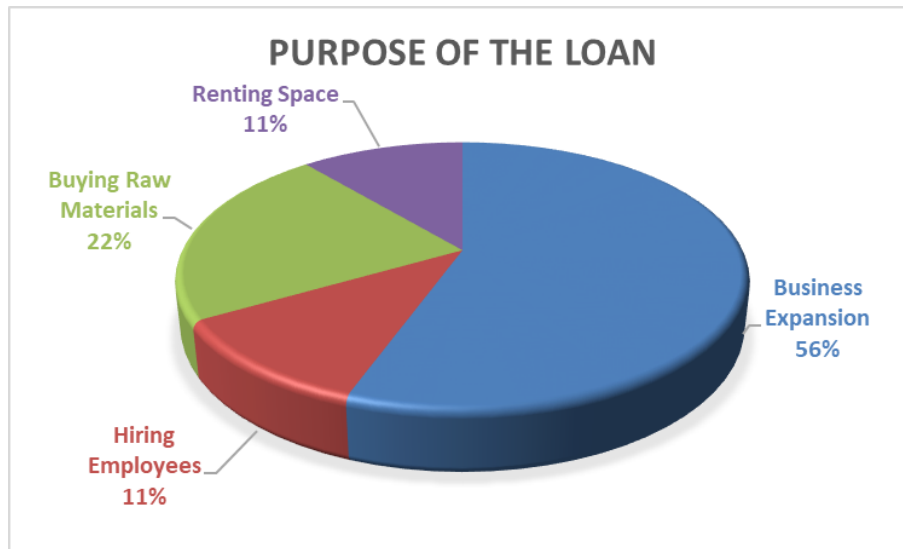


Figure 14: Financing Amount Ranging from 2 Lakh to 4 Lakh

Figure 14 shows the relationship between requested financing amount and the purpose of taking the loan for this category. We can see, in the category of requested financing amount ranging from 2 Lakh to 4 Lakh, the purpose of 56% of the business was business expansion, the purpose of 22% of the businesses was buying raw materials, the purpose of 11% of the business was renting space and the purpose of 11% of the business was hiring employees

3. Requested financing amount ranging from 4 Lakh to 8 Lakh

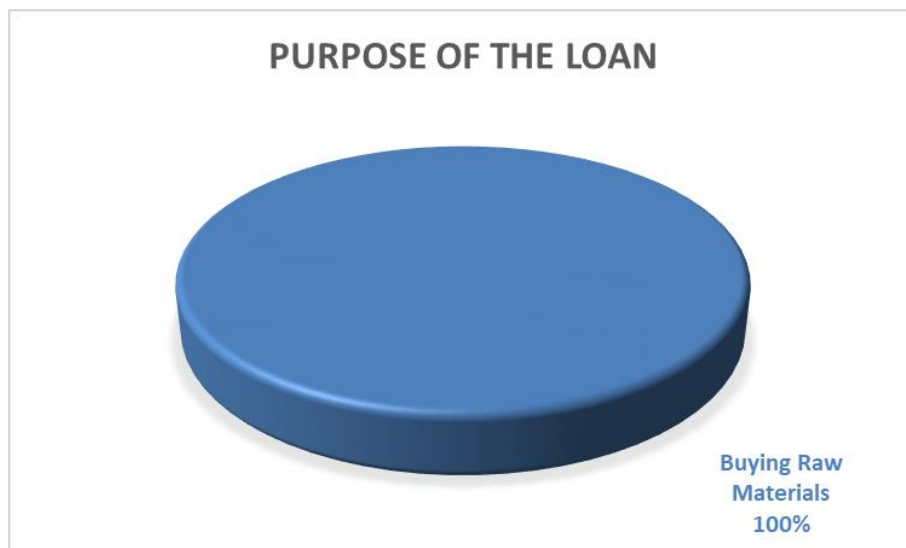


Figure 15: Financing Amount Ranging from 4 Lakh to 8 Lakh

Figure 15 shows the relationship between requested financing amount and the purpose of taking the loan for this category. We can see, in the category of requested financing amount ranging from 4 Lakh to 8 Lakh, the purpose of all the businesses was buying raw materials.

Overall Assessment: From the analysis, we can see that in the requested financing category of 1-2 Lakh and 2-4 Lakh, the general purpose of taking the loan was for business expansion. But in the category of requested financing amount of 4-8 Lakh we can see that all the businesses had the sole purpose of buying raw materials. From this analysis we can deduce that businesses who request lower financing amount are in the early stage of the business and want to expand their business for which they need the financing. On the other hand, businesses who request higher amount of financing need the financing mainly to fulfill the growing demand from the customers and for that they need to buy additional raw materials to meet the demand.

3.3.5 Finding 5: The Purpose of the loan is related with the number of operational years of the business

I have shown relationship between the purpose of the loan and the number of operational years of the business in three categories. They are:

1. Businesses with 2-3 operational years



Figure 16: Businesses with 2-3 operational years

Figure 16 shows the relationship between the operational years and the purpose of the loan for this category. We can see that in this category the purpose of 60% of the business is business expansion, the purpose of 30% of the business is buying raw materials and the purpose of 10% of the business are renting space.

2. Businesses with 3-5 operational years



Figure 17: Businesses with 3-5 operational years

Figure 17 shows the relationship between the operational years and the purpose of the loan for this category. We can see that in this category the purpose of 50% of the business is business expansion, the purpose of 25% of the business is buying raw materials, the purpose of 19% of the businesses is hiring employees and the purpose of 6% of the businesses are renting space.

3. Businesses who are operating for more than 5 years.

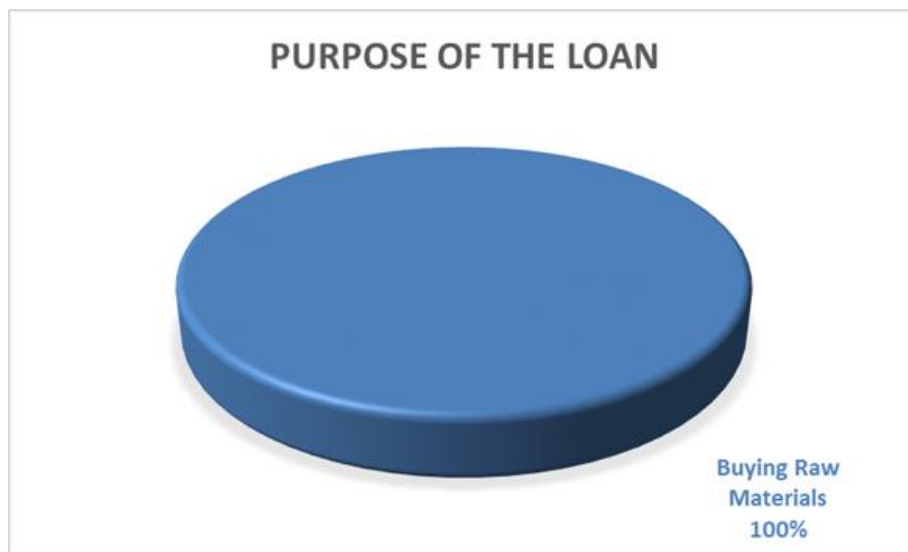


Figure 18: Businesses who are operating for more than 5 years.

Figure 18 shows the relationship between the operational years and the purpose of the loan for this category. We can see that in this category the purpose of all the businesses is buying raw materials.

Overall Assessment: From the analysis, we can deduce that, the businesses who are in the initial stage takes the financing based on the intention of expanding their business and grow their clientele base. On the other hand, the businesses who are already running for more than 5 years have a settled clientele base and they intend to take the financing to purchase raw materials which will fulfill the demand of the market and increase their business operation.

3.3.6 Finding 6: Small Business Entrepreneurs show reluctance to engage themselves in formal banking channel due to lack of confidence of the scheduled banks in the businesses.

To the question of why the small business entrepreneurs have not engaged themselves in the formal banking channel or have not taken financing from these established channel, they have provided the following answers:

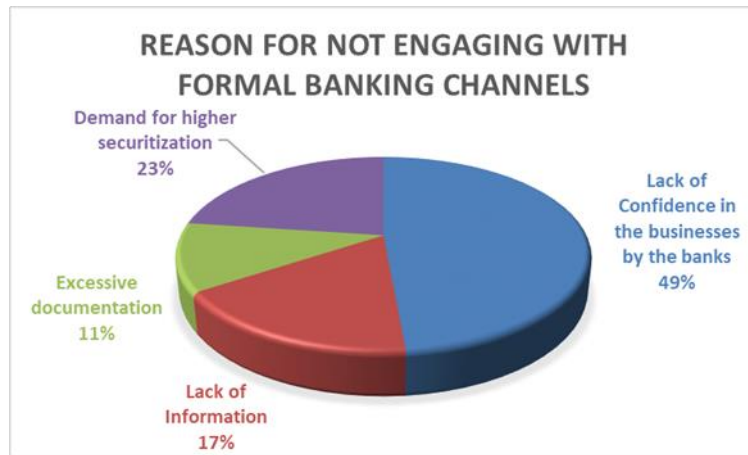


Figure 19: Reason for not engaging with formal banking

From Figure 19 we can see that majority of the respondents which accounts for 49% answered they did not engage with formal banking channel due to lack of confidence in the businesses by the banks, 23% of the respondents answered they did not engage because of the demand of higher securitization by the banks for the financing, 17% of the respondents did not had proper knowledge about formal banking channels and how to obtain financing and 11% of the respondents thought there was excessive documentation needed to apply for the financing.

Overall Assessment: From the analysis, we can see that the scheduled bank do not have confidence on the small businesses and their capabilities of paying up the loan. That is why they show reluctance in financing the small businesses.

3.3.7 Finding 7: Financial institutions can obtain loyal customer base through financing Small Business Entrepreneurs.

To the question of how would the small business entrepreneurs act when they will require future financing, they answered in the following manner:



Figure 20: Intended action for future financing needs

From the Figure 20 we can see that every respondent will reapply for further financing to IPDC Finance Limited.

Overall Assessment: All of these small business entrepreneurs are being financially included to the formal banking channel for the first time through IPDC Finance Limited. Since IPDC Finance Limited has earned their trust through their services, they would all refer back to the institution with higher financing needs in the future. It shows bank can obtain a loyal customer base through financing the small businesses which will provide significance in the future.

3.4 Summary and Conclusions

3.4.1 Summary

IPDC Finance Limited has impacted the small business owners through increasing the profitability and operational capacity by disbursing term loan to the needs of these businesses. Through their service they have also gathered a loyal customer base of the Institution and their financial inclusion to the formal banking channel will serve benefits to both the company and the economy of the country.

3.4.2 Conclusion

The project of Sheba. XYZ has proven to be quite a successful project for IPDC Finance Limited. It has allowed to disburse IPDC Finance Limited 36 Term Loans with an amount totaling more than BDT 21 Million. The SME department of IPDC Finance Limited has also undertaken various other projects after being inspired by the success of Sheba. XYZ project.

3.5 Recommendations

The work of IPDC Finance Limited to finance the small business entrepreneurs and financially including them in the formal banking system is commendable and would have a longer lasting effect in the future. Having said that, my experience of working on the Sheba. XYZ project has prompted me to put a few recommendations which I believe will increase the quality of the project. The recommendations are mentioned next:

1. **Presence of an IPDC Employee in application collection process:**

Most of the time in the loan application, the quality of the documentation is quite low which creates a hindrance in assessing the loan application. Presence of an IPDC personnel while preparing the loan application will help to solve this issue.

2. **Becoming a consultant to their business:**

At the moment IPDC is providing monetary support to these businesses. All of the financed businesses are in the initial stage with the potential to grow exponentially and become a significant entity. With the proper guideline I believe they can excel even more, potentially becoming a strong client to IPDC Finance Limited. Thus, IPDC Finance Limited can provide consultancy and advice to these business owners to help them signify their business. Also, through this IPDC would be able to garner some loyal potential customers which would bring more business to the company.

3. **Expanding the project to other key cities:**

At present IPDC only provides the financial services to the businesses which are situated in Dhaka. In the future IPDC could expand this project to other key cities like Chittagong, Bogura, Jessore and other places where their branches or sales offices are situated. This will not only help the entrepreneurs of such distant districts to obtain financial services they require but also help IPDC Finance Limited to achieve more potential businesses.

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Appendix

Questionnaire on “Impact of IPDC Finance Limited on Small Business Entrepreneurs through Sheba. XYZ Project”

Section 1- Basic Information about the business

1. Name of the Business

2. Legal Status of the Business

- Proprietorship
- Partnership

3. Nature of the Business

- Service
- Trading
- Manufacturing

4. For how many years are you running the business?

- 1 Year-2 Years
- 2 Years- 3 Years
- 3 Years- 5 Years
- 5 Years and above

5. How many years of association with Sheba. XYZ?

- Less than 1 Year
- 1 Year -2 Years
- 2 Years- 3 Years
- 3 Years- 5 Years

6. Did you hear about IPDC Finance Limited before being associated with Sheba. XYZ?

- Yes
- No
- Yes but did not know what they do

Section 2-History of Previous Bank loans

7. Do you have any previous personal or business loans?

- Yes
- No

8. What caused you to not involve yourself with formal banking channel or to take any loan?

- Excessive Documentation
- Lack of Information
- Lack of confidence of banks in the business
- Demand of higher securitization for the loan

Section 3- Information on Financing by IPDC Finance Limited

9. Loan amount provided by IPDC Finance Limited?

- 1-2 Lakhs
- 2-4 Lakhs
- 4- 6 Lakhs
- 6-8 Lakhs

10. What was the purpose of your loan?

Section 4- Effects in the Business after the loan

11. Average Monthly Revenue you earned before financing of IPDC Finance Limited

- Below 50 Thousand
- 50 Thousand- 1 Lakh
- 1 Lakh- 1 lakh 50 Thousand
- 1 Lakh 50 Thousand- 2 Lakhs

12. Number of Employees you had before IPDC's financing

- 1-10
- 10-15
- 15-20
- Above 20

13. Changes in Monthly revenue by amount after taking the loan

- Below 10 Thousand
- 10-50 Thousand
- 50 Thousand- 1 Lakh
- Above 1 Lakh

14. Number of Employee hired after the loan

- 1-5 People
- 5-10 People
- 10-15 People
- 15-20 People

15. Amount of Fixed Asset purchased after the loan

- 1-2 Lakhs
- 2-3 Lakhs
- 3-5 Lakhs
- 5 Lakhs and above

16. What would your future action be when you would require further financing?

- Move on to formal banking channel for applying loan
- Reapply to IPDC finance Limited for higher amount
- Look for other sources of financing rather than Banks and NBFI
- Personal Financing