# Report On Challenges of Green Finance in Bangladesh- Evidence From A Non-Banking Financial Institution

By

Sadia Zaman Miti 17104180

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

BRAC Business School BRAC University January, 2022

© 2022, BRAC University All rights reserved.

# **Declaration**

It is hereby declared that

- 1. The internship report submitted is discretionary and an original work.
- 2. The report does not contain any material, previously written or published; submitted or accepted in any educational institution; or by third parties.
- 3. The sources of help are accurately cited and referenced through the recent guidelines of APA format and also acknowledged properly.

Student's Full Name & Signature:	
Sadia Zaman MitiSadia Zaman Miti ID- 17104180	
Supervisor's Full Name & Signature:	
Dr. Md. Kausar Alam Assistant Professor	

BRAC Business School, BRAC University.

**Letter of Transmittal** 

27th January, 2022.

Supervisor- Dr. Md. Kausar Alam,

**Assistant Professor** 

BRAC Business School, BRAC University.

66 Mohakhali, Dhaka-1212.

Subject- Submission of Internship Report on "Challenges of Green Finance in Bangladesh-:

Evidence from a Non-Banking Financial Institution".

Dear Sir

With due respect and honor, I am submitting my internship report on "Challenges of Green

Finance: Evidence from a Non-Banking Financial Institution". As an integral part of the BBA

program, I have rendered my best efforts in order to efficiently complete this report.

The internship program has provided me with the greatest chance to obtain real life working

experience in the Human Resources Management & Admin department of FAS Finance &

Investment Limited. The experience was both a challenging yet a beneficial one for me and an

appreciable start for my upcoming career path.

It was also a great honor and experience to work under your guidance and supervision through

the process. I hope this internship report is able to thoroughly fulfill the purposes of the

internship program.

Sincerely,

Sadia Zaman Miti

Student ID- 17104180

**BRAC Business School** 

Date- 27th January, 2022.

Ш

# **Non-Disclosure Agreement**

This agreement is between FAS Finance & Investment Limited and an undersigned student of BRAC University, Sadia Zaman Miti.

I am Sadia Zaman Miti, and I hereby declare that the report does not contain any confidential or crucial facts and information that will harm FAS Finance & Investment Limited. The report will not be published on the internet and will be recorded in BRAC University as a completion of my internship program.

# Acknowledgement

Firstly, I would like to express my acknowledgment to the Almighty as he has given me the opportunity to successfully complete my internship in order to successfully obtain the degree as it was a mandatory part of the BBA curriculum.

I convey my utmost gratitude to my internship program supervisor Dr. Md. Kausar Alam and cosupervisor Dr. Md. Faruk Bhuiyan Assistant Professors of BRAC Business School, BRAC University as I got the chance to learn a lot from their guidance and suggestions. It helped me immensely during the process of the completion of my internship report.

Then, I would like to thank my on-site supervisors, Mr. Zahid Mahmud, Company Secretariat and Mr. Mojibul Haque, Head of HR & Admin, FAS Finance & Investment Limited. They have significantly helped me for an effective outcome at the end. They have provided me with helpful insights for the upcoming career path, which I can definitely apply in the future for betterment. I have learnt to obtain corporate setting experience and duly completion of duties and responsibilities with utmost effective outcome. I would also like to greatly appreciate Mr. Mir Imdadul Haque, Senior Officer (Corporate Finance), as I got to learn so much regarding the topic of my internship report.

I would also like to acknowledge that I could get the chance to do my internship in FAS Finance & Investment Limited. Working here was a pleasant experience as I came across some amiable, knowledgeable, knowledgeable and courteous people as my colleagues and supervisors. It was also a great pleasure to work here, as the work atmosphere was very pleasant.

# **Executive Summary**

In order to complete the 90 days' internship program, I secured my internship in FAS Finance & Investment Limited. FAS Finance is a non-bank financial institution, established in 1997, it has been rendering efficient financial advisory and services to the country for an extended period of time. As an NBFI, the key functionalities are related to loan disbursement in various sectors and others. The idea of writing the internship report focusing on green finance commenced with understanding and exploring the existing practices of green banking in FAS Finance.

The term green banking is a broad concept and encompasses several sub categories, of which green finance is a key essence. In order to instantaneously address the harmful effect of climate change, Bangladesh with assistance of its central bank launched a comprehensive Green Banking Policy Guidelines. The guidelines contained salient features to encourage active participation of the banking/FI sector to foster green growth. Despite having all the instruments, it is observed that the NBFIs (non-bank financial institutions) are lagging behind in terms of appropriate practice. The purpose of the study is to find out the probable challenges of the NBFIs could be facing in this matter through the perspective of FAS Finance & Investment Limited. Responses were collected through interviews and it was found that, there are several barriers that are hindering the proper green financing along with other green banking initiatives, which included lack of quality clients, higher cost of funds, lack of coverage; manpower etc. The study also realized that there's a lack of interest among clients regarding establishing green projects. Moreover, it was also evident that the proper in-house management is further hindered by lack of initiatives and commitment by the concerned. In response to the challenges, the report also suggests some corrective measures to be implemented in the existing regulatory framework on green financing added with recommendations to encourage and strengthen green financing activities in the NBFIs.

# **Table of Contents**

Chapter 01 (Internship Overview)	
Introduction	1
1.1 Student Information	1
1.2 Internship Overview	2
1.2.1 Internship Information	2
1.2.2 On-site Supervisor Information	2
1.2.3 Job Responsibilities fulfilled in FAS Finance & Investment Limited as	an intern2
1.3 Internship Outcome	5
1.3.1 Benefits to the Organization	5
1.3.2 Benefits to the Student	5
1.3.3 Problems and Difficulties Faced During the Internship	6
1.3.4 Recommendation for the Future Interns	6
Chapter 02 (Organizational Profile)	
2.1 Introduction	7
2.2 Company Overview	7
2.2.1 Company Directory	10
2.2.2 Board of Directors	10
2.2.3 Company Organogram	11
2.2.4 Vision	12
2.2.5 Mission	12
2.2.6 Goals & Objectives	12
2.2.7 Departments and Divisions (FFIL)	13
2.2.8 Products and Services	20
2.3 Management Practices	21
2.4 Financial Performance	27
2.5 Accounting Practices	31
2.6 Operational Management (Information. System)	33
2.7 Industry Competitive Analysis	34
2.7.1 Porter's Five Forces for FAS Finance & Investment Limited	34

2.7.2 SWOT Analysis	36
2.8 Personal Observation & Recommendation for FFIL	37
Chapter 03 (Project Part)	
3.1 Introduction	38
3.1.1 Literature Review	39
3.1.2 Objective of the Study	40
3.1.3 Significance of the Study	40
3.1.4 Limitations of the Study	42
3.2 Methodology	43
3.3 Findings & Analysis	43
3.4 Summary & Conclusion	47
3.4.1 Recommendation	47
Reference	50
Appendix	51

# **Chapter 1**

# **Internship Overview**

#### Introduction

As a part of the BBA program, the students of BRAC University are required to attend a 3 months' period internship in any corporate culture. I consider myself really fortunate as I got the chance to learn from my internship. It not only provided me with an introduction to the corporate culture but also helped me to grow in that environment. During my internship, I came across several opportunities and interacted with many amiable people as my colleagues, supervisors and officials. During the internship period, I got the chance to gain practical knowledge on how a non-bank financial institution works, what are its core functions, and most importantly, what NBFIs do as daily activities that are separate from the traditional banking system.

With hand on hand working experience, I have gained valuable insights, and this knowledge is different from what students are taught in traditional classroom settings. It is a practical orientation of what we learn and trying to render swift adaptation toward the scenario. Finding a job can be really very difficult in this progressive economy with people already unemployed with higher educational qualifications. Having previous experience in the workplace can come very handy for getting a job as a student can give a competitive edge to them in the job market and really stand out as a potential employee to the organization, they pursue their internship. Along with that, it adds a way to choose a future career path. Moreover, an internship can provide a student with refined soft skills, work-related skills and an advantage of receiving feedback on the efficiency of the work performed. Self-strengths and weaknesses are found as a student is required to work in a professional setting. Furthermore, internships can help in gaining confidence and networking with professionals that can come out fruitful in future. Most importantly, it can also open the doors for transitioning into a potential employee or even offering a job depending on a favorable impression.

#### 1.1 Student Information

My name is Sadia Zaman Miti (ID-17104180) and I am a student of BBS department of BRAC University. I Have completed my major in Accounting and Human Resource Management. As part of the internship program, the students of BRAC University are instructed to write a report.

My report writing is on the topic of Challenges of Green Financing- Evidence from an NBFI (FAS Finance & Investment Limited), a non-banking financial institution where I worked as an intern during the internship period.

# **1.2 Internship Overview**

# 1.2.1 Internship Information

Internship Period- 03 Months. (16th November - 16th February)

Company Name- FAS Finance & Investment Limited (FFIL)

Address- 65 Gulshan Avenue, Suvastu Imam Square (4th & 5th Floor), Gulshan-01

Department- Human Resource and Administration Department.

### 1.2.2 On-site Supervisor Information

Zahid Mahmud

Designation- Company Secretary, Head of HR & Admin, CC.

Md. Mojibul Haque

Designation- Head of HR & Admin.

# 1.2.3 Job Responsibilities fulfilled in FAS Finance & Investment Limited (FFIL) as an intern

I was assigned to the HR & Admin Department FAS Finance & Investment Limited (FFIL). The HR department is categorized under two sub functional departments, that includes- the HR and the Admin department. I worked under the HR department as fulfilled the job responsibilities as follows-

### 1. Receiving Leave Applications

The HR Department is responsible for receiving leave applications from the employees whenever they need any casual or sick leave. The process encompasses firstly, providing the leave application form where the employees are instructed to fill up the form where information related to the employee and reason for leave is identified i.e., employee name, department, designation, emergency contact and days leave taken. Cumulative leave and balance up to the previous leave taken. After That, the leave application is received by the HR department and they are required to recommend the leave application. Finally, the leave application needs

authorization from the Head of HR and Administration followed by the Deputy Managing Director. Finally, the leave application of the employee is granted through the sequential procedure.

### 2. Updating Leave Balance Accordingly

The process of updating leave balance starts after granting the leave application of the employee. An excel sheet is kept for each of the employees. The excel sheet is renewed and updated with a new one each year. Given receiving the leave application, three columns are filled categorically named- application date, cumulative leave (subtotal of the leave) up to previous one and a balance (subtracted from the previous). Each year, the amount of leave an employee can take is up to 30 days, if the amount exceeds, the issue is addressed with salary adjustments

# 3. Assisting in Conducting Recruitment & Selection Process

The process of interviewing for the manpower essential for the organization takes part in some certain sequential form. I have assisted my supervisor, the Head of HR & Admin in conducting the recruitment & Selection process. These sequential processes include-

- Shortlisting resume from different sources- Bdjobs, webmail
- Preparing interview summary sheet
- Preparing interview top-sheet
- Informing candidates about the interview
- Assisting them the process of the interview

The entire interview process follows some pre-selected guidelines. Firstly, candidates are being shortlisted from different job websites. Secondly, the interview summary sheet is prepared for each candidate with related information such as- candidates' name, educational qualification, working experience, present salary and expected salary. After that, an interview top sheet is prepared with candidate name, latest educational information with passing year and result and finally their contact number. Sequentially the candidates are being informed about the interview date and time along with necessary information, with phone calls and texts depending on the number of the total candidates. Finally, on the day of the interview, the interview is conducted and the candidates get assistance if they need any during that hour.

### 4. Preparing Appointment Letter

After completing the interview efficiently, necessary documents are prepared for the selected candidates. These include- preparing office notes, appointment letters etc. After the interview is conducted an office note is created for the selected candidates with relevant information such asname, contact details, designation, and offered salary. After that, an appointment letter is provided to the selected ones describing the designation, office location, offered salary and job responsibilities. The appointment letter is given to the selected personnel. The selected personnel then inform if they want to join the organization.

#### **5. Filing Employee Personal Documents**

After the entire interview process is completed, the selected ones- agreeing to join the organization, provide a joining letter followed by personal documents necessary for arranging an employee personal file. The file is created with joining letter, office copy of appointment letter received by the person, two passport size photographs, educational certificates, release order form the previous organization, a copy of salary and benefit package offered in previous organization, copy of NID, necessary medical documents, CV etc. these mentioned documents are collected from the person and created a personal file with specific employee ID, an official email address and Corporate SIM designated for the employee. The Process is completed with this.

### 6. Updating Employee List

During the Internship, I was assigned to prepare an updated employee list comprising the up to date information on the existing employees. The process required me to take a look at employee personal files and hence updating the Excel file with information related to employee name, designation, department, date of joining, and latest transfer & posting. The overall work assignment was objectified as to identify employees for relevant training and development.

#### 7. Writing Official letter to shareholders

As I have pursued my internship in an NBFI, I had to communicate with the shareholders of FAS Finance. During the time of internship, I have learnt to communicate with different shareholders through official letters. I have learnt to apply a practical orientation of formal letter writing

through this process. I have written official letters and completed the process by confirming the delivering letters to the office.

### 8. Corporate SIM Handling

Whenever an employee joins FAS Finance, they are required to use corporate Contact numbers as this is an easy way to delegate when needed. Usually, employee specific job responsibilities are assigned to the HR department. Since I have worked under the HR Department, as part of my job I have handled this particular issue. Employees who resigned during the end of the year and joined FFIL were observed if they have handed over their Corporate SIM or provided with a SIM for their official use. The process starts after preparing the personal documents for the new employees. A concerned person of the particular telecommunication is called and told to unblock or block certain numbers depending on the employee status. Then he/she does the activity and after that, unblocked SIMs are used for new employees.

# 1.3 Internship Outcomes

# 1.3.1 Benefit to the Organization

The internship was beneficial to the organization as it provided the HR department to get assistance in completing their day to day tasks. Job responsibilities of HR are very much communicative and to some extent requires more paperwork. We had only three people working under the HR department thus the work pressure could get divided and reduce workload. Moreover, the internships also enabled FFIL to do support tasks like receiving letters, preparing interview summary sheets and others.

#### **1.3.2** Benefits to the student

The outcome of the internship was very benefitting as I got the opportunity to learn practical knowledge on dealing with situations in a corporate setting. I have gained knowledge and insight on the functionalities of a non-bank financial institution. I have also learned about several terminologies of the financial sector + how they work and obtained technological knowledge practical implication of MS excel and ways to work faster, given the opportunity to work in a

corporate setting. Other than that, I have gained insight on how to shortlist resumes and prepare documents that further enhance the operation efficiencies of an organization.

# 1.3.3 Problem and difficulties faced during the internship

During the internship I had to face difficulties regarding commuting as they were not able to provide transportation service to their employees on a specific route. Thus, I had to face many difficulties while commuting as the office location was far away from my home and that route did not have any proper transportation system including- Direct bus trips. I also had to suffer with maintaining proper office timing due to the unavailability of transports in time. Other than that, a prime issue was the exact time for leaving the office as I was not given the opportunity to work for a certain prescribed time, I had faced difficulties writing my internship report.

#### 1.3.4 Recommendation for the future interns

My recommendation for FFIL would be to provide transportation service to their interns as there might be interns who come from a far distance.

# Chapter 2

# **Organizational Profile**

### 2.1 Introduction

The banking sector of Bangladesh is a massive sector comprising several kinds of institutions under it. Collectively, this sector has a substantial impact on the economy of a country. The Banking sector is now flourishing with a diverse range of Banking/Non-Banking Institutions type, from PCBs (Private Commercial Banks), FCBs (Foreign Commercial Banks, SOBs (State Owned Banks) to FIs (Financial Institutions) At present, Bangladesh has a total of 64 scheduled banks and 34 Non-banking financial institutions in operation.

From the very beginning, NBFIs in Bangladesh are working as an instrumental part in providing and supporting diversified economic aspects. These non-banking financial institutions are usually categorized as insurance companies, underwriters, investment banks and other financial institutions. Bangladesh, being a developing country, requires a massive amount of investments in several sectors, starting from SMEs, leasing, infrastructure to different financial advice, security broking and different kinds of loan disbursements for better living. Stating its importance in aiding the clean operation of the economy of a country, NBFIs have portrayed their influential aspect as they meet customer's requirements on a niche base, which sometimes might not be an option of adequacy for the traditional banking sector.

# 2.2 Company Overview

FAS Finance & Investment Limited (FFIL) is a public limited company that was established in 1997 under the Company Act' 1994. In 1998, it was granted a Merchant Bank license by the Bangladesh Securities and Exchange Commission (BSEC). Following that, FFIL was granted a license by Bangladesh Bank in 2001 and incorporated itself as a first generation Non-Banking Financial Institution (NBFI) under the Financial Institution Act' 1993. FAS Finance & Investment Limited started with an initial paid-up capital of Tk. 21.34 million against an authorized capital of Tk. 500 million, Through the journey, with the aspiration of bringing innovation, integration, and rendering the greatest value to shareholders, added with the

dedicated support of renowned industrialists and business personnel, at present, FFIL stands with a paid-up capital of Tk.1490.77 million, compared to Tk.2100 million in authorized capital.

Since its establishment, FFIL has been focused on continuous expansion and delivering financial solutions in the areas of industrial finance, transportation finance, home loans, SME finance, corporate finance, financing for women entrepreneurs, green financing, and in other prospective industries. FFIL also offers lucrative deposit schemes as part of its efforts to capitalize on competitive advantages by expanding financial services. Thus, it has significantly grown by offering quick and high-quality services to a wide range of consumers within its area. It also strives to maintain prompt service rendering and high asset quality.

FFIL is actively participating in the money market through its subsidiary "FAS Capital Management Limited", FAS Capital Management Limited, a fully owned subsidiary of FAS Finance & Investment Limited, which was established as a Private Limited Company in 2010 under the Company Act 1994 and got a license from the Bangladesh Securities and Exchange Commission in 2012. FAS Capital Management Limited offers issue management, portfolio management, and other linked services to investors, as well as advising help in unexpected scenarios. Top Management along with others collectively working toward its sustainable growth. FFIL currently has three branch office locations along with the head office located in Narsingdi, Chittagong and Sylhet. It has a total of 18 Principal Bankers, 4 Stock brokerage. FAS Finance & Investment Limited operates is business activities efficiently through several operational wings and these are such as-Financing & Business Operation, Diversified Portfolio, Lease/Term/ SME Finance, Fund arrangement, issue management services, Financial Advisory, deposit mobilization, underwriting, Call Money transaction, recovery and operational hub and many others.

As a non-banking financial institution, FFIL's functionalities can be categorized under two distinctive operational terms- 1) Asset Marketing and 2) Liability marketing. The basic idea here is to collect funds through various deposit schemes tailored to specific customer needs and then loan sanctions and disbursements under different product categories and services. The asset marketing is specified as providing loans under- Corporate finance, structure finance, retail and SME finance. Whereas, the liability marketing partakes the activities of collecting money through TDR, FDR etc. Other than that, it also performs daily treasury activities as part of the Money Market.

#### **FAS Capital Management Limited (FCML)**

FAS Capital Management Limited (FCML) is a wholly owned subsidiary and a first-generation merchant bank, coming down a long way of 20 years, it has been delivering merchant banking services to its corporate and retail clients, FCML was established on March, 1997, and began its operations as a full-fledged Merchant Bank on January, 1998, under the name and style of "Fidelity Assets & Securities Company Limited". Following that, on September 17, 2001, it received license from Bangladesh Bank with a view to operate as a Non-Banking Financial Institution (NBFI). Since then, it has been actively operating as a Merchant Bank and a Non-Bank Financial Institution (NBFI) as different functional wings of the FAS Finance & Investment Limited (FFIL)

FCML, primarily operates as a merchant bank and its day to day activities encompasses the various of the merchant bank services such as- portfolio management, issue management, share trading, underwriting, corporate advisory, opportunities for investment in shares and securities. FCML, as one of its key activities, manages its own portfolio of shares and securities from publicly traded firms. These are fully diversified, comprising securities from several sectors. Therefore, this diversification and investment in fundamentally good assets help to reduce investment risk to a greater extent. Moreover, FCML provides special service to its investors through a discretionary control and handling of portfolio management by its respective investors through an account named FCML Investor's Discretionary Account (FIDA) and account to handle the issue with a well-trained team of FCML through FCML Discretionary Account (FDA). It also operates in the money market on a regular basis and has engaged in both borrowing and lending operations with various banks and financial institutions in order to effectively manage its liquidity position. Other than that, share buy and sell, share dematerialization/rematerialization, pay-in/pay-out, dividend, and effective performance of other share settlement processes are the central activities of FCML.

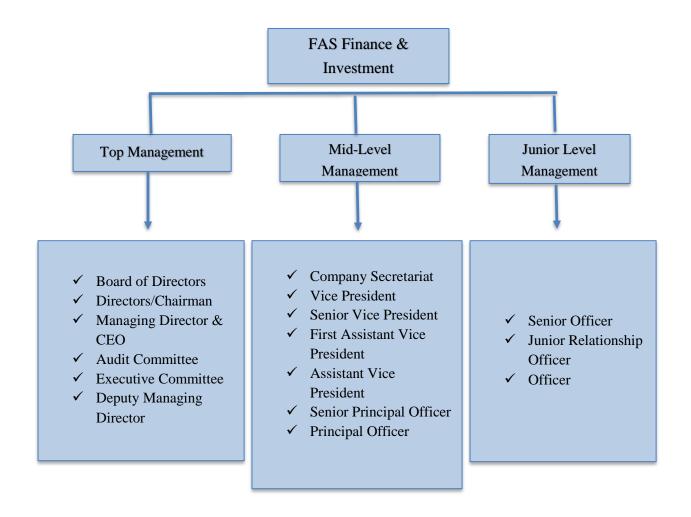
# 2.2.1 Company Directory

Туре	Public (Financial Institution)
Industry	Banking Sector
Established in	1997
Corporate Head Office Address	65 Gulshan Avenue, Suvastu Imam Square (4th and 5th Floor), Gulshan-1. Dhaka-1212
Logo	FAS Finance & Investment Ltd.  Let Your Dreams Come True
Authorized Capital	2100 Million (BDT)
Paid Up Capital	1490.77 Million (BDT)
Subsidiary	FAS Capital Management (FCML)
Number of Employees	67

# 2.2.2 Board of Directors

1	MD. Mohammed Nurul Amin	Independent Director & Chairman
2	Dr. Muhammad Saifuddin Khan	Independent Director
3	Mr. MD. Salim	Independent Director
4	Brigadier General Abu Sayeed Mohammad Ali	Independent Director
5	Dr. Sayed A. Mamun, FCMA, CSRS	Independent Director
6	Mr. Pritish Kumar Sarker	Managing Director & CEO

# 2.2.3 Company Organogram



#### **2.1.4 Vision**

The Vision of the Company is to establish itself as a premier financial institution that is able to provide innovative and creative products and financial services tailored to the specific needs of diverse communities of Bangladesh.

#### **2.1.5 Mission**

The mission of the company includes enabling customers so that they can create meaningful business relationships that are beneficial for both parties along with maintaining the standard of employee satisfaction, customer loyalty and shareholders' value. The company aims to strengthen their capital base in order to secure sustainable business growth in the long run. It also aims to adopt fruitful banking practices and is also trying to ensure best banking practice through strong risk management and compliance aided with a high standard underwriting practice. Furthermore, their mission includes working hard toward providing financial services to a wide variety of customers and contributing to the economic development of Bangladesh.

# 2.1.6 Objectives & Goals

- Gradually raising of Capital Base amounting Tk 500 Cr through issuance of bonds and other financial instruments, with the assistance of Treasury and Accounts Department.
- Initiating new financial products & services (specifically-deposit, credit) tailored for the diverse group of customers and ensuring effective marketing through the cooperation of the Corporate Branding Department.
- Expanding the Investment & Credit portfolio along with a special attention to the CMSME Sector.
- "Deposit" will be given more focus with an extensive marketing campaign in order to achieve the target of increasing Deposit amount to Tk 2000 within next 5-7 years.
- Ensuring a systematic and timely recovery of loans through following guidelines of Special Asset Management department, to bring down the NPL percentage below 10% within 2025

# 2.1.7 Departments and Divisions (FFIL)

#### 1. Finance & Accounts

The Finance & Accounts department is one of the essentials of the existing operating departments. The key activities of this department is to focus on establishing a realistic budget and anticipated financials for the company, including cash flow; designing effective tax and VAT payment planning that takes into account all associated regulatory obligations; and ensuring good record keeping as well as the highest level of monitoring mechanism in the accounts. Other than that, some of the major responsibilities of Finance & Accounts department also incorporates-

- ➤ Preparing and timely submitting all types of report representation to the Bangladesh Bank and to the Head Office. Which include- a month's end report, additional reports, update on deposits held by the Government, reports on SBS 1 & 2, un-adjusted entries etc. Other than that, preparing annual reports, reconciling on monthly, quarterly and yearly basis.
- ➤ Preparing, analyzing and monitoring annual budget and communicating with other departmental heads for ensuring compliance with accounts related issues.
- > Surveillance and ensuring non-repetition of irregularities pointed out by External/Internal Audit and Bangladesh Bank.
- Accounts of HO clients and other banks are being reviewed and keeping track and maintaining the balances of those accounts.
- > Calculation of VAT and Tax.
- Providing necessary information on assets and liability to the Head Office Branch, Central Bank and External/Internal Audit. And following up lease, amortization status.
- ➤ Preparing daily expenses, cash vouchers, and Pay Order (PO) issued in response to supplier's bill as well as preparing VAT and TAX certificates in relation to suppliers' bills Preparation of VAT and TAX related records.
- ➤ Disbursing employee salary to the accounts, preparing cash cheque and compliance reports as per the requirement of the External Audit department.

#### 2. HR & Admin

The HR and Admin Department performs its functionalities under two wings named- HR department and Admin department. The HR department is assigned with job responsibilities related to manpower management and development whereas, the Admin department is responsible for other administrative operations like- front desk operations, issue resolution etc. Some of the key responsibilities of HR and Admin department is is not confined to the limit but listed below-

- ➤ Taking under the selection process of efficient manpower required for the organization, arranging interviews, selecting, background check, appointing and taking responsibilities of transfer and posting.
- Making relevant efforts to develop and ensure greater efficiency from the human resource. And enhancing different motivational tools to ensure that the manpower is productive enough to achieve organizational goals; supervising the overall recruitment and selection process, preparing, revising and remodeling the process whenever organization requires; arranging training and development.
- > Ensuring proper discipline in the departments as well as the overall organization.
- > Salary and wage negotiation and administration.
- > Promoting and adjusting increments.
- ➤ Performing the task of leave operation i.e., receiving leave application and updating leave balance.
- Organizing meetings, training and conferences in the organization.

The Administrative department take the operations of-

- ➤ Procuring and purchasing office equipment, supplies i.e., Printer cartridges, stationary, electronic supplies etc. as well as ensuring maintenance.
- Ensuring adequate logistic and infrastructure support, maintaining the operations related to office transportation and Car requisitions.
- Cash management and dispatch.
- Front desk activities and PABX operation.
- > Selection and administering the renewal process of Branch premises
- Ensuring Office security.

# 3. Internal Control & Compliance (ICC)

The ICC department is categorized under two operating wings named- A) Audit and Inspection, B) Compliance. Their objective is to ensure that the audit checklists are maintained, safeguard company assets, identify lapses in documentation, prevent and detect any fraudulent activities that can take place and finally to protect investor and shareholders' interests.

- ➤ Performing the activities inspection of Head Office, Branch Office, their respective departments and constructing the review of inspection report thereby.
- Preparing and reviewing audit reports with compliance to the criteria provided by External/Internal Audit and Bangladesh Bank,
- ➤ Identifying the reliability and effectiveness of compliance and inspection reports and assessing risk and developing an independent analysis process for the Branch Offices
- Verifying accuracy of accrued expenses.
- Management request of investigation of fraud, defalcation, accusations, or any other improper transactions. Continuous monitoring, follow-up, and supervision to avoid lapses and anomalies from recurring, as well as recommendations for corrective action.
- ➤ Fast reflexes to any investigation arising from any emergency scenario as directed by the authorities to avoid any undesirable circumstance in advance.
- ➤ Ensuring compliance of all the internal reports and inspection reports are with the regulatory requirements and suggesting remedies regarding rectification whenever any lapses occur.
- ➤ Maintaining proper communication with other Financial Institutions.
- ➤ Conducting Training at different organizations as well as in Bangladesh Bank to make employees aware of regulatory changes.

# **4.** Information Technology (IT)

The IT department is another central functioning department of FAS Finance that partakes major responsibilities including introduction and operation of Core Banking Software for seamless operational processes; through paying greater attention on IT

equipment and infrastructure upkeep for improved performance. Along with that, some of the other responsibilities are listed below-

- ➤ Handling Core Banking Software including- database backup, username creation, role mapping, user permission/edit and user status update.
- Verification of NID (For loan sanction purpose) through maintaining connectivity with Election Commission.
- ➤ Data center management- LAN, WAN, Excess point, Router, Switch Router maintenance.
- > CIB (Credit Information Bureau) report update and submission to Bangladesh Bank.
- ➤ Submitting report through FTP server to BB
- ➤ Report generation and converting to text file through software.
- ➤ CDBL (Credit Depository Bangladesh Ltd) information/report presentation to the board and verifying AGM information. Several report submission activities are of CDBL
- > CCTV surveillance backup.
- ➤ Website maintenance and update.
- ➤ Website domain and hosting.
- ➤ Office Emails user id creation, delete, edit, and creating group Email.
- ➤ Periodical data backup- CBS, Email, Web, CCTV.
- > Providing Technical support to end users.

#### **5.** Credit Department

The Credit department of FAS Finance operates under four operational wings e.g. A) Corporate Finance, B) SME Finance, C) Credit Administrative Department, and D) Credit Risk Management. These four functional areas collectively handle the Asset Marketing and Liability Marketing part of the organization. The Corporate Finance and SME finance department launches special tailored financial products and services under its supervision that are later on converted as the asset of FAS Finance. The Credit Administration Department (CAD) is fully focused on guaranteeing that all documentation is comprehensive and that all approval, enforcement, and other

requirements are met and finally to ensure that funds are used properly. Some comprehensive activities of the credit department are listed below-

- Ensuring submission of all required documents prior to reviewing the proposal
- Visiting proposed business establishment/collateral land if it is considered necessary
- ➤ Potential risk assessment in view of borrower analysis, industry analysis, supplier and buyer analysis, historical financial analysis, projected financial performance, credit background, account conduct, security, project implementation, type of control on cash flow and finally, discovery of mitigation factor.
- Scrutinizing loan related document
- ➤ Following up clients over the phone for making payment regularly and preparing overdue letters of irregular payments.
- Preparing collateral security to the panel/official lawyer for vetting, searching and case filing.
- ➤ Providing sanction letter to CAD for completing documentation formalities.
- ➤ Overseeing the monthly overdue, disbursement and execution status.
- ➤ Corresponding with prospective clients for deposit collection.
- > Timely completion of work assignment by the department head
- ➤ Official vetting through legal personnel for loan sanction feasibility

### **6.** Special Asset Management

Special Asset Management performs its functions as the Recovery wing. The cornerstone of this department is to formulate and implement different strategies to combat and ensure highest possible recovery from classified loans and hence decrease the amount of non-performing loan (NPL). These activities partake-

- ➤ Formulating effective strategies and ensuring proper implementation of those, in order to decrease the amount of default loans.
- ➤ Recovery and Collection from the classified loans.
- ➤ Client visit.
- ➤ Preparation and due submission of reports i.e., ISS, CRM, Annexure to Bangladesh Bank.

- Loans are closely monitored and followed up on, with a specific focus on The top 20 defaulters in terms of recovery, adjustment, and regularization
- ➤ Preparing Memos and Office Notes for Re-scheduling, Partial Settlement/Early Settlement, other performing actions involving classified loans and leases.

### 7. Treasury

The treasury department operates the daily treasury functions and maintains a positive and profitable connection with all banks and non-bank financial institutions (NBFIs) for the pooling of investable money. Moreover, it is also focused to get investable capital from banks and non-bank financial institutions (NBFIs) and reduce the expense of finances to the absolute minimum; hence, maximize profits by building the right investing decisions. This department has three functional wings named- Treasury, Liability Marketing (a front office wing) and Liability Operation (a back office wing). Some of the works treasury department is responsible for-

- ➤ Call Money Transaction and perform Money Market activities.
- > Daily treasury dealings and preparing daily rate sheets.
- ➤ Issuing FDR, TDR & Term loan. Overdraft, Secured overdraft.
- ➤ Timely providing of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) report to Bangladesh Bank and preparing Liquidity Report, Govt. Security Report- and representing on Board.
- ➤ Timely holding of ALCO and ALM (Asset Liability Management) meetings and submission of the reports.
- ➤ Anti- Money Laundering
- The liability marketing wing is highly focused to increase the loanable portfolio with a variety of deposits and maintaining customer relationship and providing assistance whenever needed
- ➤ Collecting competitive information for strategic planning, product creation, and interest rate modification/fixation, among other things. And providing unique marketing/new product concepts.
- Opening deposit accounts for new costumes.

- ➤ Monitoring the fund's position on a daily basis, as well as projections for maturity and the amount of encashment and finally, calculation, preparation/issuance of checks, and regular encashment are all completed.
- > Submission of relevant reports to NBR, Bangladesh Bank at due course of time.

#### 2.1.8 Products and Services

#### Structured Finance

- Fund-Raising Syndication
- Advisory Service-Mergers & Acquisition, Joint Venture, Matchmaking,
- Securitization of Assets

# Corporate Finance

- Lease Sale
- Bridge Finance
- Loan for Procuring Commercial Space
- Real-estate
   Development Loans
- Project/Club Financing
- Short Term Loan

#### Retail Branch

- Home Loan/ Building Construction
- Car Loan Person Loan
- Loan against Term
   Deposit Receipt (TDR)



Products & Services (FFIL)

# Treasury

- Call Money Lending & Borrowing
- Short Term Lensing Borrowing
- Term Deposit

# Deposit Products

- FFIL Term Deposit Scheme
- FFIL Cumulative Profit Scheme
- FFIL Profit Earner
   Scheme
- FFIL Earn Ahead Fixed Deposit
- FFIL Double Money Program
- FFIL Triple Money Program
- FFIL Deposit Pension
   Scheme

#### **SME Finance**

- CMSME (MyLoan)
- Lease
- Short Term Loan against Work Order
- Women Entrepreneur Loan
- Green Finance
- Agro Finance

# 2.3 Management Practices

Management practices are an integral part of an organization irrespective of the type of the organization. FAS Finance & Investment (FFIL) is a non-banking financial institution and its management practices are supervised and implemented under the HR and Administration department.

### 2.3.1 Human Resource Planning Process

Human Resource Planning Process refers to forecasting and analyzing manpower needed for an organization to achieve its goals and objectives. It is regarded as one of the paramount in any organization as it provides the organization with indication on how the goals can be achieved through manpower.

Since FFIL is a financial institution, its prime focus is to provide credit facilities, loans, financial advisory and other financial services. In other words, collecting capital as form from clients through diverse deposit schemes i.e., FDR, TDR etc. and providing loans categorized under Corporate, Retail or Structured Finance. Thus, their Human Resource Planning Process is specifically tailored and started with setting a revenue target for the following year, considering a certain amount of loan disbursement and taking actions to realize the set goals. Human Resource Planning Process of FFIL takes the following sequential steps -

- Setting objectives- Setting a revenue Target-A predetermined revenue target helps forming a preset target of loan disbursement. After that, depending on the amount of loan disbursement, the amount of loan disbursement predicts the prioritized business activities i.e., Asset Marketing, Branding and communication. On the other hand, if the goal is to receive more deposits from customers, then the focus of department transfers from Liability Asset to Liability Marketing. The liability marketing department is a sub function of the treasury department along with Liability Operation. If one department needs manpower, the other automatically requires more manpower to sustain smooth operation. Therefore, the personnel required in a specific department are identified. Sometimes, if the target is to launch new products and services, personnel are recruited as per necessity.
- Analyzing existing manpower inventory- After identifying supporting staff needed for each department, Company in-house inventory of manpower is analyzed. The personnel

inventory is kept with related information of the existing employees i.e., Department, designation, qualification, performance appraisal scores, work knowledge score etc. After analyzing the current manpower inventory, FFIL decides if they want to go for external recruitment or internal recruitment. In most cases FFIL goes for external Recruitment.

• Forecasting Supply and Demand of Manpower- The existing talent pool and the demand of manpower is scrutinized and the decision is taken depending on the result of manpower availability. Certain essential criteria are taken into consideration, from which matching the existing talent pool with the required position's job description and specification is most commonly done. Finally, if needed employees are downsized through transfer to the branch offices.

# 2.3.2 Organization Leadership Style

FFIL's leadership style can be categorized under democratic leadership style. It helps FFIL in achieving its goals and objectives through collective decision making. Democratic leadership is considered a leadership style that fosters an ambiance of involvement and inclusion within an organization. Since everyone's opinion is heard and integrated into the decision making process, it automatically creates an environment that assists productivity and subsequently accelerates growth.

FFIL adopts democratic leadership styles as it is advantageous in many forms. This leadership style is seen in practice in activities like meetings, reporting etc. Decisions are taken in board meetings and are approved through employee consent and everyone's involvement is required. In some cases, department wise meetings are held with an extra layer of approval. For instance- if the CRM (Credit Risk Management) department is in the process of analyzing risk related to loan security, two meetings will take place for more carefulness and everyone in that particular department is expected to present their opinion on that meeting, before the issue is placed before the board. This way, FFIL gets another advantage of practicing democratic leadership style, that is more efficient problem solving and more solutions on the table. Other than that, any management & administrative initiatives are backed by employee viewpoints so that it can attain greater efficiency.

#### 2.3.3 Recruitment & Selection

The recruitment & selection process starts after the demand and supply of manpower is identified and follows some sequential steps. These steps are-

- 1. Advertising for vacancies- FFIL uses several platforms to advertise relevant job vacancies and positions. From which, the traditional printing media method is one. An initial layout for the job circular is designed and later on revised through the approval of the Head of HR & Admin followed by the management team. After the approval it is sent to a specific printing media. Along with that, FFIL also announces the vacancy positions through online job boards like Bdjobs website, LinkedIn, categorized under different departments.
- 2. Receiving Applications- Job applications are received through Bdjobs website and the webmail of FAS Finance & Investment. If the job applications are received through webmail, they are not filtered, rather the CVs are downloaded and kept in folders designated to the department. After that, those CVs along with the one accumulated in Bdjobs website go for the next step called screening and shortlisting.
- 3. Screening & Shortlisting- FFIL usually goes for resume screening others phone screening. The downloaded resumes are skimmed through by the preset criteria and finalized when they match job requirements. On the other hand, resumes from Bdjobs are primarily shortlisted through filtering the information. For example- if FFIL is recruiting for the Treasury department, they will look into the job requirement for the post i.e., minimum experience, field of expertise etc. through filtering, they will create a preliminary shortlist. If the filter does not provide suitable candidates, the task will take manual form and be looked through individually for the preliminary shortlist. Sometimes a second phase of shortlisting is done for better results.
- 4. Interviewing- After finalizing the shortlisted candidates, given a fixed date, they are called for an interview. The interview scheduling is done through the HR department. The interview board is usually constituted with the Managing Director & CEO, Deputy Managing Director, Company Secretary, Head of the HR & Admin and finally the Chief Financial Officer. The board evaluates each candidate through STAR methods along with the traditional standard evaluation method. In which the candidates are required to recall their previous working experience and connect the dots with the criteria e.g., Situation,

- Task, Action, Result (STAR). In some cases, written assessments are also done when the position requires i.e., entry level posts.
- 5. Background Check and taking decision- After the interview takes place, the candidates are further filtered through background check and reference check. In this process, the HR people contact the persons introduced in the reference list of the candidate's resume. If the existing contacts fail to provide necessary information due to any reason, the candidate is informed to provide updated reference for further contact. The reference check really helps getting information regarding skills and competencies, good conduct and other behavioral aspects.
- 6. Decision and job Offer- After completing all the steps appropriately, the decision is made regarding whom to offer and the selected candidates are contacted and provided with job offers. An appointment letter is provided with necessary details i.e., office location, salary and benefits, job duties and specification. Two copies of the appointment letter are made, one for the candidate and another one is an office copy. The office copy is received by the candidate and the main copy is provided to them for their part of decision. If the candidates accept the terms and conditions, offered salary and other benefits, he/she then confirms the joining date to the HR department. Subsequently, the candidate joins his/her designated department.

### 2.3.4 Compensation System

The Compensation system of FFIL consists of Monetary and Nonmonetary benefits to a certain extent. The pay grades are structured based on the company organogram and the pay grades show a narrower width between each grade.

The cash compensation is the basic salary depending on the job position. Others cash compensation includes some basic and key compensations and those are listed below-

- ➤ House Rent
- ➤ Conveyance expense
- ➤ Medical and Health Expense

Other than that, FFIL also provides other employee benefits as follows-

> Festival Bonus- FFIL provides Two Festival Bonus to their employees.

- ➤ Provident Fund- Since August 31, 2008, the Company adopted a contributory provident fund plan for the workers, the fund is simultaneously supported by both FFIL and the employees.
- ➤ Gratuity Provident Fund- The Company provides gratuity benefits to its workers. The gratuity is calculated on the last two basic pay periods and is provided at the rate of two months' basic pay for each year of service completed.
- ➤ Personal Loan facility for employees- FFIL provides the existing employees with personal loan facility at a subsidized interest rate.
- > FFIL provides Health Insurance & Group insurance coverage facility
- ➤ Annual incentives based in performance- In order to attain greater staff retention, FFIL uses yearly incentive based on employee performance and this includes enhanced cash compensation and benefits
- > Reward and recognition for employee hard work and dedication

# 2.3.5 Training & Development

Training and development is considered one of the key activities for fostering performance growth in an organization. FAS Finance & Investment Limited arranges several in house training besides outside organizational training. Since FFIL falls under the banking sector, the training usually encompasses different aspects and up gradation on service provisions of the banking sector. Following the line, the training is also held to make employees aware of the modifications on existing regulatory policies in order to be ready for the potential institutional readiness. These training are usually held on an intra/intercompany basis i.e., Dhaka Chamber of Commerce & Industry Limited (DCCI), Bangladesh Leasing and Finance Companies Associations (BLFCA), BRAC, along with the training provided by Bangladesh Bank Training Academy (BBTA).

1) BBTA Training- Training and development provided by Bangladesh Bank are usually counted as the crucial ones and are imperative to attaining performance effectiveness. The training objectives of Bangladesh Bank Training Academy (BBTA) usually puts great emphasis on building up knowledgeable, dynamic and proficient human resources for the existing commercial banks and financial institutions' viability. In addition to that,

the objective also pertains to equipping the employees and officials with updated prudential guidelines and regulations provided by Bangladesh Bank to sustain stable development of this sector. Moreover, through excellence, maintaining an international standard, the newly recruited people can also find it handy as they take part in the training held by BBTA. The trainings that are usually attended by FFIL in response to BBTA offerings are not limited to a certain extent but listed below-

- General Banking
- Economics & Monetary Policy, Currency Management & Payment System.
- Risk Management, IT Security & IT Skill Development
- CSR (Corporate Social Responsibility)
- Anti-Money Laundering & Combating Financing of Terrorism
- International Course and Miscellaneous Program
- Agricultural Financing, SME & Financial Inclusions, Sustainable Finance.
- Digital Bangladesh & SDGs
- Gender Inequality
- 2) Job Rotations- are also common in FFIL as a method of training and development. Job responsibilities that fall under a similar category, at least to a lesser extent, are switched for improving knowledge in that particular field. For example- officials under Finance and Accounts are sometimes posted to the Internal Control & Compliance (ICC) Department, posting officials from Liability Marketing Operational wing to Company Secretariat department.
- 3) Team Instructions- Team instructions are provided in order to improve efficiency and saving time simultaneously. These trainings are given on a departmental basis where the training materials are similar. For instance- Credit departments collectively can receive such training when required.

### 2.3.6 Performance Appraisal

The main purpose of the performance assessment system at FFIL is to optimize the efficiency of the organization. The company's goals with advice on how to fulfill each member's career goals All full-time workers' competency is assessed by the performance assessment system, which is thoroughly organized. The circulation begins this lengthy process.

FFIL uses a traditional method, ACR (Annual Confidential Report) as a performance appraisal method. Other than that, FFIL is also trying to undertake a more systemized, productive and up to date performance appraisal method in order to increase the dimension efficiency of outcome.

#### 2.4 Financial Performance

In this report I have attempted to analyze 3 years of financial performance of FAS Finance & Investment Limited in terms of Liquidity, Solvency, Efficiency, Profitability, Leverage and Market Value. The ratios intend to provide a detailed insight on the current financial standing of FAS Finance.

**1. Liquidity Ratio**- The Liquidity Ratio is regarded as a financial measure that defines the availability of liquid financial instruments for the organization to pay its debtor without raising any external capital.

#### A. Current Ratio:

2020	2019	2018
2.64	2.66	2.47

Comments- Having a Current Ratio greater than 1.00 indicates that the firm has capability to meet its short term obligations with current assets i.e., cash and cash equivalents. The trend showing in the current ratio of FAS Finance indicates that, over the 3 years' period, they had their current ratio more than 1 and that indicates a sound financial solvency with regards to current liabilities and obligations.

#### B. Cash Ratio:

2020	2019	2018
0.00614	0.0128	0.04

Comments- Tough the Current ratio is satisfactory; the cash ratio does not provide a good portrayal of financial standing. The cash ratio usually measures a firm's ability to pay its short-

term obligation through cash or near cash instruments and the measure below 1 indicates only the availability of current assets that does not include cash or near cash terms. As the illustrated trend in cash ratio shows measure less than 1, this indicates an enacted situation where their short-term obligations can only be met by current liabilities since

**2. Solvency Ratio**- Solvency ratio is regarded as one of the key financial parameters that identifies a firm's ability to pay its long term debt and liabilities. This comprehensive measure contains several Parameters which includes-

### A. Interest Coverage Ratio:

2020	2019	2018
-1.19	-0.76	0.11

Comments- This ratio indicates a firm's ability to pay its interest efficiently. Usually the numeric value of 1.5 or lower specified than the company is facing difficulties in paying their interest. As illustrated above, the trend in interest Coverage Ratio shows that in the year 2018, FAS Finance was facing difficulties paying interest with value less than 1.5, following the line, the negative figures connote a potential risk of bankruptcy of the company.

# B. Equity Ratio:

2020	2019	2018
-0.09	0.00	0.09

Comments- The Equity Ratio refers to a financial measure that provides indications on how much of a company's assets are being generated by its shareholders' equity rather than using debt financing. In the year of 2020, the balance sheet of FAS Finance portrayed a negative balance in their total amount of shareholders' equity, which simply means that it had accumulated losses over several periods of time. Since the equity amount was in negative figure the asset generation from equity was also not possible. Thus, the ratio shows a negative figure.

Whereas, in the year of 2019, FAS Finance did not put any value to the ratio following by the year of 2018 where it was in a less risky position.

### C. Debt to Asset Ratio:

2020	2019	2018
1.09	0.99	0.90

Comments- The Debt to Asset Ratio usually measures the company's overall proportion of Debt to its Assets. Value greater than 1 indicates that the company's assets are mostly financed by debt. The trend in Debt to Asset ratio of FAS Finance specifies that, in the year of 2018 and 2019, the company had enough funds to meet its obligation + the had contained more assets than the liability. But in the year 2020, with the value of 1.09 represents that, FAS Finance had more liabilities compared to its accumulated assets.

## D. Debt to Equity Ratio:

2020	2019	2018
-11.60	-	10.07

Comments- This ratio calculates the company's proportion of its debt to its total asset. Usually it renders the information regarding, to what extent the firm is taking debt for the purpose of its growth. In the year of 2020, FAS Finance has witnessed several financial losses which undoubtedly affected its financial standing. With a negative numeric value, it conforms that its liabilities were comprising substantially huge value following by the year of 2018, where the value was much greater than expected.

**3. Profitability Ratio**- Profitability ratio measures the earnings of the firm relative to its assets, revenue, operating expenses and shareholders' equity. Profitability ratio includes several ratios, under which some are illustrated below-

### A. ROA:

2020	2019	2018
-9.72	-7.5	-0.14

Comments- ROA measures the return of the company in relation to its assets. Being a publicly traded company, ROA of FAS Finance can substantially vary. For some consecutive years FAS Finance has shown negative ROA, which indicates that the company was facing severe difficulties in utilizing its assets for generating income.

**4. Leverage Ratio**- Leverage ratio is also an indicator of a firm's ability to meet its obligations Though it can be a bit complicated for the banking sector but still it can identify the capital structure and solvency. I have chosen Equity Multiplier as the parameter for Leverage Ratio.

# A. Equity Multiplier;

2020	2019	2018
0.91	1.00	1.09

Comments- The Equity Ratio is one of the components of DuPont analysis and measures if the company's assets are mostly funded by equity or outstanding debt. Usually, a higher ratio connotes a bigger proportion of debt financing. The balance sheet of FAS Finance has illustrated ratio that indicated that its financing is mostly from equity

**5. Market Value Ratio**- Market Value ratio are usually corresponded with the publicly traded companies. It measures the over pricing or underpricing of the shares for the potential investors.

### A. EPS

2020	2019	2018
-13.63	-9.83	0.17

Comments- EPS of FAS Finance have decreased as compared to the last year mainly due to the substantial increased fashion of nonperforming loans.

### B. Dividend Yield

2020	2019	2018
0	0	0.62

Comments- Dividend yield measures how much a company can pay its shareholders in relation to its stock price. In the recent years, 2020 and 2019 consecutively, FAS Finance could not pay dividend to its shareholders.

# 2.5 Accounting Practices

## 2.5.1 Compliance of Going Concern

As per the requirements of International Accounting Standards (IAS) and BSEC, FFIL is obliged to satisfy the directives and appropriateness of Going Concern in the process of preparing the financial statements. As it is the obligation of an entity's management to examine the entity's capacity to continue as a going concern in the near future, the Directors and management prepared the annual report of the year ended 2020 with illustrating the indicators that underlines the Going Concern of FAS Finance 7 Investment. These includes-

- Diversification in Business Portfolio
- Renewing Cost-effective funds
- Ensuring reduction in operating expense
- Strengthening the recovery department of FFIL
- Enhancing work environment & Employee satisfaction. (FAS Finance, 2020)

## 2.5.2 Method of Accounting

The financial statements of FFIL are prepared on a going concern basis and accrual basis under historical cost convention and therefore FFIL did not comply to take the effect of inflation into consideration. FFIL's preparation, presentation and the disclosure of information regarding financial statements are compiled in accordance with the DFIM circular. Moreover, the financial statements are prepared in conformity with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), the Financial Institutions Act 1993, the Companies Act 1994, Securities and Exchange Rules 1987, and other applicable laws & regulations that are in existence and practice in Bangladesh.

## 2.5.3 Depreciation method

FFIL uses Diminishing Balance Method (Varying rate from 5% to 20% depending on the asset)

The declining balance technique is an accelerated depreciation approach in accounting that records higher depreciation expenditures in the early years of an asset's useful life and lower depreciation in the later years. FFIL uses these following depreciation rates-

- 1. Office buildings 5%
- 2. Furniture and fixtures 10%
- 3. Office decoration 10%
- 4. Office equipment 15%
- 5. Motor vehicles 20%
- 6. Electrical installation 15%
- 7. Computer 15%
- 8. Telephone line & PABX system 15%
- 9. Software 15%
- 10. Right of use assets Equal Monthly Lease period. (FAS Finance, 2020)

## 2.5.4 Disclosure

FFIL maintains proper disclosure of all financial events and policies through proper financial statements as a mechanism for maintaining investor relationships. FFIL exhibits their disclosure through the following statements-

- Consolidated Balance Sheet
- Consolidated Loss and Profit Account
- Consolidated Cash Flow Statement
- Statement of changes in Shareholders' Equity
- Liquidity Statement

# **2.6 Operational Management (Information System)**

FAS Finance & Investment Limited is a financial service provider operating in the banking sector. Therefore, the operational management of FAS Finance is concluded in different use of office automation systems that are incorporated in daily intra banking communication and transaction. These are as follows-

→ MBANK Software- FAS Finance & Investment Limited has a wholly owned subsidiary called FAS Capital Management Limited (FCML) that undertakes several activities related to daily share trading. For the better efficiency and better utilization of time and resources, FCML uses an operational management software- ordinarily, a Transaction Processing System that helps in completing the daily share settlement and transactions effectively. FCML uses the MBANK software by Leads Software Bangladesh Limited, as an internal software specially used to perform the day to day activities of a merchant bank and of share market in FCML. MBANK is a cloud based banking operating system that enables banks and financial institutions to cooperatively manage their Microfinance activities, inter/intra bank transactions, settlements, share buy and sell, share pay in/payout, pledge/unpledged, share freeze/ unfreeze, share transmission and transfer IPO processing, dividend related tasks, dematerialization, re-materialization of shares, balance examination, P2P payments, loan payments and other various from settlements and functions. MBANK is totally exclusive of the control of CDBL (Central Depository Bangladesh Limited) software and performs on its own discretion. In the day to day activity of FCML, it is required to purchase securities and shares from various companies. When the shares are purchased or sold to another organization, the shares are preserved in the Clearing View section of the Brokerage house. Currently FCML deals with a total of 5 brokerage houses. On the T\*2 (Trading Day) the share is matured and transferred to the accounts, ready to be sold. CDBL as] also takes part in this process on the time of EOD (End of Day). In this complex process, there are various fees that arrive during the transaction. Being a Merchant Bank, the management fee and Interest charge remains constant, which is 1% and 14.90% respectively. but the Brokerage fee varies depending on the brokerage houses. These settlements of various commission fees are also resolved through the MBANK software.

- → Office Automation System- As an Office Automation System, FAS Finance uses Word processes, E-mails, Voice mails etc. For the better efficiency of clerical jobs, electronic scheduling, filing is also integrated in the office automation process.
- → Sharing information with Stakeholders and Clients- The media through which FAS Finance communicates and shares relevant information, news and announcements with its stakeholders and clients is the official webpage of FFIL. Other than that, there is a dedicated operational wing under the FAS Capital Management Limited (FCML), called the Investor Relation, that is dedicated to handle and resolve any complaints and inconveniences that may occur from the side of the shareholders.

# 2.7 Industry & Competitive Analysis

### 2.7.1 Porter's Five Forces for FAS Finance & Investment Limited

## **1.** Industry Competition

Industry competition in the Banking/NBFI sector is very much dynamic yet saturated in nature. At present there are 34 functioning NBFI in Bangladesh. The competition among rivals is very high as it is possible to compete with better customer service, product/service diversification, innovation, lower financing options and greater functionalities. As we know, the recent clutch of Covid-19 has drastically affected the whole economy. In addition to that, the recent financial scandal/irregularities has also heavily affected the reputation of some renowned financial institutions including FFIL. Being in this situation, FFIL can certainly overcome the current stagnancy by reconstructing the strategies that address building reputation through service development, or even product innovations i.e., Deposit system for students.

#### **2.** Threat of New Entrant

Threat of new entrants for the overall Banking/NBFI sector is arguable in nature. The Banking/NBFI sector requires a large capital base to start its dealings and operations. On the other hand, it can be attainable if the new entrant has enough capital base added with a new value

proposition or a better way to provide service. But this favorability can also get affected by some factors relating to the industry nature. Usually, the Banking/NBFI sector deals with general people's money and related information, thus it is very important to build enough trust among people that a newcomer may not be able to promptly obtain. Thus, the institutions rendering financial services for an extended period of time can exercise a competitive advantage. For the last 2-3 fiscal years, FAS Finance is facing downward pressure in its overall profitability. Thus, it is high time to regain its standing and trustworthiness to survive in the industry.

### **3.** Bargaining Power of Suppliers

Bargaining power of suppliers in the Banking/NBFI industry is highly based on the existing market situation and can fluctuate between medium to high as interest rates, disposable income all actively participate in this matter. The current situation of FAS Finance denotes that it is acquiring heavy losses as they are facing challenges in maintaining a profitable spread and gaining customer confidence. Again, the amount of non-performing loans also increased in the last few years. FAS Finance has adopted certain measures to address these issues, along with that it can also take initiative to strengthen a portion of its loan and mortgage, though creating dedicated suppliers with a less bargaining power and providing primary support to certain firms in need of financial assistance, or in big plants. This can come across a feasible yet profitable solution and simultaneously improve the financial standings of both the firms.

### **4.** Bargaining Power of Buyers

Bargaining power of buyers are usually affected by switching cost. The current position of FAS Finance identifies that the switching cost is very low due to their higher cost of funds. Being a financial institution, they have to borrow from other banks as well on a given interest rate, thus when lending a loan, they have to reconstruct a spread and charge a relatively higher rate in order to keep at least the profit. Thus, it further makes the switching cost very low, adding with the limitations of NBFI in terms of their functionalities. Again, the incorporation of new ways of providing services in a convenient way can alleviate the switching cost problem to some extent.

### **5.** Threat of Substitute Products

Threat of substitute products is low for financial institutions as there is low scope of modification. But changes can be adopted in the way of rendering these products. FFIL can enhance their product line along with a greater convenient way to provide to its customers.

# 2.7.2 SWOT Analysis (FFIL)

## **STRENGHTS**

- ✓ Established Competitive Advantage over Newcomer
- ✓ Diversified Financial Product/Service Base

#### WEAKNESSES

- ✓ Increased NPL
- ✓ Decreased Customer Confidence
- ✓ Higher Cost of Fund
- ✓ Less Geographical Footprint
- ✓ Lack of Efficient Manpower
- ✓ Lack of Product/Service Innovation

# **OOPORTUNITIES**

- ✓ Strengthened Loan Recovery Strategy
- ✓ Efficient Credit Risk Mitigation Policy adaptation
- ✓ Reconstitution of Board
- ✓ Capitalizing on Big Ventures
- ✓ Re-building Board Image & Reputation

#### **THREATS**

Newcomers with Greater Value
 Proposition and Dynamic Service
 Innovation

### 2.8 Personal Observation & Recommendation for FFIL

During my internship, I have observed Dissatisfaction among employees as there is ambiguity related to job responsibilities and departmental functions. Sometimes inter departmental functions are being attributed to other departments. Despondency is observed in some cases, where the work life balance is not achieved by the particular employee and hence the effect of loss of productivity was also evident. Other than that, departmental alignment was a bit difficult to achieve as a result of ineffective communication.

My recommendation for FAS Finance will be to modernize and systemize a well-organized communication system for effective communication that does not create any misunderstanding in the intra/inter department. Along with that, my recommendation for the HR department would be to promptly address the issue of job ambiguity and implement a more effective performance appraisal method that is well equipped to attain organizational goals and objectives and finally to foster a work environment that conveys a message of proper work-life balance.

# **Chapter 3**

# **Project Part**

### 3.1 Introduction

During the internship period, the students of BBS of BRAC University are required to take a practical orientation in the organization in which they are doing their internship, in order to successfully complete the 90 days' internship process. I consider myself fortunate that I was given the opportunity to complete my internship at FAS Finance & Investment Limited and be able to take the practical orientation of my internship. The idea of working with green finance originated as during the internship period I noticed the overall activities of a non-banking financial institution and came to know that they are obliged to utilize a certain portion of their loan disbursement to projects that create no harmful effect on the environment, which is called Green Financing. Subsequently, I consulted with some dignified office personnel, and found out that FAS Finance narrowly exercises green financing and investments in green products/projects are very little in comparison to the expectation. The central bank of Bangladesh has given so much opportunity to the banking and FI (financial institutions) sectors to increase the proportion of green financing in order to reduce the environmental risk of environmentally harmful projects and industries. Currently, among 64 scheduled banks, only the private commercial banks are doing well in this matter whereas, state owned banks and non-bank financial institutions (NBFIs) are still below the line. Keeping this matter in mind, I opted to write my report highlighting the challenges of green financing in FAS Finance & Investment Limited focusing on the entire NBFI sector.

### 3.1.1 Literature Review

Green Finance

Green Financing is a concept originated from a Dutch bank named Triodos Bank with the commencement of funds providing for the green projects (Environmentally Friendly Projects). Later on, in order to reduce the negative effect of economic development on the environment, the issue was addressed on a larger scale, with a view to seeking a sustainable economy. From then,

green financing has witnessed commendable progress as the Banking sector performed a noteworthy role in providing funds necessary to the Green Projects. The concept of green financing is a comprehensive topic that takes due account of protecting the environment from the aggressive clutch on climate change consequences. It basically intends to finance projects that encourage the reduction of Greenhouse gas emission, at the same time enables less utilization of natural resources, increased use of Renewable energy (RE), creating less wastage, and hence making redemption of existing social disparity. To further augment, green financing also aims to reconfigure the businesses and infrastructure that is committed to provide better return on nature along with economic development (Khairunnesa et al., 2021).

#### Policies and Guidelines in effect

The journey of enactment of regulatory Framework started with the innovation of Green Banking Policy Guidelines by Bangladesh Bank in 2011. The policy guideline was implemented in three phases where Banks and Financial Institutions were instructed to adopt a certain prescribed manner toward going green, not only in financing projects but also in implementation in their own premises. The phase 1 concentrated on formulating Green Banking policies for the banks and financial institutions and initiating In-house Environment Management through implementing a "Green Office Code" promoting efficient use of resources, energy and less consumption of tangible items; incorporating Environmental Risk Management (ERM- A due diligence checklist that evaluates environmental risks in financing projects) to the Credit Risk Management departments of the institutions, Introducing Green Financing, Green Marketing and Online Banking, proper reporting of green activities. Consequently, Phase 2 instructed Banks and Financial Institutions to formulate sector specific policies specially for those which are environmentally sensitive, along with setting up their green branches and enhancing in house green management. It is also required to develop awareness among clients and ensure proper disclosure of green activities of the banks and financial institutions. And finally in Phase 3, the banks and financial institutions were expected to address innovation of new products, and reporting of green activities on a quarterly basis following the GRI standard (Bangladesh Bank, 2011).

IDCOL as an enabler of green finance

IDCOL (Infrastructure Development Company Limited), is the first one to witness tangible accomplishment in the NBFI sector, in terms of green financing. Established in 1997, IDCOL financed numerous Renewable Energy projects covering and promoting the Solar Home System, Solar Irrigation System, Small and Mini Biogas Plants for domestic use, Solar Powered Telecom, Solar Mini-grid and many more in the off grid rural areas of Bangladesh. (Khan. A, and others, 2017)

# 3.1.2 Objective of the Study

The objective of the study aims to focus on the challenges that the NBFI sector is facing in fostering proper green financing in light of FAS Finance & Investment Limited. I would like to present the objective of my study as "General Objective" and "Specific objective" as it covers some generalized and specific aspects that might be hindering the Green Finance of NBFIs, specifically FAS Finance. On that note, The General objectives of the study include-

➤ Perspective of FAS Finance & Investment Limited in response to the slow growth of green financing in NBFI (Non-Banking Financial Institutions) sector.

The specific objectives of the study attempt to throw light on some certain arenas and investigate specific challenges FFIL is facing in fostering Green Growth /Green Financing. The objective measurement includes finding out-

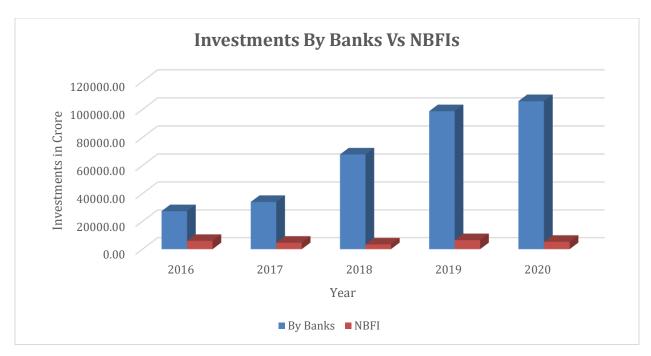
- ➤ The general challenges faced by FFIL in their Green financing activities.
- ➤ Initiatives undertaken in response to comply with the Green Banking Policy Guideline established by Bangladesh Bank.
- ➤ Challenges encountered by FFIL in response to the core directories provided by Bangladesh Bank on Green Banking Policy Guidelines.

# 3.1.3 Significance of the Study

As per the Climate Change Vulnerability Index (CCVI) report by Maplecroft- a global risk advisory firm, Bangladesh has been identified as one of the most adversely impacted countries by the climate change among 170 countries. For this reason, economic development is now focusing on achieving sustainability while leaving the least adverse harmful effect on the environment. As we know, Bangladesh is low in adaptation of preventive measures in response to the brutal effect of climate change and consequences are heavy on the overall aspect of the country. Though it has transitioned to a lower middle-income country, the risks related to climate changes are still hovering. In this situation, proper addressing of the issue has gained so much importance that the government along with foreign influencers are trying their best to adopt a sustainable approach toward economic development through lessening carbon footprints from the environment (Khan et al., 2017).

It is needless to say that the banking sector of any country plays a major role in financing for industrial development, infrastructure and facility development. In this way, they also have a huge influence in financing projects that are environmentally harmful. The central bank of Bangladesh, Bangladesh Bank through its policy guidelines can impose certain restrictions and prescribed manners on financing these environmentally harmful projects (Khairunnesa et al., 2021).

From the very inception, Bangladesh Bank has been steering the leadership toward the achievement of green financing through the issuance of comprehensive policy guidelines. Khairunnesa et al. (2021) in the report illustrated that, although the policy guidelines may look promising, not the whole banking sector collectively could provide satisfactory results in terms of loan disbursement, direct/indirect investment in green projects/products etc. It also identified that, regardless of having invariable facilities provided by Bangladesh Bank, the green financing by NBFIs is still below the expected outcome, following the negative trends each year with a decreased amount of loan disbursement. On the other end of the spectrum, other banking organizations like PCBs, FCBs are witnessing commendable growth in this field.



Thus, being a matter of concern, the reasons behind this decreasing relative changes in loan disbursement is necessary to identify as the NBFI sector is another huge one after the banking sector and possesses huge potential to perform influential roles in developing a sustainable economy through green practices.

# 3.1.4 Limitations of the Study

- ➤ The most challenging part of the study was to organize and create a small scale Interview Question Format that is inclusive of the highest amount of data insight for effective judgment.
- ➤ The study was very much complicated in nature and a broad topic to be able to include all content.
- > Scarcity of relevant Articles and Periodicals.
- ➤ The data collection process was constrained due to the availability of respondents. In this report, I could only collect data from a fewer number of respondents in FAS Finance & Investment Limited. The idea was not that much popularized there and thus the assumptions are not inclusive of a broad perspective.
- The area of study was also concentrated as there were resource and time constraints. The study was limited to only one financial institution and was secluded from more assumptions as it was difficult to obtain inter institutional data.

# 3.2 Methodology

I gathered both primary and secondary data for the research purpose.

## **Primary Sources**

I attempted to collect qualitative data through an interview Questionnaire which intends to collect information on the overall aspect and challenges of green financing from the perspective of FAS Finance & Investment Limited.

### **Secondary Sources**

Secondary data for my research was collected through-

FAS Finance's Annual Report.

Articles, Manuals and Reports relating to the topic.

# 3.3 Findings & Analysis

## 3.3.1 Green Financing at FFIL

FAS Finance & Investment Limited first incorporated green financing under the SME (Small & Medium Entrepreneurship) Finance. As per the Policy guidelines by Bangladesh Bank, FFIL subsumed ERM into their Credit Risk Management operational wing, integrated in-house management, and proper disclosure under prescribed format. Currently, FFIL's financed green projects, which are, respectively, Tunnel Klin, Zigzag Brick klin, Effluent Treatment Plan, Biogas Plant, Waste Recycling Plant and Solar Home System. In order to better comply with the Green Banking Policy Guideline, the process of CRG (Credit Risk Grading) of FFIL includes 360 degree check by the credit offices in response to greater reliability and risk mitigation. The findings also reveal that the reason behind the slow growth of the NBFIs are usually due the nature of the functionalities, which certainly includes limited number of branches, lack of geographical footprint coverage and most importantly, dedicated manpower to effectively foster green finance in their loan disbursement process.

### 3.3.2 In-house Management

FFIL undertook several In-house environment management strategies to better comply with Policy Guidelines, which include-

- → Reduced and efficient utilization of tangible resources- paper, water, stationary, tissues.
- → Incorporating the use of LAN in inter organization communication.

- → Double sided printing and reusing scrap papers.
- → Internal environment.

Findings of the interviews reveal that the effectiveness of the process is hindered by lack of proper execution of green management, employee awareness, commitment, monitoring and supervision by appointed personnel.

## 3.3.3 Awareness Development

Findings of the study identifies that FFIL is not effectively upgraded in terms of awareness building among clients' due lack of manpower, geographical footprint coverage, lack of initiative and assertion by management. But FFIL participates in several workshops and fairs relating to awareness development of green finance.

### 3.3.4 Challenges identified for FFIL in rendering green financing activities-

- 1. Reluctance among clients for green projects- With a capitalized view toward business, there is a lack of demand for green projects among the clients as they are regarded as less profitable and does not pay off. Although the government with the help of the Central Bank has offered a wide base of green projects, the lack of interest in setting up green business hinders the overall development. The for-profit ventures instinctively get prioritized in comparison to the green projects with their distinctive risk factors like a higher cost of implementation, longer payback period, lower rate of return compared to their competing environmentally harmful projects. These characteristics discourage clients from starting up with green projects.
- 2. The Centralized nature of NBFIs- The NBFI sector is very much centralized in nature. Conversely, the banking sector in Bangladesh is far reaching and decentralized in nature with its various branches around the country. and thus, PCBs and SOBs are spread throughout the entire geographical regions of Bangladesh through its various branches operating in remote areas. Therefore, collectively they exercise a competitive advantage over the client base and potential client hunt in relatively exceptional ways other than the NBFIs. Having several branches means the banks can successfully reach up the

customers in areas where they operate and establish the opportunity to finance green projects or oven spread awareness to the clients. Unfortunately, this primacy lacks scope for the NBFI sector, as they have a few or no branches operating. As a result, the strength and compliance of NBFIs also get impacted to a greater extent and provide greater value in the field of green financing. Due to the lack of client base, portfolio diversification also remains unattainable in a limited area of investment.

- 3. Nature/ Limitation of products eligible for financing- The nature of products plays a crucial role in terms of investing in green finance. As per the circular on green product list by the Sustainable Finance Unit by Bangladesh Bank, at present there are 52 green products/projects categorized under 8 environmentally sensitive areas which includes- (Renewable Energy, Energy Efficiency, Solid Waste Management, Liquid Waste Management, Alternative Energy, Fire Burnt Brick, Non Fire Block Brick, Recycling & Recyclable Product, Green Industry, Ensuring Safety & Work Environment of Factories and Miscellaneous). Some of the sectors have not flourished as an investment sector in the socio-economic perspective of Bangladesh. Moreover, some of them do not require an investment of more than 5 Crore Taka. Again, there are 68 products eligible for term finance under 11 categories., which is not also demanding from the side of the clients. Thus, the option for choosing a sector comes down to a narrower base which later affects the loan portfolio of the organization. Again, there are marginal sectors i.e., small and medium entrepreneurs, financing in these marginal sectors often does not pay off as profitable ventures given that the cost of funding was much greater.
- 4. Higher cost of funds- one of the most prime inputs of financial institutions is their cost of funds, which is basically the cost of borrowing from other banks and depositors. Currently FFIL's cost of funds is around 11.29%, following the year of 2019 when it was 10.66%. The interview findings revealed that, usually Bank cap lies between 6% 9%, whereas, including the spread FFIL needs to charge around 13% interest rate which further adds a weakness through lowering the switching costs. Thus, it comes out to be unprofitable for FFIL.

- 5. Existing financial standing of FFIL- The last 2-3 years had a devastating impact on the financial standing of FAS Finance along with other banks and financial institutions. The aggressive clutch of Covid-19 and the financial scam hit hard on the reputation of casualty which was indispensable. In the last 2-3 years, FFIL witnessed a huge increase in the amount of non-performing loans. NPL illustrated a negative picture as the percentage increased to 88.76% in 2020 compared to 73.15% in 2019, which was mostly due to classification of some large scale loans. (FAS Finance, 2020) As per the guidelines of Bangladesh Bank Refinance Scheme, a financial Institution is required to keep its classified loan percentage below 10% in order to be eligible for requesting refinance scheme under green finance, which is most certainly a big concern to overcome for FFIL to be considered eligible for receiving refinance scheme. Therefore, the sectorial investment is not seeing any growth as expected. Moreover, due to the rising situation of NPL, loan disbursement of FFIL is in a stagnant position for the last 2-3 years, which is also regarded as a key challenge that is hindering proper growth in green financing, according to the findings of interviews.
- 6. Lack of Quality Customer- One of the crucial findings in the interviews was that, there is a lack of quality customer in their loan portfolio which is mostly due to the lack of access to a broad reach. Most often, the loan sanction requests come from marginal sectors where it gets difficult to comply with certain prescribed manners and assessment thresholds provided with those marginal sector's practices. The process is further complicated, as it becomes difficult to assess the Debit/Credit, Accounting practices, proper disclosure etc. As the marginal sector is often unable to maintain proper accounting practices. Again, Small and Medium Entrepreneurs fail to prove their creditworthiness,
- 7. Lack of efficient manpower- FFIL identified that, currently they lack the necessary manpower needed to foster green financing in their organization, their market work force for green finance is barely established. Due to this reason, the internal capacity building is also not commencing any progress. Firstly, the manpower is needed to establish a dedicated desk with high quality and efficient Relationship Managers. They would be

solely responsible for effective client hunt, communication, awareness building and green marketing. If implemented properly, FFIL can cover geographical footprint as their competitors. Secondly, the formation of the Sustainable Finance Department requires dedicated personnel to handle in an outcome focused way. It can further provide effective strategies, proper monitoring and screening in line with the issued Policy Guidelines.

# 3.4 Summary and Conclusion

To conclude, green financing in FAS Finance & Investment Limited, in fact the overall NBFI sector to some extent is not foreseeing growth as expected. There are several barriers that are hindering an absolute outcome. From the evidence acquired from the interview, it is apparent that the core problem areas of challenges usually encompass ungreediness of the existing regulatory framework that is feasible in light of the NBFI sector and initiatives taken by the management. Other than that, lack of interest among clients and people in general is also inconvertible.

Therefore, in Order to successfully achieve the vision of a sustainable economy, it is important to collectively understand the significance of the consequences of climate change. Thus, cohesiveness among the alliances and specifically tailored ramifications are prerequisite.

# 3.4.1 Recommendations

In this light, there are a few recommendations that can imply to the context in order to foster green finance and awareness development in Bangladesh and these are as follows-

Instituting ramifications in Bangladesh Bank Refinance scheme in response to the NBFI sector- The Refinance Scheme of Bangladesh Bank is basically a supporting source at a subsidized rate for the Banks and FIs against their financing on green projects. It is formulated with BB's own funding, which includes 55 green products under 9 categories. The findings suggest that, rather than centralizing the guidelines in a communal way, taking due account of the nature, functionalities and limitations of NBFI into policy formation and thus identifying comparative incentives, reward and recognition programs can come across feasible.

- 2. Green products/projects can be segregated and categorized based on geographical/area demand, i.e., mini renewable energy projects are suitable for off grid areas, whereas, energy efficiency products are in high demand within the coverage of urban, industrial, EPZ areas. NBFI sectors can be imparted more with energy efficiency projects and urban building construction projects in compliance with "Green Building Code" under Structured Finance since most of them do not possess a wider base of geographical footprint.
- 3. Green products/projects can be further segmented in accordance with the ability of the organization to pull off the project financing. This way, the Government of Bangladesh along with the Central Bank can opt for instructing Banks and FIs to precisely identify their own strengths and weaknesses, resource availability, manpower strength, knowledge Hub and efficiency parameters, and those organizations can be conferred with projects that are most relevant according to their ability. For instance- DBL (Dhaka Bank Limited) with 100 branches can definitely possess much competency in terms of client hunt, manpower other than FIs like FAS Finance.
- 4. Patronizing the NBFI sector in this regard- At present, IDCOL is the only NBFI that is witnessing an encouraging rise in the field of green finance, with its numerous project financing under renewable energy. On the other hand, the rest of the NBFIs are lagging behind. The government of Bangladesh can opt to patronize the NBFI sector through a form of liberalization on this particular aspect. For instance- a relative concessional rate on lending support from the refinance scheme, inducements in the form of higher sustainability rating- specific to NBFI, and a segregated evaluation system can be undertaken.
- 5. Strengthening of Financial assessment marginal sectors- As of the insights from the interviews, marginal sectors are not confined to a certain manner of recording accounting practices. Bangladesh Bank has already prescribed parameters for financial assessments of green projects but it should also incorporate a standard format for the marginal sector so that it can come off as efficient for financial assessment.
- 6. Mainstreaming of financial implication of green finance- Bangladesh Bank Policy guidelines have drawn financial implication on both qualitative and quantitative judgement which enables Banks and FIs to recognize the financial impact of their green

investment. Although there is presence of such measurement, organizations still have concerns on fund security, feasibility, profitability and many more. Thus, addressing this issue is important to grow interest among clients and organizations to set up green businesses. Therefore, Initiatives can be taken such as- recognizing the benefits per employee productivity boost

- 7. Readiness in regulatory framework and awareness developing- Strong environmental law enforcement can be initiated which would be applicable for the polluting industries, i.e., Carbon Tax implication, precise guidelines etc. Other than that, more comprehensive awareness building programs can be incorporated i.e., workshops, inventive fares etc. and encouraging the banking sector to sponsor such programs followed by establishment of certain index incentives.
- 8. Efficient In-house management- in-house environmental management can be regarded as a footstep toward attainment awareness. In most cases, it is discernible that the management along with the employees of the organization are not taking it on a sincere note. Firstly, management tends to show reluctance to take initiatives, and if they are implementing green office code, it is inherently neglected followed by improper supervision and strictness; and more importantly commitment of the people toward the goals. In-house management can be recognized though a detailed judgement of per employee resource consumption rate and hence formulating strategies for the problematic areas. Finally, cooperation from both the management and employee and recognition by incentives and encouragement can further improve the procedure.
- 9. Encouraging inclusiveness and equalization of project investment in every category-According to the report published in The Daily Star, the total loan disbursement under green finance in the year of 2021 was around 11,890 Crore Taka with an increase of 7% compared to the last year. But the loans were disbursed in certain areas focusing on the Solar Home, Biogas & Wind Power, ETP, PET Bottle recycling, Wastewater Treatment Plant, Organic Framing and Brick Blocks. (The Daily Star, 2021). The underdeveloped and inductive sectors for green finance can be identified and can be popularize with better incentives. This way the banking/FI sector can adopt more green projects under their supervision.

### **References:**

- Khairunnesa. F, Yakovleva. N, 2021. A review of the Recent Development of Green Banking in Bangladesh. Sustainability 2021. Retrieved fromhttps://www.mdpi.com/2071-1050/13/4/1904
- Khan. A, Khan. F, Uddin, Azim. G, Islam. S, March, 2017. Financing Green Growth in Bangladesh: Challenges and Opportunities, Economic Dialogue on Green Growth. Retrieved from <a href="https://www.greengrowthknowledge.org/research/financing-greengrowth-bangladesh-challenges-opportunities">https://www.greengrowthknowledge.org/research/financing-greengrowth-bangladesh-challenges-opportunities</a>
- Bangladesh Bank. (2011). Policy Guideline for Green Banking, Banking Regulation & Policy Department. Retrieved From- www.bb.org.bd
- FAS Finance & Investment Limited. (2020). Annual Report. FAS Finance. Retrieved From- https://www.fasbd.com/annual-reports.html
- Hossain, M. 2018. Green Finance in Bangladesh: Policies, Institutions and Challenges.
   ADBI Working Paper 892. Tokyo Asian Development Bank Institute. Retrieved From-.
   <a href="https://www.adb.org/publications">https://www.adb.org/publications</a>
- Z. Uddin, 2021. Bangladesh sees encouraging rise in Green Financing. The Daily Star.
   Retrieved from- <a href="https://www.thedailystar.net/supplements/financing-the-future-sustainable-finance-bangladesh/news/bangladesh-sees-encouraging-rise-green-finance-2173946">https://www.thedailystar.net/supplements/financing-the-future-sustainable-finance-bangladesh/news/bangladesh-sees-encouraging-rise-green-finance-2173946</a>

# **Appendix:**

### Interview Questionnaire

# **Challenges of Green Finance in FFIL**

The interview questionnaire intends to identify challenges in fostering proper green banking & financing in FAS Finance & Investment Limited and intends to introduce new implications thereby.

1. Please briefly state the Green Financing activities in FFIL.

Answer:

**2.** Do you think that there's a lack of interest and demand among clients regarding Green Projects?

Answer:

**3.** Private Commercial Banks are progressively growing in Green Financing, whereas NBFIs are lagging behind compared to them. What would be your opinion on this matter?

Answer:

**4.** What are the challenges (In General) that FFIL is facing in their Green Financing activities?

Answer:

- **5.** Any anticipated challenges that FFIL might possibly encounter in future? Answer
- **6.** What are the challenges that FFIL faces in terms of capacity building in order to efficiently take off Green financing?

Answer

**7.** What are some initiatives that FFIL undertakes in order to develop awareness of Green Finance among its clients? Any Challenges faced in this field? Please state briefly.

Answer:

**8.** What are the Key challenges faced by FFIL Credit Risk Management Department when administering loans to the Green Projects?

Answer:

**9.** What are the possible barriers that are impending efficient in-house management of Green Activities in FFIL?

Answer:

**10.** Do you suggest any Government support/ institutional changes/ modification in existing regulatory framework to further augment the efficiency of green financing in this sector?

Answer: