

Report On  
Corporate Governance Practices of IPDC Finance Limited and financial  
ratio analysis with the major NBFIs of the industry

By  
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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  
June 2022

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## **Declaration**

It is hereby declared that

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

**Student's Full Name & Signature:**

**Abee Sakan Ahmed**

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**Abee Sakan Ahmed**  
18104007

**Supervisor's Full Name & Signature:**

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**Md. Shamim Ahmed**

Lecturer, Brac Business School  
Brac University

## Letter of Transmittal

Md. Shamim Ahmed  
Lecturer,  
Brac Business School  
Brac University  
66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report for course requirement of BUS400 and degree requirement of the BBA program

Dear Sir,

This is my pleasure and honor to submit the internship report titled “Corporate Governance Practices of IPDC Finance Limited and financial ratio analysis with major NBFIs of the industry” which is submitted for the fulfillment of the BBA program at BRAC University. I am presenting the report which I hope you will find effective and endeavors of my image and persistence.

I have attempted my best effort to finish the report aligning with the practical knowledge which I gained during the three months internship program and the recommended proposition in a significant manner. I am extremely grateful and express my gratitude to you for your constant guidance, co-operation, support and supervision during this time on preparing this report.

I trust that the report will meet the desires.

Sincerely yours,

Abee Sakan Ahmed

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Abee Sakan Ahmed  
18104007  
Brac Business School  
Brac University  
Date: June 19, 2022

## **Non-Disclosure Agreement**

This agreement is made and entered into by and between IPDC Finance Limited and the undersigned student at Brac University.....Abee Sakan Ahmed.....

**Acknowledgement:**

Firstly, I would like to express my gratitude to the Almighty Allah the most gracious and most merciful for giving me the opportunity and the strength to carry out my internship report as well as the roles and responsibility as an intern in a time oriented manner.

Secondly, I am truly grateful and would like to thank my advisor Md.Shamim Ahmed, Deputy Registrar and Lecturer of BRAC Business School at BRAC University. He has provided me unwavering careful supervision, constant support, motivation and guidance during my internship period for providing me valuable suggestions and assisting me in preparing the designated report. Moreover, I would like to thank my Co-supersior Mr. Mahmudul Haq, Associate Professor of BRAC Business School at BRAC University for his constant support, co-operation and guidance.

I am grateful and thank the BRAC Business School for organizing an indispensable internship program where it allows the students to apply the academic knowledge in real-life situations. Lastly, I would like to express my gratitude to my supervisor at IPDC Finance Limited, M.Borhan Uddin, Assistant Manager in the Finance & Accounts department at IPDC Finance Limited and other members of the organization for their support and guidance during my internship period at IPDC Finance Limited.

## **Executive Summary**

The main objective of preparing the report illustrates the corporate governance of IPDC Finance Limited and the financial analysis with the major Nbf of the industry. The report focuses on the hands-on experience learning from the company starting from the asset management system to the vendor payment method etc. Moreover, the report illustrates different aspects of the company such as objectives, Organogram, core values , distributing shareholder's structure etc.

and making a financial ratio analysis of IPDC Finance Limited with the other leaders of the Nbf industry. Here, I also used the statistical package for social sciences (SPSS) for the descriptive analysis which are the correlation, Anova Test and regression analysis. This method is used to detect the change in the financial evaluation that is the return on the asset (ROA) which is the dependent variable with the change of the independent variable such as independent directors, number of board meetings and number of executive committee.

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## **Chapter 1: Overview of Internship**

### **1.1 Student Information:**

Name: Abee Sakan Ahmed

ID: 18104007

Program: Bachelor of Business Administration

Major: Dual Major in Finance & Marketing

### **1.2 Internship Information:**

**Period:** The tenure of the internship period is three months. It starts from 12 January 2022 to 11th April 2022.

**Organization Name:** IPDC Finance Limited

**Supervisor Name of the Organization:** M.Borhan Uddin

**Supervisor Position:** Assistant Manager

### **1.3 Job Description:**

My internship period starts from 12 January 2022 to 11th April 2022. I worked in the Finance & Accounts department at IPDC Finance Limited. I got the opportunity to work on various aspects of the designated department.

I performed the Asset Verification of the company, checking the payment of the challan copy of different service providers by figuring out their service industry. I also created a database in the software of the buying new asset. Moreover, I worked in the cross checking of data in Bank Reconciliation. I put my effort in the TAX aspect of the organization. I visited the LTU office which is known as a large taxpayer unit with my superior and learned the different levels of the tax system. Furthermore, I did the work in Basel where I cross check the company by measuring the short time and long time and check the status or rank of the company. In the organization I also sort out the legal company documents. I was also involved in regular clerical jobs like scanning, printing, stapling, cheque signing from signatories, making files, Proofreading, searching files. Later on I was involved in different stages of work. During the three months tenure in the organization the two most important work I've done in the organization are elaborately mentioned below:

### **1.3.1 Preparing Memos:**

Preparing memos is one of the essential task I have done during my internship period. It follows a certain criteria where I need to prepared memos in the enothi which is the official website of Ipdc also known as the document manager. There are basically two criteria to be followed. If the payment belongs under revenue expenditure then I need to prepare the memos based on some documents which are the invoice, copy of purchase order, Expense Approval, Expense Requisition and so on. On the other hand, if the payment falls under the capital expenditure then the documents which are needed to be attached are Delivery Challan, Copy of PO, Expense Approval, procurement commitee approval and capitalization form. Moreover, if the payment amount is equal or below to Tk 1 lac then the approver is the chief financial officer and the head of the procurement if the payment falls under revenue expenditure. However, of the amount exceeds more than 1 lac then one new receipants need to be added and it is the head of the operations. Furthermore, when amount exceeds 5 lac tk then one new approver need to be added which is the Assistant Managing Director of the organization. Lastly, when the payment crossess more than 10 lac then along with previous approver the Managing Director of the organization is needed to add up.

### **1.3.2 Asset Management System:**

It is the task which was assigned by the supervisor to use the comprehensive software for ensuring the fixed asset management and control for uploading data. Here, all the relevant information of the user such as designation, User ID, Department of the employees are illustrated in the asset management software. Moreover, I also performed task of conducted sale, disposal, asset revaluation, opening asset and overhauling. Lastly, the updated work is automated generation work which ensure an accuracy of the changes in the data of the asset management software.

#### **1.4 Internship Outcomes:**

**Student's contribution to the company:** IPDC Finance Limited ensures me a diversified work which I've accomplished in the designated manner. Starting from the asset verification task to asset management system control, Chalan, Basel work, Preparing memos for the budget, Acknowledgement of the Vendor payment, Bank Reconciliation, Proof Reading to the annual report before publishing, inventory work of the files, Visiting LTU( Large taxpayer Unit) office Besides, scanning, printing, filling has to be done at the initial stage of joining the organization.

**Benefits to the student:** In the Finance & Accounts department I got the privilege to work in different categories of work which have broadened my range of Knowledge and give me a complete picture of the corporate world. It would ensure and prepare me to become professional in the future.

**Problems/Difficulties:** Though I have learned a diversified range of things from the organization, there is a problem which I faced during the internship program. Every coin has two sides in the same way it has some cons too along with pros. Since I was assigned to a supervisor where I need to work in the Asset Management system but sometimes it seems that other members also provide some of their work load on me which eventually creates pressure for me to solve other members tasks in the designated time along with the fixed task that was assigned by my on site supervisor.

#### **1.5 Recommendations on IPDC Finance Limited:**

Based on my three months of Internship program I would like to recommend IPDC Finance Limited for a finance graduate student because here a student can comprehend a wide range of study and utilize it in the near future. The intern would not only be confined to a certain work rather they will learn a diversified range of topics which would eventually enable him to become more professional in the future and it will create a glimpse of the corporate world.

## **Chapter 2: Organization Part**

### **2.1 Introduction**

The word corporate' means an entity or organization which is established based on the law. On the other hand governance means monitoring, controlling etc. So, the word corporate governance refers to monitoring an organization which is established based on law. Different scholars have defined corporate governance in different ways. It is mentioned by the Cadbury Report that the way through which organization are directed and controlled is the corporate governance.

Moreover, corporate governance ensures and deals in a way where the financial supplier captivate a return on their investment (Sheleifer and Vishnu). It refers to the rules, regulations and practices that are entirely directed and monitored by the organization. It ensures that there should exist a coordination and balance of interest among the stakeholders of the company with particular emphasis on three specific groups which are shareholders, management and Board of Directors. It emphasizes the reduction of agency conflict and enhances the upliftment of the relationship. Sometimes there arises a mismatch of goals among the clients within an organization.

Corporate Governance encompasses the management practices starting from action plan, executing plan, internal control to evaluate the performance measurement and the corporate disclosure. We can say that it gives a complete framework through which the company can achieve it's goals. There are two terms which are frequently associated with corporate governance one is Good governance which operates the development literature. On the other hand Bad Governance refers to the corruption and bad practices which are commonly entitled in our community. Basically, Corporate Governance is a complete framework or guideline to run a specific organization

## **2.2 Origin of the Study**

The study is performed by analyzing and assessing the information which are collected from the organization during the internship period by doing necessary interaction with the employees of the organization.

It is necessary to attain practical knowledge along with report preparation because it is an indispensable part of the renowned program of Bachelor of Business Administration of Brac University. The topic of the report is “ Corporate Governance Practices of IPDC Finance Limited and financial ratio analysis with other NBFIs of the industry ” is one of the essential outcomes based on the conducted project work at IPDC Finance Limited. The report will ensure main focus on the designated topic.

## **2.3 Scope of the Study:**

The designated report contains an overview where it focuses about the corporate governance practices and its disclosures of IPDC Finance Limited. Moreover, the report illustrates based on financial analysis at IPDC Finance Limited along with the major NBFIs of the industry which are Lanka Bangla, IDLC Finance Limited, United Finance. Here, the report also focuses on the corporate governance factors that led the organization to reach a milestone in the non-banking industry.

## **2.4 Objectives of the study:**

### **2.4.1 Broad Objectives:**

The broad objective illustrates the prime intention of the designated report. It illustrates the purpose through which the experimentation is explored.

The broad objectives of the research are mentioned below:

- To accomplish the graduation of Bachelor of Business Administration (BBA) Award/degree acknowledged at BRAC University which is the general regulation according to the university policy

- To comprehend the Corporate governance practices of IPDC Finance Limited and the analysis of the financial performance with the other leading NBFI in the industry.
- To comprehend a perception or idea about the designated company named IPDC Finance Limited

#### **2.4.2 Specific Objectives:**

The main purpose of the specific objectives is to generate into specific ways or objectives that enables to lead them into a designated direction into the project.

In case for this certain report, the specific objectives for this study are:

- To detect the rising factors that is aligned with Corporate Governance.
- Assessing the monetary evaluation of IPDC Finance and the other leading NBFI of the industry like IDLC Finance Limited, United Finance Limited, Lanka Bangla Securities
- Identify the factors of financial performance along with selected corporate governance factors.
- Control the consequences of the stakeholders on the financial evaluation of the company
- Finally suggest some remedial compliance in order to establish a well jointly form administration in IPDC Finance Limited.

#### **2.5 Significance of the Study**

Corporate Governance is the core function of running an organization to meet up its goals. In this study, we get to know about the corporate governance practices of IPDC Finance Limited and financial performance of leading NBFI of the industry. Here, we also get to know how the factors effects the company's monetary evaluation directly or indirectly. It will enable the reader to get a quick overview of how the practices of corporate governance works in an organization along with analyzing the financial data which helps to figure out the current condition of the leading NBFI in the industry.

## **2.6 Limitations of the Study:**

In order to accomplish the study I faced few limitations which are illustrated below:

- One of the important elements of completing the study is the annual reports and it seems that there were some parts which were not introduced in an comprehended manner in few financial years.
- Time is restricted to some extent for undertaking the study.
- Since the study is focused and the practices of Corporate Governance report is illustrated on the website of the company itself, there is some possibility that the designated company was promoting only the positive components of the company.

## **2.7 Overview of the Company:**

### **2.7.1 Historical Background:**

According to the official website, IPDC Finance Ltd. was inaugurated by a prominent group of stockholder in 1981. It is the first private sector of the monetary institutions.

A detailed analysis along with feasibility, diversified study and conversation among the top officials. Since the company's inception, it has played a critical role in the booming and developing of the country's economy. It is found from different study and analysis that it has played such an indispensable role in the growth of the private sector in Bangladesh. According to the website, the company operates in 15 branches with an employee of 860, number of customers 25220, loan portfolio of 69.5bn and a deposit of 58.4bn till 31 March 2022

Since its origin the company has played a vital role in the development of the private sector of the country. It has undergone a number projects during the initial stage. IPDC's tend to create focus on diversifying the monetary generation for instance: Corporate, Finance & Accounts, SME, Retail, Operations etc. Recently they introduced the DANA project which is the country's only digital retail financing platform.

### **2.7.2 Mission**

In the website it mentioned the mission of the company is to ensure that the consumer and communities will rise and live upto the highest potential. Moreover, it should extend a new monetary solution.

### **2.7.3 Vision**

According to the official website of IPDC Finance Limited the Vision of the company is make the brand into a passionate monetary brand in the country.

### **2.7.4 Core Values**

The core values of IPDC Finance Limited are created by embracing the client passion, tireless pursuit of innovations, acceptance of no limits which are mentioned below:

- Demonstrate a genuine desire to succeed in the market place
- Promote collaboration and cooperative efforts
- Encourage diversity in the workplace along with the community
- Leverage technology to provide a better customer experience
- Establish a benchmark for the finest corporate citizenship in the field where the company operates.

### **2.7.5 Distributing of shareholders structure:**

Currently, IPDC comprises 10 members in the Board of Directors. If we focus on the shareholders equity we can see the following information:

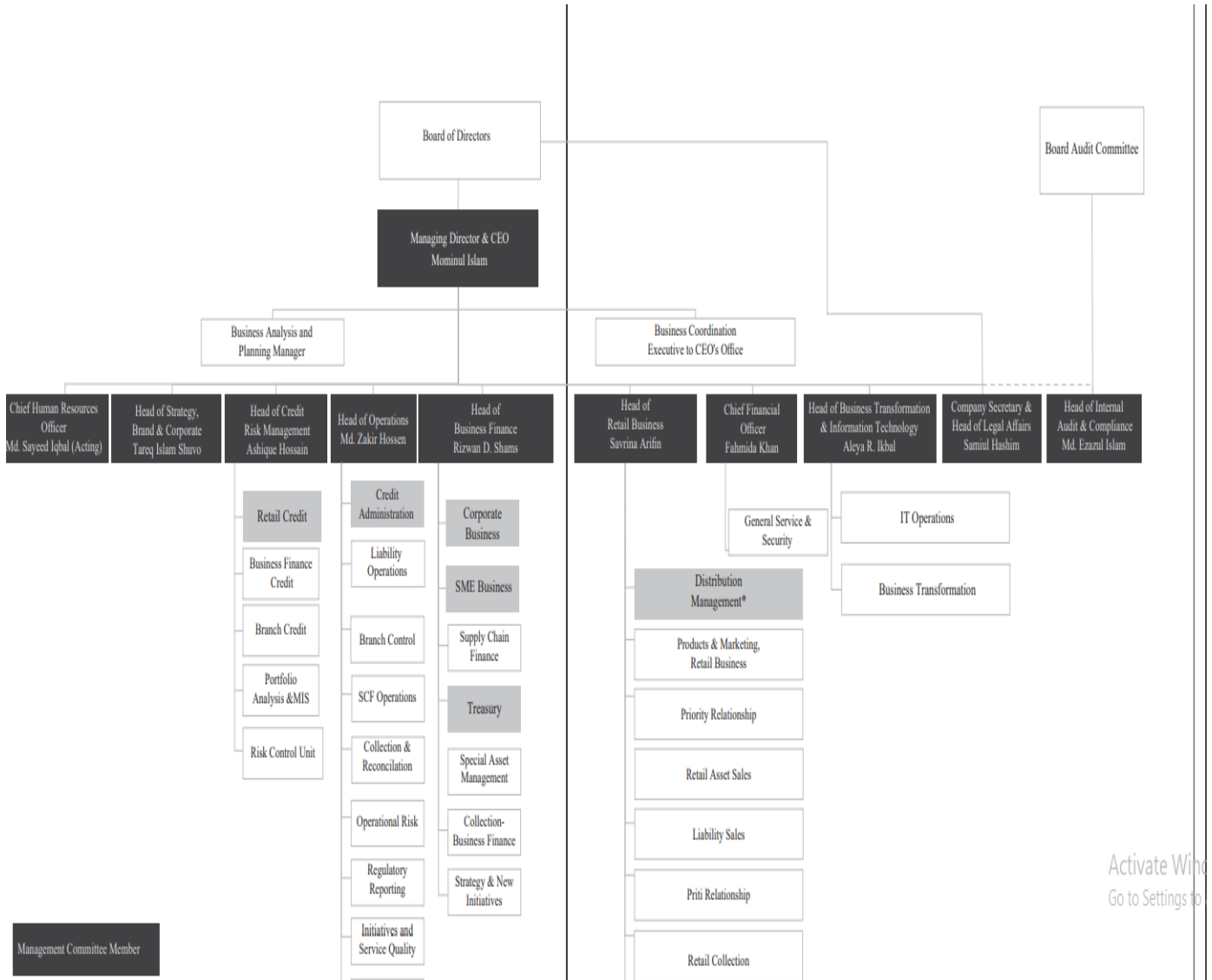
People's Republic of Bangladesh – 21.88%, Blue Chip securities- 8%, Institutions-14.08%, Foreign- 0.05%, General Public Shareholders – 15.95% and some other important shareholders as well.

According to the official website of IPDC Finance Limited on April 30, 2022 it is mentioned that BRAC is holding 25% of the paid up capital and 92772883 no.of shares, Ayesha Abed Foundation is comprising of 10% of the paid up capital with a share of 37,109,152. Moreover,



the government stated that it is holding 81,193,210 with a paid up capital of 21.88%. RSA Capital Limited is comprised of 18,554,574 no of share with a paid up capital of 5%. Furthermore, Bluechip securities Limited is holding around 8.04% with a share of 29,831,193 share. In addition to that, Institutions comprises around 14.08% with a share of 52,254,068 share. Lastly, Foreign is about 0.05% paid up capital and the number of shareholding is around 193,134 and the general public is comprising of 15.95% with a share of 59,183,333 with a total share of 371,091,547 forming with 100% of the paid-up capital.

## 2.7.6 Organogram of the Organization



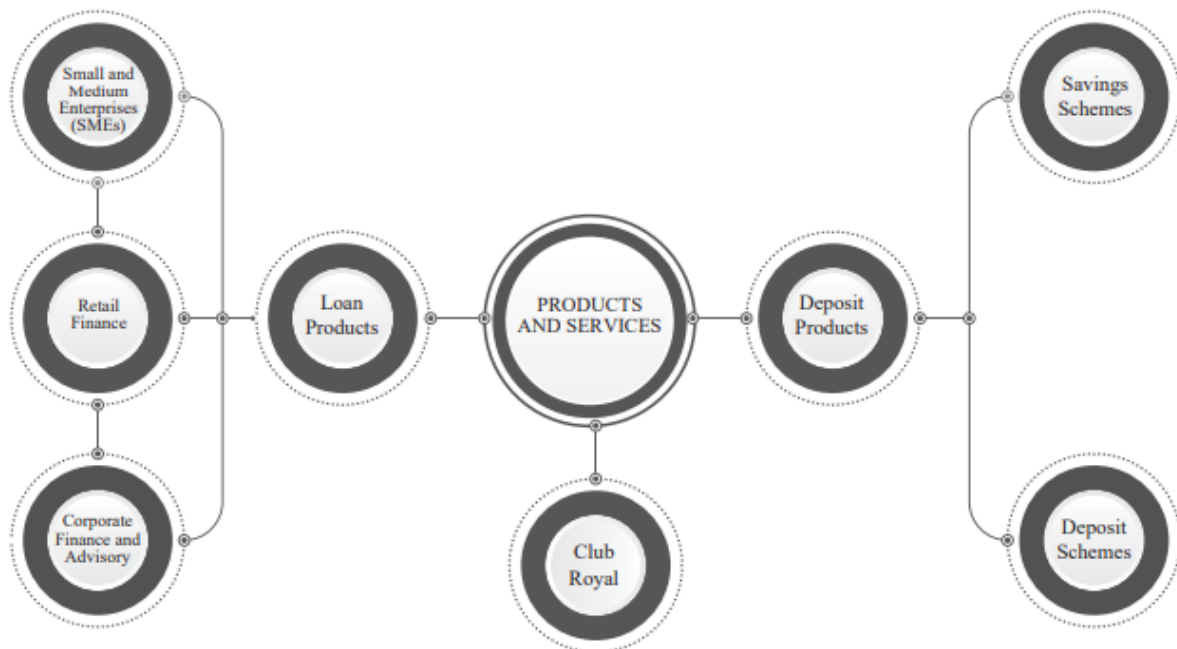
Source : Annual Report 2021

### 2.7.7 Guiding Principles:

IPDC maintains a standard set of rules which are considered as the guiding principles. The principles are mentioned below:

- Ensuring diversity in the working environment.
- Supporting enthusiasm of the collaboration of the team
- Encouraging to make sure to be successful and become the market leaders.
- Enabling the penetrated individual of the community with customize products and services
- Ensure the proper harness and utilization of the benefits of technology
- To maintain the standard of corporate citizenship

### 2.7.8 Product & Services



Source : Annual Report 2021

**Loan Products:** It is offering several loan products to the doorsteps of their desired customers to fulfill the long-cherished dreams.

**Retail Finance:** It offers a creative and significant variety of personal services in order to accomplish the needs of the citizens of the community.

**Home Loan:** This designated loan option aims to meet the need of the people who are desiring a home and mortgage division offering a wide choice of home loan options.

**Deposit Products:** In this product the depositor can invest in any schemes it can be either deposit or savings. It is a brief narration of the various products under the retail deposit finance which are classified into two categories:

- i) **Savings Schemes:** The first one is savings schemes which offer the most secured and beneficial investment. It is divided into three categories:
  - a) **Deposit Premium Scheme:** It is offered a fixed amount that is capitalized annually in every month and it can be only withdrawn at the end of the term.
  - b) **Ultiflex Deposit Scheme:** It is the most flexible scheme where a customer can deposit any certain amount of money according to their desire. with a fixed rate. Here, the minimum tenure is 2 years.
  - c) **Millionaire Deposit Scheme:** It is a flexible long term monthly scheme which ensures an amount of BDT 1 million when it becomes matured.
  
- ii) **Deposit schemes:** Another one is the deposit schemes that provide the best monetary value to their customers with small savings. It is further classified into six categories:
  - a) **Annual Profit Scheme:** Here, a fixed amount of BDT 10,000 must be deposited which ensures a mode of interest payment that is annual
  - b) **Cumulative Profit Scheme:** Here, fixed amount of BDT Ten thousand need to be deposited in order to receive an interest.

- c) **Fixed Deposit General:** Here, an amount of ten thousand tk need to be deposited to ensure an interest to be paid during the maturity period at a minimum tenure of 3 months.
- d) **Monthly Profit Scheme:** The minimum tenure is 3 months where the interest is paid on a regular monthly basis when customers deposited a fixed amount of BDT 50,000
- e) **Double Money Deposit Scheme:** Customers must deposit BDT 50,000 in this scheme which ensures the deposited amount to be doubled after a certain period of time.
- f) **Quarterly Profit Scheme:** Here, the minimum tenure is 1 year where the interest is paid on regular quarterly basis when customers deposited a fixed amount of BDT 50,000

**Club Royal:** This facility is available to the high –value customers where the designated organization provides privileged and priority services. This exclusive facilities are provided by a few non-banking financial services of the country which allow royal convenience and great engagement to the top most customers of the organization.

#### **Small and medium size enterprise (SME):**

Loan products are offered to Small and Medium Enterprises with a reasonable interest rate along with a flexible repayment facility. In addition to that, IPDC also designed and executed SME loan products to extend the support for the female entrepreneurs. This is broadly classified into six categories. They are:

- i) **Term Loans:** SME business requires finance for capital and operation expenses for instance: balancing manufacturing lines, modernizing production processes, and expanding manufacturing capacity or space, among other things.
- ii) **Short-term Financing:** Here, IPDC helps companies to meet their daily expenses of business operations and meet the short-term cash requirements by offering working capital finance.

- iii) **Work Order Finance:** It is necessary to overcome the liquidity shortage and execute the work in a time frame. That is the reason for offering work order financing by IPDC.
- iv) **Factoring:** It creates an opportunity to provide company factoring finance in order to get cash rapidly on account receivables to relieve the amount of debt for less than the whole amount provided by the first party. It enables them to continue trading with the working capital.
- v) **Joyee:** This loan is only for the female entrepreneurs who receive 8% interest rate.
- vi) **Lease Finance:** The designated organization offers lease finance to SME against the large industrial company, industrial machineries, commercial equipment and generators.

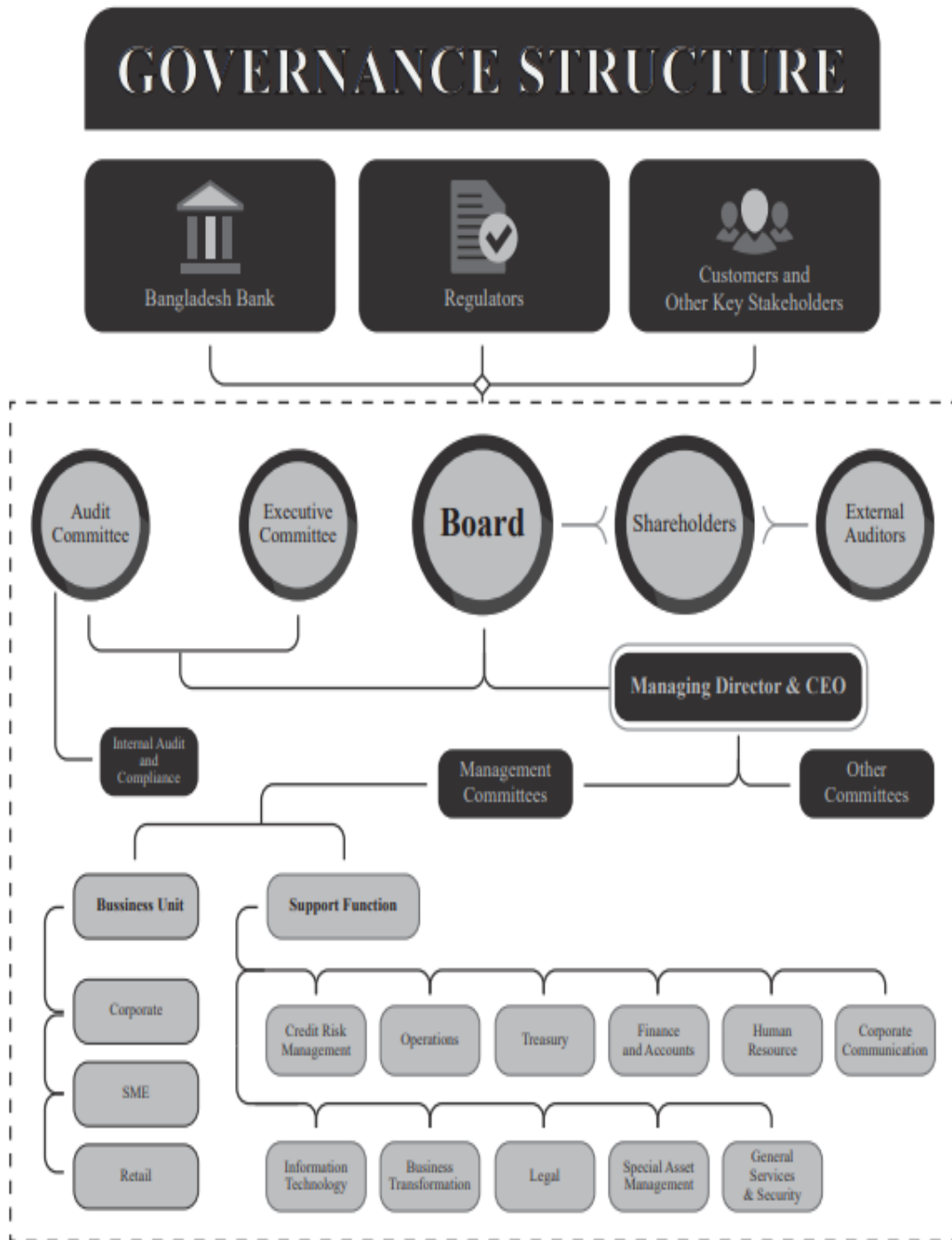
#### **Corporate finance and advisory:**

IPDC initiates a corporate finance to provide the components and financial service support. The products which falls under this division are mentioned below:

- i) **Lease Finance:** Organization offers lease financing against various products including commercial machineries, vehicles, generators, industrial machineries.
- ii) **Term Loans:** This is specially designed for long-term business purposes. It meets capital and operating expenditure requirements of the clients like the modernization of production process, expansion of manufacturing capacity and balancing the production.
- iii) **Project and Syndication Financing:** IPDC provides syndication services for the large-scale investments which occurs in the form of consortium to with Banks and other NBFIs to collect funds. Through this process the organization behaves as a leading financing arranger. This is applicable for the project financing and expansion of greenfield and brownfield.

- iv) **Short-term Financing:** IPDC creates an opportunity to offer working capital finance in order to extend their support to meet up the daily expenses of business operations along with meeting up the short-term cash requirements. They are opted to fulfill the clients preferences depending upon the situation the organization acquires common stock to enable the clients to meet up the funds requirements.

2.7.9



Source: Annual Report 2021



### 2.7.10 Corporate Governance Framework:

IPDC's corporate governance is built around the values of accountability, transparency, and ethical management. It is considered that excellent governance may be attained by an ethical culture, competitive performance, and the creation of long-term value.



**Board Committee:** It comprises the board remuneration, appointment and composition. Besides, it ensures to protect the interest of the stakeholders.

**Organizational Hierarchy:** It is maintained by the human capital of the organization such as the management committee. The human capital ensures the proper usage of ethics in the organization.

**Legal and Regulatory Framework:** It is based on the legal rights and the regulatory compliance of the organization. Here, reporting need to be conducted in a time oriented framework

**Transparency and Accountability:** It is necessary to create transparency and accountability in the organization otherwise the guiding principles and necessary components of the corporate governance will not be properly followed that would eventually make the organization deviate from their mission and vision. So, proper communication with the shareholders, transparency need to be conducted in a certain period of time.

**Internal Control, Policies and Procedures:** Here, the organization needs to be careful about maintaining the internal control of the organization. Besides, proper steps should be taken about minimizing and controlling the risk management.

**Role of Corporate Governance:**

There are different roles of corporate governance which can ensure to coordinate the organization in an effective way. They are:

- i) Ensuring the organization board of directors is eligible, well-qualified and utilizes a certain amount of time to the board.
- ii) Appointing a management team by the board of directors to provide them necessary direction in the best interest of the equity holders.
- iii) Maintaining the diversity among the board of directors. The department of corporate governance notifies the board that it must contain at least 1/5 of independent directors who should be qualified, who should not hold any relationship with the corporation and acts for the best interest of the equity holders and stakeholders.
- iv) The financial report should reflect future risk and necessary concerns in the industry and portray the key indicators of the financial data of the last 5 years. In addition, the financial report should reflect about the required planning of the organization and the future developments of the industry.
- v) Ensuring a fair and capable audit committee to be appointed. The committee should comprise of at least three members out of which one member must be an independent director and that person must be chaired. The annual report of the company must be disclosed by the reports of the audit committee.

## Chapter 3: Project Part

### 3.1: Financial Performance and Interpretation:

**Table: Comprehensive Analysis of Financial Ratios of NBFIs**

**Year: 2019**

<b>Particulars</b>	<b>IPDC</b>	<b>IDLC</b>	<b>Lanka Bangla Security</b>
<b>Current Ratio</b>	1	1.02	1.04
<b>Operating Profit</b>	5.5	3.61	13.69%
<b>Return on Asset</b>	1.0%	1.5	0.59
<b>Return on Equity</b>	39.9%	12.29%	7.51%
<b>Price Earning Ratio</b>	14.8%	10.07	18.33
<b>Ratio of NPL</b>	1.0	3.07	5.20
<b>Debt Equity Ratio</b>	1.3	7.37	6.90

Source: Annual Report 2019

The above mentioned table represents the financial ratios of IPDC Finance Limited along with the major NBFIs of the industry for the year 2019

The current ratio in 2019 was 1 times for IPDC, 1.02 times for IDLC and 1.04 times for Lanka Bangla security. It means that IPDC has 1 times more current asset than its liabilities where for IDLC it is 1.02 times and for Lanka Bangla security it is 1.04 times. Among these three organizations, for this certain year, Lanka Bangla Security has the highest capacity of liquid money to repay its short term liabilities.

The Operating profit for IPDC is 5.5, 3.61 for IDLC and 13.69 for Lanka Bangla security. It means that for every 1 unit of sales IPDC earns 5.5 % as operating profit, 3.61 % for IDLC and 13.69% for Lanka Bangla security. Here, Lanka Bangla Security is in a good position to earn profit among the other organizations.

The return on asset in 2019 was 1% for IPDC, 1.5% for IDLC and 0.59 % for Lanka Bangla security. It means that for every 100 tk of a company's assets it generated tk 1 for IPDC, 1.5 tk

generation for idlc, and 0.59 tk for LankaBangla securities. Here, idlc Return on Asset is greater among the other so it generates more income comparatively.

The return on equity in 2019 was 39.9% for ipdc, 12.29% for idlc and 7.51 % for lanka bangla security. It means that for ipdc every tk of common stockholder's equity generates 39.9 tk of net income, for idlc it is 12.29 tk and for lanka bangla security it is 7.51 tk.

The price earnings ratio in 2019 was 14.8 times for ipdc, 10.07 times for idlc and 18.33 times for Lanka bangla securities. It means that the shareholders of ipdc was willing to pay tk 14.8 for every taka of reported earnings and for idlc it is tk 10.07 and 18.33 tk is willing to pay for every take of reported earnings for lanka bangla security.

The ratio of non- performing loans in 2019 was 1% for ipdc, 3.07 for idlc and 5.20 for lanka bangla security. It means that the company's borrowers are unlikely to pay the debts if only 1 % has fallen significantly for ipdc, 3.07% fallen for idlc and 5.20 % for lanka bangla security.

The debt equity ratio in the year 2019 was 1.3 for ipdc, 7.37 for idlc and 6.90 for lanka bangla security. It means that for ipdc the debt is 1.3 times of its equity, 7.37 times for idlc, and 6.90 times of its equity for the lanka bangla securities.

#### Year 2020

Particulars	IPDC	IDLC	Lanka Bangla Security
Current Ratio	1	1.18	1.13
Operating Profit	41.8	4.4	13.72%
Return on Asset	1.0%	2.08	1.18%
Return on Equity	12.1%	17.37	10.02
Price Earning Ratio	14.5%	9.41	17.37
Ratio of NPL	1.38	1.79	4.40
Debt Equity Ratio	1.8	7.33	6.15

Source: Annual Report 2020

The above mentioned table represents the financial ratios of IPDC Finance Limited along with the major NBFIs of the industry for the year 2020

The current ratio in 2020 was 1 times for IPDC, 1.18 times for IDLC and 1.13 times for Lanka Bangla security. It means that IPDC has 1 times more current asset than its liabilities where for IDLC it is 1.18 times and for Lanka Bangla security it is 1.13 times. Among these three organizations, for this certain year, IDLC has the highest capacity of liquid money to repay its short term liabilities.

The Operating profit for IPDC is 41.8, 4.4 for IDLC and 13.72 for Lanka Bangla security. It means that for every 1 unit of sales IPDC earns 41.8 % as operating profit, 4.4 % for IDLC and 13.72% for Lanka Bangla security. Here, IPDC is in a good position to earn profit among the other organizations.

The return on asset in 2020 was 1% for IPDC, 2.08% for IDLC and 1.18 % for Lanka Bangla security. It means that every 100 tk of a company's assets it generated tk 1 for IPDC, 2.08tk generation for IDLC, and 1.18 tk generation for Lanka Bangla securities. Here, IDLC Return on Asset is greater among the other so it generates more income comparatively.

The return on equity in 2020 was 12.1% for IPDC, 17.37% for IDLC and 10.02 % for Lanka Bangla security. It means that for IPDC every tk of common stockholder's equity generates 12.1 tk of net income, for IDLC it is 17.37 tk and for Lanka Bangla security it is 10.02 tk.

The price earnings ratio in 2020 was 14.5 times for IPDC, 9.41 times for IDLC and 17.37 times for Lanka Bangla securities. It means that the shareholders of IPDC were willing to pay tk 14.5 for every taka of reported earnings and for IDLC it is tk 9.41 and 17.37 tk is willing to pay for every taka of reported earnings for Lanka Bangla security.

The ratio of non-performing loans in 2020 was 1.38% for IPDC, 1.79% for IDLC and 4.40 for Lanka Bangla security. It means that the company's borrowers are unlikely to pay the debts if only

1.38% has fallen significantly for ipdc, 1.79% fallen for idlc and 4.40 % for lanka bangla security.

The debt equity ratio in the year 2020 was 1.8 for ipdc, 7.33 for idlc and 6.15 for lanka bangla security. It means that for ipdc the debt is 1.8 times of its equity, 7.33 times for idlc, and 6.15 times of its equity for the lanka bangla securities.

### Year 2021

<b>Particulars</b>	<b>IPDC</b>	<b>IDLC</b>	<b>Lanka Bangla Security</b>
<b>Current Ratio</b>	1.0	1.21	1.20
<b>Operating Profit Growth</b>	31.2%	5.25	24.74%
<b>Return on Asset</b>	1.1%	1.57	1.53%
<b>Return on Equity</b>	14.2%	13.21	12.60
<b>Price Earnings Ratio</b>	16.3	11.28	15.70
<b>Rate of NPL</b>	3.15%	3.05	6.14%
<b>Debt Equity Ratio</b>	1.7	9.42	6.18

Source: Annual Report 2021

The above mentioned table represents the financial ratios of IPDC Finance Limited along with the major NBFIs of the industry for the year 2021

The current ratio in 2021 was 1 times for IPDC, 1.21 times for IDLC and 1.20 times for Lanka Bangla security. It means that IPDC has 1 times more current asset than its liabilities where for idlc it is 1.21 times and for Lanka Bangla security it is 1.20 times. Among these three organizations, for this certain year, IDLC has the highest capacity of liquid money to repay its short term liabilities.

The Operating profit for ipdc is 31.2, 5.25 for idlc and 24.74 for lanka bangla security. It means that for every 1 unit of sales ipdc earns 31.2 % as operating profit, 5.25% for idlc and 24.74% for

Lanka Bangla security. Here, Ipdc is in a good position to earn profit among the other organizations.

The return on asset in 2021 was 1.1% for IPDC, 1.57% for IDLC and 1.53 % for Lanka Bangla security. It means that for every 100 tk of a company's assets it generated tk 1.1 for IPDC, 1.57tk generation for idlc, and 1.53 tk generation for LankaBangla securities. Here, idlc Return on Asset is greater among the other so it generates more income comparatively.

The return on equity in 2021 was 14.2% for ipdc, 13.21% for idlc and 12.60 % for lanka bangla security. It means that for ipdc every tk of common stockholder's equity generates 14.2 tk of net income, for idlc it is 13.21 tk and for lanka bangla security it is 12.60 tk.

The price earnings ratio in 2021 was 16.3 times for ipdc, 11.28 times for idlc and 15.70 times for Lanka bangla securities. It means that the shareholders of ipdc was willing to pay tk 16.3 for every taka of reported earnings and for idlc it is tk 11.28 and 15.70 tk is willing to pay for every take of reported earnings for lanka bangla security.

The ratio of non- performing loans in 2021 was 3.15% for ipdc, 3.05% for idlc and 6.15% for lanka bangla security. It means that the company's borrowers are unlikely to pay the debts if only 3.15% has fallen significantly for ipdc, 3.05% fallen for idlc and 6.15% for lanka bangla security.

The debt equity ratio in the year 2021 was 1.7 for ipdc, 9.42 for idlc and 6.18 for lanka bangla security. It means that for ipdc the debt is 1.7 times of its equity, 9.42 times for idlc, and 6.18 times of its equity for the lanka bangla securities.

## **3.2 Industry and Competitive Analysis**

### **3.2.1 Porter's Five Forces**

#### **Power of Suppliers:**

Here, the power of the supplier is high. The industry attractiveness is low. It is because there are more options among the institutional investors. It depends upon the financial institutions who are also competitors.

#### **Barriers for New Entrants:**

The barrier for new entrants is medium. The industry attractiveness is medium. There are some regulatory issues and need a proper sizable investment to set up an NBFIs. However, there are 10 new FIs set up to cover the last few years.

#### **Industry Rivalry:**

The industry rivalry is high and the industry attractiveness is low. It is because there are 34 direct players and 50+ indirect players with dominant positions.

#### **Power of Buyers:**

Here, the power of buyers and the industry attractiveness is medium. There are around 34 NBFIs and 50+ banks for loans.

#### **Threat from Substitutes:**

The threat from substitutes is low while the industry attractiveness is high. There are some new sources of funds which emerge from MFS at a low cost and new loan options emerging from P2P at a small scale.

It seems that the financial industry is ruthless along with a major domination by the banks. The designated market is centered towards the busy and metro areas like Dhaka and Chittagong. NBFIs has some opportunities such as providing efficient, customized, faster service to the valuable customers. NBFIs enables banks to fulfill the credit gaps in diversified sectors. However the bank seems unable to meet the requirements. The institutions can also provide niche financial



service due to the flexibility of the organization and the tailor made service. There are also diversified customers and market opportunities around different parts of the country beyond the metropolitan cities among the diversified customer segments.

### **3.2.2 SWOT Analysis**

#### **Strength**

- IPDC maintains a mutual relationship with the corporate houses
- They holds an unique shareholding structure
- IPDC Finance Limited refers to maintain a risk management framework

#### **Weakness**

- One of the weakness is to maintain a limited distribution network
- There is restricted scope for the improvement in the internal capacity of retail and SME
- IPDC maintains a limited scope for the improvement in terms of brand recognition in retail & SME

#### **Opportunities**

- IPDC is collaborating with BRAC
- There is an emergence of the middle income class
- A big opportunity seems to rise with the growing service sector
- There is an evolution of the technology which emerge the increase of mobile and internet penetration
- In retail lending there is a regulatory advantage
- Growing the number of women entrepreneurs

### **Threats:**

- A restricted regulation on the low cost deposit
- Portfolio infection
- An emerge competition from banks in the corporate lending
- There is an inspection of limited products

### **Strategic Response:**

- Launching diversified products and services as female focused
- Usage of the shareholder strength in order to minimize the cost for the multisource funds
- Build the brand in retail segment
- In retail and supply chain finance build HR and IT capacity
- Strengthen the strategic alliance with the stakeholders for the fruitful result in sales and distribution points
- In retail and factoring finance create a customize risk management framework
- Build an IT enables products and services
- Create a strong management system
- Optimize the ticket size for the SME Finance

### **3.3 Literature Review:**

It's true that the board of directors play a vital role in corporate governance. The board of directors plays an indispensable role for the corporate governance. According to Rouf, D., & Abdur, M. (2011) states that the factors of the corporate culture like society, economic factors and behavioral aspects are influenced by the extent of voluntary disclosure. It's hard to believe but it's true that the outside directors are viewed as superior leader and monitors, however they are not directly related to the firm's CEO, their career is not entirely dependent on the firm however, they can take any decision according to the will and it can go against the policy of the organization. Moreover, the outside directors can act as an expert monitor. Moreover, it stated that along with some mechanisms of corporate governance including the board of directors, audit committee appointment and director shareholdings it is positively related to the voluntary disclosure. (Arcay, M.R.B, & Vazquez ,2005)

It is stated by Indranini Laksmana (2008) that the institutional investors perceive board practices and it should be given a prioritized minimum to the financial performance of the organization. According to Klein (2002) it seems that the companies have independent boards which are less than to manage the earnings based on the proper reporting on the abnormal accruals. However, there is a tendency that the firm and the shareholders perform well with the remaining outside directors on the boards.

The role of the audit committee is crucial in order to check the firm's monetary evaluation to ensure that whether the report is reliable or not. However, there are some debates about having independent directors in the audit committee. Hayes, Mehran and Scott (2004) showed that there are no relation between the outside directors of the committee and financial performance. According to Agrawal and Chadha (2005) it detects there are no effect on the probability of earnings management.

Corporate governance at the hierarchy level can be maintained in a variety of ways. In the United States, there is just one wide structural method; in New Zealand, there are two. According to Krackhardth (2018), stated that the crucial part is the members in the supervisory board to protect the clients interest who are provoked by the operation of business.

The corporate governance principles seek to enhance the disclosures of the practices of publicly traded firms in Bangladesh with an objective to make current developments in corporate governance, and also compelled to slowing economic growth.

Corporate governance aims to provide better and effective security to all its stakeholders by making the market confident in terms of financial performance. This creates a top priority for the corporate governance for the regulatory bodies of Bangladesh. On the contrary, due to the presence of influencing shareholders it can create an outright controlling power to some extent over the managerial committee and firms. As a result, with the presence of monitor management, it is possible to successfully develop enough voting power with substantial economic incentives to put the managerial body under pressure.

### **3.4 Methodology of the Study:**

The methodology section of the report is segmented into three important components. Variable Selection, Data collection and Research instrument used to conduct the research. The study's objective is to make a required comparison with the firm's monetary evaluation according to the corporate administration practice variables. This study needs to be carried out to assess and detect whether there exists a relationship between the dependent variable of monetary evaluation which is the Return on Asset (ROA) and independent variable of the corporate governance practice.

#### **3.4.1 Variable Selection:**

The research design is aimed to provide the correlation designs which used to establish the relationship between two or more variables. In the study, one dependent variable Return on Asset (ROA) is used. On the contrary, three independent variables were used to conduct the study. They are the number of independent directors, number of executive committee meetings and board meeting frequency taken under consideration.

#### **3.4.2 Data Collection**

The analysis is based on secondary data obtained from the company's official website and annual reports. The annual report is a credible and genuine source of information on IPDC's financial performance and corporate governance elements. I also gather the company's ROA % for the

preceding 10 years, as well as ten years of data on the number of independent directors, executive committee meetings, and board meetings.

### 3.4.3 Research Instrument

The annual report data is evaluated using a statistical tool known as the Statistical Package for Social Sciences (SPSS). The SPSS application is used to perform descriptive statistical analyses such as the correlation test, Anova test, and regression analysis.

### 3.5 Variables used for Statistical Analysis:

#### Dependent Variable:

#### Return on Asset (ROA):

Return on Asset refers to creating a comparison between the company's asset and revenue to generate over a specific period of time. The organization evaluates how the firm can efficiently use its assets to make a profit.

#### 3.5.1 Table 1 Summary of regression:

##### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. Change
1	.867 <sup>a</sup>	.752	.624	.0376	.752	3.034	3	3	.004

a. Predictors: (Constant), Number of Executive Committee Meeting, Number of Board Meeting, Number of Independent Directors

The adjusted R square enables us to evaluate how the financial evaluation that is ROA varied with the number of executive committee, number of board meeting and number of independent directors. According to the result of the multiple regressions, it can be stated that the financial performance of the company varied with the factors of the corporate governance.

The result of the regression analysis states that the value of adjusted R square in the above mentioned summary is .624. It implies that the independent variable can influence or explain or interpret 62.4% variability of the dependent variable at a confidence level of 95%.

### 3.5.2 Table 2 Anova Test Result

#### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.013	3	.004	3.037	0.004. <sup>b</sup>
	Residual	.004	3	.001		
	Total	.017	6			

a. Dependent Variable: Return on Asset (ROA)

b. Predictors: (Constant), Number of Executive Committee Meeting, Number of Independent Directors, Number of Board Meeting

The ANOVA test result is used to assess the acquired data to determine whether or not the regression model is appropriate for the data. If the model's significance level is less than or equal to 0.05, the model is considered acceptable. The ANOVA test result evaluates and reveals that the model's significance level is 0.004 which is less than 0.05 that means the model is accepted. So, we can say that the table demonstrates that the independent variable statistically predicts the dependent variable.

### 3.5.3 Table 3 Coefficient Test Result

#### Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.047	.108		9.734	.000	.705	1.390
	Number of Independent Directors	-.208	.071	-1.467	-2.916	.002	-.434	.019
	Number of Board Meeting	.018	.010	.567	1.698	.188	-.015	.050
	Number of Executive Committee Meeting	.050	.027	.890	1.879	.015	-.035	.135

a. Dependent Variable: Return on Asset (ROA)

A coefficient test is also conducted for further analysis to detect among the three independent variables which factors of corporate governance can have a direct impact on the performance of IPDC Finance Limited. By seeing the coefficient test result we can see that the significance of the number of independent directors is 0.002 and the number of executive committee meetings is 0.015. The significance level of the number of executive committee meetings and the number of independent directors are both less than 0.005. So, the above-mentioned result confirms and suggests that the number of executive committee meetings and the number of independent directors have a substantial influence on IPDC Finance Limited's financial evaluation which is the Return on Asset (ROA).

### **3.6 Recommendation**

By using the above mentioned data using multiple regression from SPSS software. I have identified a few criteria that are critical for excellent corporate governance. After examining IPDC Finance Limited's market position and demonstrating the conditions, the advice is based on the basic premise of positive accounting theory. Some of the essential recommendations are mentioned below:

- It is essential to ensure the comprehensive corporate governance reporting since the organization has become much more complicated concerns to protect the investors than before
- The quantitative method has shown to be a successful and superior presenting strategy, compliance data does not guarantee a comprehensive scenario.
- It is indispensable to make the regulations more friendly to the stakeholders than the stockholders.
- Due to several emerging examples such as Enron, it is vital to guarantee that corporate governance disclosures are given in an accessible and clear manner for all the clients involved.

### **3.7 Conclusion**

The objective of the study is to highlight the effect of corporate governance of IPDC Finance Limited and to compare the financial performance of other NBFIs in the industry. If we focus on the components of corporate governance for instance: board size, number of board committee, board meeting frequency, executive meeting frequency, audit committee meeting frequency, executive committee meeting where it seems the financial performance of the companies increase with the increase of financial performance. Furthermore, the corporation has assembled and maintained all of the corporate governance standards specified by the Bangladesh Bank, Security and Exchange Commission, and maintains a great portfolio with powerful teams and departments. According to recent data of June 13 2022, provided in the Markedium, an online editorial portal, it illustrates that the market capitalization of IDLC is BDT 20,577 million where IPDC is at BDT 21,003 million. So, it is better for the shareholders to invest. During the span of



seven months, IPDC has grown by 10 times in terms of market capitalization and loan portfolio has grown by 12 times while the customer deposit is 13 times. All these factors enable IPDC to surpass IDLC and become the market leader and the biggest NBFIs in the industry.

### 3.8 References

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### 3.9: Appendix

#### Correlations

		Return on Asset (ROA)	Number of Independent Directors	Number of Board Meeting	Number of Executive Committee Meeting
Pearson Correlation	Return on Asset (ROA)	1.000	-.471	.180	-.047
	Number of Independent Directors	-.471	1.000	.509	.795
	Number of Board Meeting	.180	.509	1.000	.405
	Number of Executive Committee Meeting	-.047	.795	.405	1.000
Sig. (1-tailed)	Return on Asset (ROA)	.	.143	.350	.460
	Number of Independent Directors	.143	.	.122	.016
	Number of Board Meeting	.350	.122	.	.184
	Number of Executive Committee Meeting	.460	.016	.184	.
N	Return on Asset (ROA)	7	7	7	7
	Number of Independent Directors	7	7	7	7
	Number of Board Meeting	7	7	7	7
	Number of Executive Committee Meeting	7	7	7	7

### Descriptive Statistics

	Mean	Std. Deviation	N
Return on Asset (ROA)	1.057	.0535	7
Number of Independent Directors	2.14	.378	7
Number of Board Meeting	8.00	1.732	7
Number of Executive Committee Meeting	6.29	.951	7