

Report On
The Prospects of Affordable Housing Solution in Bangladesh

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
July, 2023

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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:

Dhiman Shakti Bhattacharjee
19104049

Supervisor's Full Name & Signature:

Riyashad Ahmed
Assistant Professor, Brac Business School
Brac University

Letter of Transmittal

Riyashad Ahmed
Assistant Professor,
Brac Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report on “The Prospects of Affordable Housing Solutions in Bangladesh.”

Dear Sir,

This is my great pleasure to submit my internship report on “The Prospects of Affordable Housing Solutions in Bangladesh”, as a requirement for the completion of the BBA program.

I worked as an Intern at the Product and Business Management department under Consumer Division at IDLC Finance Limited. I tried to share my knowledge and insights that I gathered from my internship period in this report.

I sincerely hope that my internship report fulfils your expectation by providing you with essential and detailed information.

Sincerely yours,

Dhiman Shakti Bhattacharjee

19104049

BRAC Business School

BRAC University

Date: April 30th, 2023

Non-Disclosure Agreement

[This page is for Non-Disclosure Agreement between the Company and The Student]

This agreement is made and entered into by and between IDLC Finance Limited and the undersigned student at Brac University.....

Acknowledgement

I want to thank the Almighty for helping me graduate on time and keeping me in good health.

I would also like to thank Mr. Riyashad Ahmed and Mr. Saif Hossain, my supervisor and co-supervisor, for assisting me in completing the internship report.

I am grateful to IDLC Finance Limited for allowing me to work and learn in a welcoming environment. I want to thank my supervisor, Mr. Mahabubur Rahman Khan, for helping me and providing suggestions while doing my internship. I would also like to express my utmost gratitude to Mr. K.M Ashraful Haque, Ms. Aysha Mahabub Chowdhury, Mr. Aminul Islam, and Mr. Anisur Rahman Khan.

Lastly, I am grateful to my family for always supporting me and encouraging me to do well.

Executive Summary

Due to the vast disparity between housing demand and availability in places like Dhaka, purchasing a home is more expensive for lower- to lower-middle-income groups. Additionally, because they are viewed as having higher creditworthiness, financial institutions typically target the upper or upper-middle income group. Due to the fact that a significant portion of Bangladesh's population falls into the poor and lower-middle income brackets, financial institutions are missing out on a major potential to seize a sizable market. In this internship report, the opportunities for affordable housing solutions will be highlighted, along with the difficulties that financial institutions may run across while making such loans. Moreover, this internship will also provide an overview of IDLC Finance Limited. In order to make this report, both primary and secondary data have been used.

Keywords: affordable housing; prospects; challenges; financial institutions;

Table of Contents

Declaration	2
Letter of Transmittal	3
Non-Disclosure Agreement	4
Acknowledgement	5
Executive Summary	6
List of Tables	8
List of Figures	9
List of Acronyms	10
Chapter 1: Overview of Internship	11
1.1 Student Information	11
1.2 Internship Information:	11
1.2.1 Company Name	11
1.2.2 Internship Company Supervisors Information:	11
1.2.3 Job Responsibilities:	12
1.3 Internship Outcomes	12
1.3.1 Student's contribution to the company:	12
1.3.2. Benefits to the student	12
1.3.3. Problems/Difficulties (faced during the internship period)	13
1.3.4. Recommendations (to the company on future internships)	13
Chapter 2: ORGANIZATION PART	14
2.1 Introduction:	14
2.2 Overview of the Company	14
2.2.1 Segments and Products	14
2.2.2 Vision, Mission, and Core Values	16
2.2.3 Company Subsidiaries	16
2.3 Management Practices	17
2.3.1 Organogram	17
2.3.2 HR Practices	18
2.4 Marketing Practices	18
2.5 Financial performance and Accounting Practices	19
2.5.1 Financial Performance	19
2.5.2 Accounting Practices	23
2.6 Operations Management and Information System Management	23
2.7 Industry and Competitive Analysis	24
2.7.1 Porter's Five forces analysis	24

2.7.2 SWOT Analysis	25
2.8 Conclusion	26
 CHAPTER 3: Project Part	 27
3.1 Introduction	27
3.1.1 Background	27
3.1.2 Objectives	28
3.1.3 Significance	28
3.1.4 Limitations	28
3.2 Methodology	29
3.3 Findings and Analysis	29
3.3.1 Affordable Housing Finance Solutions by IDLC Finance	29
3.3.2 Benefits of Affordable Housing Loans for Financial Institutions	30
3.3.3 Initiatives taken by the government, NGOs, International Org.	30
3.3.4 Challenges and Solutions	31
3.4 Conclusion	32
 References	 33

List of Tables

Table 1: Liquidity Ratios (2019-2021)	20
Table 2: Efficiency Ratio (2019-2021)	21
Table 3: Profitability Ratios (2019-2021).....	22

List of Figures

Figure 1: Products & Services of IDLC Finance Limited	15
Figure 2: Organogram of IDLC Finance Limited.....	17
Figure 3: Current Ratio trend for 2019-2021	20
Figure 4: Quick ratio trend for 2019-2021	21
Figure 5: Total Asset Turnover Trend for 2019-2021	21
Figure 6: Return on Assets Trend for 2019-2021	22
Figure 7: Return on Equity Trend for 2019-2021	23

List of Acronyms

AM	Asset Management
ADB	Asian Development Bank
CDF	City Development Fund
UNDP	United Nations Development Programme
IFC	International Finance Corporation
MFS	Mobile Financial Service
NBFI	Non-Banking Financial Institution
SME	Small and Medium-sized Enterprise

Chapter 1: Overview of Internship

1.1 Student Information

Name: Dhiman Shakti Bhattacharjee

ID: 19104049

Program: Bachelor of Business Administration

Major/Specialization: Double Major in Finance and Computer Information Management

1.2 Internship Information

1.2.1 Company Name: IDLC Finance Limited

Department/ Division: Product and Business Management Department - Consumer
Division

Address: IDLC Finance Limited, Dilkusha Branch, DR Tower (5th - 7th Floor), 65/2/2
Culvert Rd., Dhaka 1000.

Period: 08th January, 2023- 06th April 2023

1.2.2 Internship Company Supervisors Information

Name: MD. Mahabubur Rahman Khan

Position: Senior Executive Officer

Department: Product and Business Management, Consumer Division

1.2.3 Job Responsibilities

At IDLC Finance Limited, my job responsibilities during the first month included preparing Excel files, gathering employee leave information, and keeping it updated. After that, my main task was identifying missing files and issues in the customer database of the OCAS system and communicating with clients, co-applicants, and guarantors to verify the files and mobile numbers and collect the missing files. I had to create dynamic Excel files that would provide current updates on the missing files, such as whether the issue was resolved, pending or provided no results. I reviewed several client loan documents to identify and verify the problems. After fixing the issues, I had to give the resolved cases for updating in the database. As I did not have email access, I had to send my Excel files with updated information to my supervisor through the company's shared drive, and my supervisor had to make the request of updating the information.

Moreover, I had to communicate with employees from other branches to discuss the issues with the client's information. I had to provide updates to my supervisor by creating reports, who would then convey the information to our department head. In order to do my tasks, I was given access to the OCAS system, Lync, and a mobile phone that I used to communicate with clients, co-applicants, and guarantors.

1.3 Internship Outcomes

1.3.1 Student's contribution to the company

During my tenure at IDLC Finance Limited, I was able to complete my assigned tasks in a short period. Moreover, I used different formulas and functions in Excel, which made it easier for my supervisor to understand my reports, and also made my work faster. I was also able to identify other methods for solving the issues I found in the documents instead of directly communicating with customers constantly. I also used conditional formatting in order to show the resolved or closed accounts, which would make it easier to understand the current status of the client's loan account. I communicated with customers regularly in order to solve the issues involved with their accounts or to answer their queries. During my internship, I solved several complex issues related to many clients' accounts in a short time, which were not solved before.

1.3.2 Benefits to the Student

Throughout my internship, I gained a lot of knowledge regarding how a non-banking financial institution operates. In my first week, I was provided with documents that provided insights

into their activities and helped me to learn more about the company's work. I was able to understand how the interest rates were determined by interpreting clients' loan documents. Moreover, I was able to improve my effective communication and interpersonal skills by communicating with my team members and customers regularly. Additionally, I was able to apply and enhance my Excel skills which further helped me improve my computer skills. By observing my team members, I could understand the company's culture, learn more about professionalism at work, and gain more knowledge regarding the operations of Non-banking financial institutions in our country. To summarize, this internship experience has helped me improve my communication and interpersonal skills, learn more about the financial industry of our country, and allowed me to gain knowledge that I believe would help me to be better at my work.

1.3.3 Problems/ Difficulties (faced during the Internship period)

During the first two weeks of my internship, I could not start my work properly as I did not have access to computer. Even after gaining access to my computer, it took another two weeks to receive my server access which made my work less productive at the beginning. Sometimes, the company's internal servers get very slow, that can reduce overall efficiency of the workplace. Moreover, I had to depend on my supervisor to learn about a client's account status, as I did not have access to the company's banking server. The Microsoft applications in the computer were outdated and the Excel files often became unresponsive even if it did not have much data. However, even after this issues, the experience I gathered from IDLC Finance has been invaluable and I hope to carry it to the future as well.

1.3.4 Recommendations (to the company on future internships)

As a delay in granting access causes the work to get started later, I suggest that IDLC Finance Limited should try to provide computer access to the interns earlier. This would save time and help in finishing the assigned projects faster. The company could also encourage more active participation in different sessions with the interns, which would help the interns get more insights about the company and also help the interns to be more motivated. Moreover, I think if the internal servers are made faster, the organization could be more efficient. Additionally, they could upgrade their computers and use updated applications, as this could save a lot of time and provide better results for their work.

Chapter 2: Organization Part

2.1 Introduction

I worked at IDLC Finance Limited as an intern. IDLC Finance Limited is currently the largest Non-banking financial institution with over 30 branches, 1400+ employees. Moreover, the company is included in the DS30 index of Dhaka Stock Exchange. IDLC Finance Limited was formerly known as “Industrial Development Leasing Company of Bangladesh”, but the company changed to its current name (IDLC Finance Limited) in 2012.

2.2 Overview of the Company

IDLC Finance Limited was established as a single-product lease finance company in 1985, consisting of only 5 staff members. It was formed with a partnership between International Finance Corporation (IFC), German Investment and Development Company (DEG), Korean Development Leasing Corporation, Aga Khan Fund for Economic Development, IPDC, Kookmin Bank, and Shadharan Bima Corporation. However, IDLC Finance Limited currently runs as a majorly locally owned financial institution with The City Bank Limited (23.21%), Transcom Group (13.33%), Shadharan Bima Corporation (7.62%), Reliance Insurance Company Limited (7%), and Mercantile Bank limited (5.50%) holding 56.66% of total shares. The company now provides various products in different segments, including SME, Corporate, Consumer, and deposits.

2.2.1 Segments and Products

SME Segment: IDLC has a segment that offers financing and leasing services to small-medium enterprises. Their SME services include SME term loans, working capital loans, commercial housing loans, and commercial vehicle loans, amongst many others. Moreover, they also offer special loans to women entrepreneurs to encourage and help them succeed in their businesses. IDLC Finance Limited also provides supply chain financing to large and small companies to help enterprises get a competitive advantage by providing fast, steady, and convenient revolving finance, which can help a business expand and flourish more. Their supply chain financing services include factoring, work order finance, and distributor finance.

Corporate Segment: In their corporate segment, IDLC Finance provides services including corporate financing (working capital loans, term loans, project financing), structured finance solutions (foreign currency loan, project finance, and loan syndication), and green banking solutions in order to help companies reach their goal of being sustainable.

Consumer Segment: In this segment, they provide services like home loans, car loans, and personal loans.

Deposits: IDLC Finance Limited also accepts deposits and provides several options for customers to deposit in the company. Their deposit services include flexible term deposit, double money deposits, triple money deposits, interest-first deposits, etc. Customers can deposit online by opening a deposit account on their website or using bKash, the largest MFS in our country, for deposits up to a certain amount and a certain tenure.



Figure 1: Products & Services of IDLC Finance Limited

2.2.2 Vision, Mission, and Core Values

Vision Statement

The vision statement of IDLC Finance is to become the best Financial brand of Bangladesh.

Mission Statement

IDLC Finance Limited's mission statement is to emphasize on quality growth, provide the best customer service, and focus on sustainable business practices.

Core Values

The core values of IDLC Finance Limited are as follows –

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

2.2.3 Company Subsidiaries

Currently, IDLC Finance Limited has three subsidiary companies, which are IDLC Securities Limited, IDLC Asset Management Limited, and IDLC Investments Limited.

IDLC Securities Limited: It was founded in 2006, and since then, it has become the third largest stock broker in the nation. IDLC Securities Limited was granted a license by the Bangladesh Securities and Exchange Commission to work as both a stockbroker and stock dealer, and it has been serving and is a well-trusted name for many foreign and local investors. Their services include cash account, margin account, Easy IPO, international brokerage, etc.

IDLC Asset Management Limited: It was founded in 2015, and the company offers different types of mutual funds, investment funds, and venture capital funds. Their mutual fund services include IDLC Balanced Fund, IDLC Growth Fund, and IDLC AM Shariah Fund. Other investment funds include IDLC Systematic Investment Plan (SIP).

IDLC Investments Limited: It was licensed as a merchant banker by Bangladesh Securities and Exchange Commission (BSEC) in 1998. The company offers investment banking services, discretionary & non-discretionary portfolio management, and capital investment. IDLC

Investments Limited has been the winner of “Euromoney Awards of Excellence” for “Best Investment bank of Bangladesh” for three consecutive years since 2018. Moreover, they were also awarded the “Best Investment bank of Bangladesh” in Finance Asia Country Awards 2021.

2.3 Management Practices

In IDLC Finance Limited's consumer division, there are regular sessions where strategic discussions are done, and the employees are encouraged to attend the meeting sessions. Moreover, the employees are frequently encouraged to participate in team-building exercises to promote team cohesiveness. Therefore, they take participative leadership approach where they discuss with other employees the decisions that need to be made. By taking such an approach, they can get better views and take better strategic approaches, which has helped them to be more successful. IDLC Finance Limited also focuses on developing its talent pool by managing development programs like on-the-job training, classroom training, seminars, and other activities. Moreover, they also move employees to other departments and provide them with challenging roles to gain more experience and knowledge.

2.3.1 Organogram of the Company

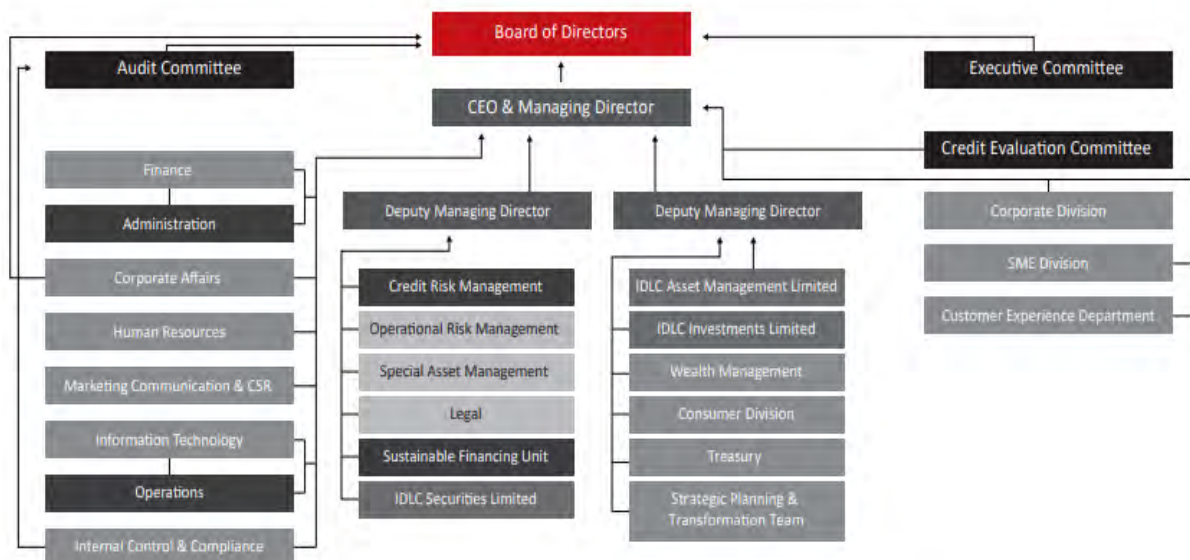


Figure 2: Organogram of IDLC Finance Limited

2.3.2 HR Practices

IDLC Finance Limited's hiring process is centered on vetting candidates for various roles through written exams, assessment talks, and panel interviews. Depending on the needs and urgency, they hire both internally and externally. Regarding their performance evaluation, IDLC disseminates a form to track and evaluate each employee's competence and the caliber of their job. This significantly impacts how far along in their career they are, and it also shows if they are hitting their KPI-based performance goals. Additionally, the company's CEO assigns financial aims and objectives to the management committee members and, at year's end, evaluates how top executives performed in relation to those targets.

2.4 Marketing Practices

IDLC's target market varies according to the segments they are serving. For example, their SME services target small enterprises, and their deposit services are mainly for the middle-income or upper-middle-income range. Moreover, they have other services targeted towards other unique customers, like Purnota, which is catered to female entrepreneurs to motivate and help them succeed in their businesses. IDLC offers affordable housing solutions to the lower middle group and people mainly outside Dhaka. IDLC uses different promotional strategies to increase its customer base depending on its products and situation. Usually, the company's marketing strategy for promoting its services involve advertising on social media, newspaper, television.

Moreover, they also host events, seminars, conferences, and competitions to promote themselves and provide financial knowledge to people. Recently, IDLC Finance Limited partnered with 10 Minute School to host Bangladesh's largest Finance Olympiad, IDLC Finance Olympiad 3.0. It was developed to develop financial maturity among the youth and help them learn more about financial management. Many IDLC employees shared financial knowledge on the company's social media platform to help people gain a better financial understanding. IDLC Finance Limited also innovated their products in order to gain more customer reach, like they built a deposit scheme for bKash users, where the user could save from TK500 to TK3000 monthly and get a good return on their deposit after maturity. As bKash is widely used in our country, this initiative helped to create more brand awareness and increase their total customer number. IDLC also broadcasted several Bengali television short films

showing small entrepreneurs' inspirational journeys and solutions of how they got funding and direction.



IDLC Finance Olympiad 3.0 Grand Finale

IDLC also partners with celebrities like Mushfiqur Rahim to create more brand awareness. Another way in which IDLC Finance Limited makes a better image to its customer is by providing superior customer service. The company has a customer service helpline and a department that deals with customers and provides solutions in regard to their experiences. The company has been able to differentiate itself and increase customer loyalty due to the superior services it offers to the customers such as being more customer oriented, and holding the trusts of the customers.

2.5 Financial Performance & Accounting Practices

2.5.1 Financial Performance

In order to analyze the financial performance of the organization, the company's consolidated annual reports have been used. The following analysis was done by using information from IDLC Finance reports of 2019, 2020 & 2021.

Liquidity Ratios

	2019	2020	2021
Current Ratio	1.06:1	1.18:1	1.24:1

Quick Ratio	1.19:1	1.18:1	1.21:1
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Table 1: Liquidity Ratios (2019-2021)

From 2019 to 2021, the current ratio of IDLC Finance has improved by 0.18, which might say that they are improving their short term liquidity. However, the ratio needs to be compared with the industry average in order to compare and learn how the company is doing in comparison to the other companies in the industry. IDLC Finance could improve its current ratio by decreasing its current liabilities or by increasing their current assets.

In the last three years, the quick ratio has fluctuated for the company. From 2019 to 2020, the quick ratio of the company decreased by 0.1, however in 2021, the company was able to increase its quick ratio. As the standard for quick ratio is usually 1:1, we can say that the company is able to meet its short term liquidity obligations.

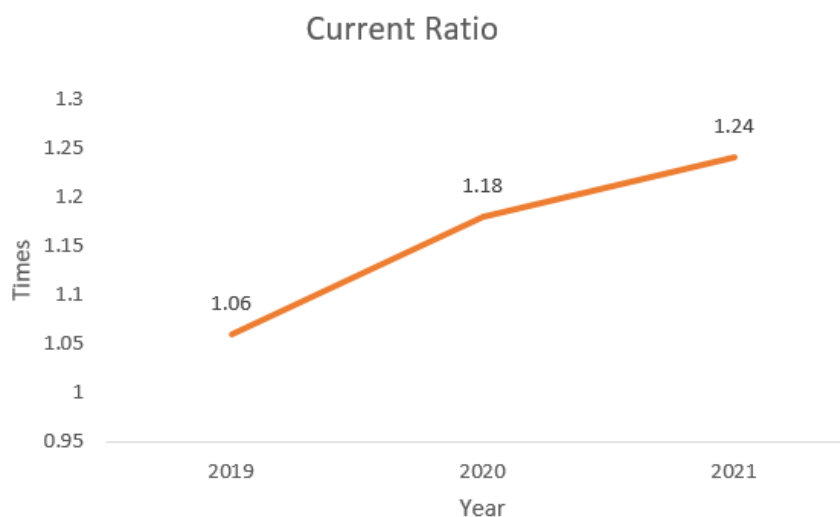


Figure 3: Current Ratio trend for 2019-2021

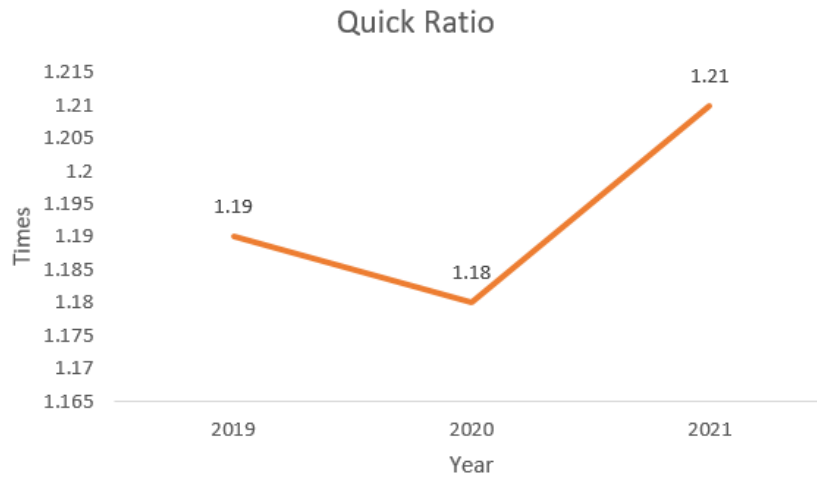


Figure 4: Quick ratio trend for 2019-2021

Efficiency Ratio

	2019	2020	2021
Total Asset Turnover	4.96%	5.46%	5.63%

Table 2: Efficiency Ratio (2019-2021)

The total asset turnover ratio in 2021 was 5.63% which means that the company is able to use its assets efficiently to generate revenue. From 2019 to 2021, the company increased its Total Asset Turnover by 0.67%. However, there was not enough significant change between 2020 and 2021. This might be due to the pandemic, which caused a lower change in their revenue. In order to improve the total asset turnover ratio, IDLC Finance Limited could look for different revenue streams.

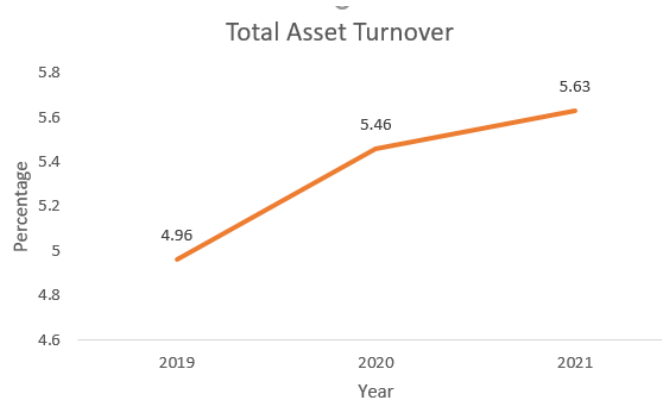


Figure 5: Total Asset Turnover Trend for 2019-2021

Profitability Ratios

	2019	2020	2021
Return on Assets (ROA)	1.50%	2.08%	1.57%
Return on Equity (ROE)	12.29%	17.37%	13.21%

Table 3: Profitability Ratios (2019-2021)

In 2021, the Return on Assets for IDLC Limited was 1.57%, which means that the company could generate TK1.57 as net profit for every Tk100 of total assets. According to the time series, the ROA has fluctuated in the last few years. From 2019 to 2020, the company had an increase in ROA by 0.58%. However, from 2020 to 2021, the ROA decreased by 0.51%. This could be due to a fall in net income as a result of the pandemic.

The company also shows a fluctuating trend for the Return on Equity. There was an increase in ROE by 5.08% from 2019 to 2020. However, in 2021, there was a decrease by 4.16%, which means that the shareholders are earning less net profit per share.

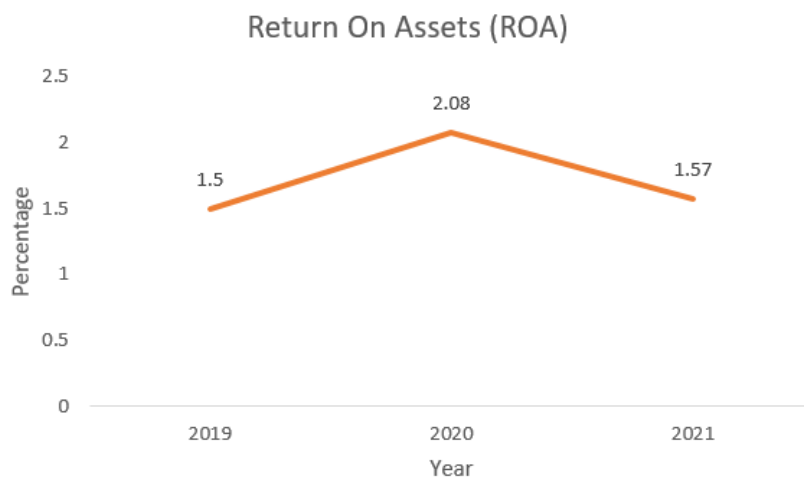


Figure 6: Return on Assets Trend for 2019-2021

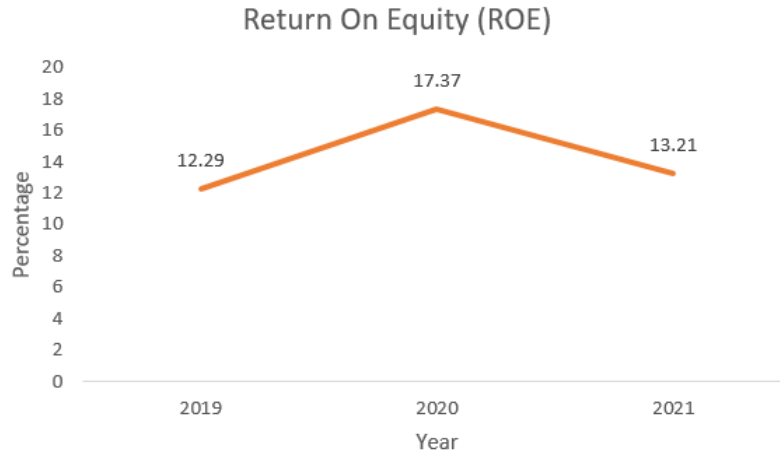


Figure 7: Return on Equity Trend for 2019-2021

2.5.2 Accounting Practices

IDLC Finance Limited prepares the financial reports on a going concern basis of accrual, which means the revenue and the costs are recognized at the time it is generated or occur, except for the Cash flow statements, which are stated in the market rate following the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) that is supported in Bangladesh by the Institute of Chartered Accountants of Bangladesh. The company uses straight line method of depreciation for amortizing the cost of assets over their useful lives. Moreover, IDLC Finance complies with the regulatory standards that are mentioned by different boards. For their maintenance of proper accounting measures and following proper accounting standards, the company has also been the Winner of Best Present Annual Report and Audit Reports 2021 in the Financial services sector (The Daily Star, 2022).

2.6 Operations Management & Information System Management

IDLC Finance Limited has a strong IT team that works continuously to ensure operations run successfully. Employees from different departments regularly communicate with the IT team to solve issues and ensure the operations run smoothly. There are several systems that the company uses for daily activities. IDLC uses cloud-based system to save and upload information. IDLC's IT team has worked on developing software internally, such as OCAS (Online Credit Appraisal System), that records information of their clients and OSP, which they use to request information updates. Moreover, they also use core banking software such

as Oracle to manage their database and view the current status of the clients. They also use Skype & Lync for communication and Microsoft applications such as Outlook and Onedrive for different purposes. Additionally, there are other software that different departments of the company use. The IT team is also responsible for granting access to employees to different systems.

2.7 Industry and Competitive Analysis

2.7.1 Porter's Five Forces Analysis

- **Threat of Rivalry among Existing Competitors:** There is high competitive rivalry among existing competitors in the industry. The financial industry comprises several banks and non-banking financial industries, often providing similar products and services. Although there needs to be more scope to differentiate, IDLC could invest more in technology development and create more brand awareness to get a competitive edge. Moreover, IDLC Finance Limited has been working on being more efficient in small ticket retail segments and expanding its geographical locations, providing them with a competitive advantage.
- **Threat of New Entrants:** Since several well-established financial companies are in the market, it would be difficult for new entrants to capture the market. Customers are highly skeptical of taking services from less reputed companies in the industry due to previous incidents with our country's Non-banking financial institutions. Moreover, there are several policies that the new entrants would need to follow, and a high amount of capital is required to start a financial institution, which could discourage new entrants from entering the financial market. Therefore, the threat of new entrants could be higher in the financial industry.
- **Threat of Substitutes:** Although they are no direct substitutes for loan facilities, it is seen that there are several places where direct financing is offered that eliminate the role of financial intermediaries. In several businesses, such as the vehicle business, the company itself could provide EMI facilities, which eliminates the need for Financial intermediaries like IDLC. Moreover, Fintech companies could also be providing different services, such as p2p lending, in the future, which could threaten companies like IDLC. Therefore, the threat of substitutes is moderate.

- **Bargaining Power of Buyers:** The buyers have a high bargaining power, as they are able to negotiate due to the competitive interest rates that other companies provide. The buyers could easily switch to another financial company if they think the offer does not fulfill their requirements. Moreover, Bangladesh Bank can intervene and fix the lending rate for banks and NBFIs, which can also give power to buyers to some extent.
- **Bargaining Power of Suppliers:** The leading suppliers of IDLC Finance include banks, and their bargaining power depends on the control over interest rates. Central banks usually have a huge role in the cost of funds, as they provide refinancing schemes for various projects in different industries. If there are fewer suppliers, then the bargaining power of suppliers is likely to be higher. For example, if the company takes more funds from one bank, then the bank can exert higher bargaining power.

2.7.2 SWOT Analysis

Strengths

One of the most distinct strengths of IDLC Finance Limited is its strong brand reputation. IDLC has served clients for over 36 years with a proven transparency and high-quality service record. The reliability and transparency of their operations have also helped them gain people's trust and create a strong image. IDLC Finance is also known for its customer centricity, as they provide superior customer service with one of the lowest turn-around-time for loans in the financial industry. The company also has various products and different subsidiaries, allowing it to generate additional revenue streams, achieve more revenue, and diversify. IDLC Finance Limited has also been able to reach a diverse range of customers by strategically placing advertisements or branches in different locations. Additionally, the company has very skilled human resources, who are provided with various development programs to improve their professional skills, which eventually helps the company.

Weaknesses

Although IDLC Finance is well-reputed in Bangladesh, it is yet to reach the global mark. Due to this, IDLC Finance might be missing opportunities to grow more. Moreover, the company is highly dependent on interest income, for which they should try to diversify their products and look for other ways to earn higher revenue.

Opportunities

Mobile financial services are growing in the country, and it has reached different parts of the country. Although IDLC has already collaborated with bKash, they could also collaborate with other mobile financial service providers to expand their business by providing deposit services through other MFS providers. Moreover, Bangladesh will become a developing country in 2026 (Byron & Mirdha, 2021), which means there will be more opportunities for the company as the people's standard of living will improve.

Threats

Economic recession could cause many customers not to be able to pay the loans, and it might decrease IDLC's total revenue and cause a rise in loan defaults. Moreover, this could also discourage the company from expanding and decreasing its business activities. Additionally, several major competitors in the financial market could bring technological advances that could threaten the company. IDLC Finance Limited could also be exposed to different types of risks, such as liquidity and interest rate risks, which could have a huge impact on their business.

2.8 Conclusion

IDLC Finance Limited is currently the largest financial institution in Bangladesh. They have been able to keep their business afloat by introducing new technologies. Furthermore, they are also developing a mobile app for their service, which would help to bring in more customers. Therefore, by being more technology-oriented and expanding its services to different parts of the country, IDLC Finance Limited will continue to perform well in the industry.

Chapter 3 Project Part

3.1 Introduction

Urbanization in Bangladesh has been increasing over the last few decades. An increase in Urbanization has caused an increase in the demand for housing in major cities like Dhaka, Chittagong, and Sylhet. However, in contrast to the demand, the housing supply has yet to grow to the required level. Due to this situation, the prices of houses in cities are high, and it is not affordable for middle-income or lower-middle-income. Moreover, financial institutions usually target the upper or upper-middle income group as they are considered more creditworthy and can easily provide necessary documents. This paper identifies the prospects and helps us understand the importance of affordable housing in Bangladesh. This paper uses various articles from online newspapers, research papers, and business journals.

3.1.1 Background

About 40% of Bangladesh's population lives in urban areas, and by 2030, that percentage is expected to increase to 50%. Major reasons for the increase in population in urban areas include relocation to urban areas due to an increase in temperature and a rise in sea levels. Moreover, according to IFC, the middle-income population would be 37% of the country's entire population in 2025 as Bangladesh would be graduating from least developed countries to developing countries. (Rahman, 2021)

Even though the economy of Bangladesh is increasing, there is a need for more affordable housing in Bangladesh. Moreover, banks and NBFIs usually target upper and upper-middle-class people as they are considered less risky (IDLC Finance, 2019). According to Funnel & Khan (2022), Bangladesh has a mortgage penetration rate of 3 per cent, which is even lower compared to the South Asian standards. Whereas our neighbouring country India has a mortgage penetration rate of above 10%, and developed countries have a rate of 40 per cent. Due to the low mortgage ratio, it can be seen that about 80% of the total urban population of Bangladesh lives in rented houses throughout their lives as they are not able to access mortgage financing (Funnel & Khan, 2022). Moreover, due to the inaccessibility of affordable mortgage financing and providing loans to only the upper class, the housing loan portfolio comprises 6.56% (BDT838 Billion) of the overall financial loans provided by the financial industry (Funnel & Khan,2022).

In major cities of Bangladesh, the cost of purchasing a house is very high. One major reason for the high purchase price is the inadequate supply of houses. According to the estimates of IFC, 250,000 houses need to be built each year to tackle the shortages and meet the demand. However, the supply is quite lower, and the rising prices of the raw materials for building further escalate the situation. However, in order to meet Sustainable Development Goal 11, it is necessary to ensure affordable financial loans for low-income groups (The Financial Express, 2017). The major concern for financial institutions in ensuring loans include the creditworthiness of low-income groups and the lack of documentation (Kader, 2021). Despite this, many financial institutions have started offering affordable housing loans by understanding the market's potential, as the demand is growing and will continue to grow in the long run.

3.1.2 Objectives

The main aim of this paper is to understand the current situation of housing in Bangladesh and learn about the importance of affordable housing solutions. Moreover, this paper also provides information regarding affordable housing solutions of IDLC Finance Limited, which can help to understand the prospects and act accordingly. This paper will address the following questions.

- 1) Explain IDLC Finance Limited's affordable housing solution loans.
- 2) What are the benefits of affordable housing solutions for Financial Institutions?
- 3) What initiatives did the Government, NGOs, and International organizations take to address the need for affordable housing solutions?
- 4) What challenges could financial institution face while providing affordable housing loans?

3.1.3 Significance

This paper is intended for financial institutions and students in order to provide them with insights and the current development of affordable housing solutions in Bangladesh.

3.1.4 Limitations

While creating the report, there were a few limitations for which I was not able to provide more information in my paper.

- One of the major issues that I faced was shortage of time. Due to the lack of time, I was not able to provide more details and do further in-depth study.
- In order to maintain confidentiality, I was not able to disclose further information that might have helped me to provide better analysis.

3.2 Methodology

For this paper, I have mainly used primary data that I gathered from my line manager. I interacted directly with my line manager who was very helpful in providing me with the overview of affordable housing solutions of IDLC Finance Limited. Moreover, I also collected secondary information from several articles online, and from the business journal of IDLC Finance Limited in order to fulfil the other objectives.

3.3 Findings and Analysis

3.3.1 Affordable Housing Finance Solutions by IDLC Finance Limited

IDLC Finance Limited started providing affordable housing loans in 2019. Currently, it has a loan portfolio of over 200 crores. Within this short period, the company has been able to serve more than 2000 families. IDLC Finance has been able to get such a response by targeting the lower-middle group and customers who live mainly outside Dhaka or on the outskirts of Dhaka (about 80%-90%). IDLC Finance has been able to tackle one of the significant issues, which is to provide assistance for documentation. Since most lower-income or lower-middle-income groups struggle to provide proper documentation for the loans, the company helps them by providing guidance and helping them prepare the documents required for the loans (Kader,2021). Moreover, IDLC Finance Limited works with developers such as Assure Group to bring customers affordable housing solutions.

3.3.2 Benefits of Affordable Housing Solutions for Financial Institutions

As the demand for affordable housing is increasing in Bangladesh, it provides an opportunity for financial institutions to tap into new market segments (Rahman, 2021). This also results in new revenue streams and opportunities to grow. Moreover, although there is an assumption that providing affordable housing solutions might increase loan defaults, as lower-income or lower-middle-income groups are more likely to be less creditworthy, it is seen that affordable housing solutions can result in lower defaults. Currently, the non-performing loan rate at IDLC Finance for affordable housing is 0%. After a discussion with the line manager, it is seen that as the house acts as collateral, the clients want to keep it, so they always prefer to pay the loan on time. Therefore, affordable housing solutions help financial institutions mitigate credit risk by providing a stable source of collateral (Affordable housing: Capturing Bangladesh's "Missing market". IDLC., 2018). Additionally, Financial companies can improve the institution's brand image and reputation by benefitting society by giving low-income households access to safe and affordable homes through providing affordable housing options (Mora, A.G., & Ang, H.G., 2021).

3.3.3 Initiatives Taken by the Government, NGOs, and International Organizations

Due to the significant importance of affordable housing solutions, the government, NGOs, and the private sector have started working on the issues to deal with them. The affordable housing situation in Bangladesh has been the focus of several government efforts. For instance, the government has implemented laws and rules, such as tax incentives, subsidies, and land allocation, to stimulate private sector investment in affordable housing (Ali et al.,2020). In addition, the government has started a number of housing initiatives to provide low-income families with cheap homes in different parts of the cities (The Financial Express, 2017). Moreover, NGOs like BRAC have also been working on providing affordable housing for the lower-income group. They have supported the development of affordable housing solutions by providing BDT40 million as a grant to the City Development Fund (CDF) committee in 10 large cities between 2017 to 2020 (Ali et al.,2020). Additionally, International organizations, including the World Bank, the Asian Development Bank (ADB), and the United Nations Development Programme (UNDP), have been assisting the government of Bangladesh in addressing the affordable housing problem. International Finance Corporation (IFC), a member of the World Bank, has planned to purchase up to \$50 million equivalent of a five-year senior bond issued by BRAC Bank in Bangladeshi taka in order to support and expand its affordable

housing finance program (Funnel & Khan,2022). The initiatives taken by the government, NGOs, and international organizations show the positive future of affordable housing solutions.

3.3.4 Challenges and Solutions

One major issue usually addressed regarding providing affordable loans to lower to lower middle-income groups is high default risks. Due to their limited financial means, low-income households are likely to default more frequently than higher-income households. Financial institutions face difficulty since they must figure out how to manage this risk while making affordable home loans (IDLC Finance Limited, 2018). Moreover, affordable housing development requires long-term financing, which is difficult for financial institutions. In Bangladesh, the majority of funding sources are short-term, making it challenging to offer affordable home loans with longer payback durations (Islam, 2022).

Additionally, financial institutions might need more expertise handling such loans, as affordable housing solution initiatives require particular skills in building, design, and development (Rahman, W. ,2022). Financial institutions might need help to handle the risks involved and they also might need to gain the knowledge to judge whether an affordable housing project is viable. Lastly, another challenge is the need for more land in urban areas, which increases the price of land and causes the price of housing to increase.

As previously mentioned, financial institutions could take collaterals to tackle high default risks, and credit scoring models could be created to assess borrowers' financial stability. The lower income group repays the loan because they fear losing their home. Moreover, in order to finance affordable housing developments, financial institutions could look for long-term funding sources, including bonds, securitization, and collaborations with development finance organizations like IFC did with Brac Bank. Lastly, financial institutions could collaborate with developers and the government in order to allow the building of residential houses on the outskirts of the cities, which would help to develop the place and also increase the supply of housing which could be affordable. The prices in such places would be lower due to lower land prices and also by collaborating with developers to produce small-sized flats in order to accommodate more people and make houses more affordable

3.4 Conclusion

In Bangladesh, there are several opportunities for financial institutions to offer solutions for affordable housing. As the demand for affordable housing will increase, financial institutions could be benefited by targeting lower-middle-income group. Moreover, by offering affordable housing loans Financial institutions will also be contributing to the solution of the nation's affordable housing problem and give low-income families access to safe and cheap homes through working with the government and real estate developers.

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