

Report On

**Impact of Customer Point Verification Process for the Credit Risk
Management Department under the Consumer Division:
A study on IDLC Finance Limited.**

By

Kazi Tahmid Ullah
19104030

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

April, 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:

Tahmid

Kazi Tahmid Ullah
19104030

Supervisor's Full Name & Signature:

Supervisor Full Name: Dr. Sang H Lee

Professor and Dean, Brac Business School Brac University

Letter of Transmittal

Dr. Sang H Lee
Professor and Dean,
Brac Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report

Dear Sir

With due respect, I am submitting my internship report, which is stated as “IDLC Finance Limited: A Case Study on the Customer Point Verification Process of the Credit Risk Management Department under the Consumer Division.” I worked as a finance intern at IDLC Finance Limited. During my internship, I did my best to gain knowledge from my work experience and to incorporate my findings into this report. I've done my best to conclude the report as concisely and comprehensively as possible with the essential information and suggested solution.

I hope that the report will fulfill expectations.

Sincerely yours,

Tahmid

Kazi Tahmid Ullah

19104030

BRAC Business School

BRAC University

Date: April 12, 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, Kazi Tahmid Ullah, 19104030.

Acknowledgement

I would like to begin by thanking Allah for allowing me to complete the internship and submit the report on time and in perfect health.

Prof. Sang H. Lee and Prof. Mohammad Mujibul Haque, my academic supervisor and co-supervisor, respectively, have my deepest thanks for their support and direction during my internship and report writing.

I would like to express my utmost appreciation to thank my supervisor, Mr. Saidul Bari, Manager, IDLC Finance LTD, for having faith in me and giving me a wide variety of assignments that have helped me develop my skills and become more dedicated to my work. I owe a great deal to his excellent leadership, objective assistance, and helpful suggestions for completing the whole internship journey perfectly.

I would also like to express my appreciation to Ms. Nafisa Taher, Mr. Tanjil Hasan, and Mr. Sakib Ahsan. Words cannot adequately express my appreciation and gratitude for them.

Lastly, I'd like to thank my organization, BRACU, and the Office of Career Service for giving me the chance to find out more about myself, improve myself through real-world experience, and get a taste of how academic knowledge and real-world experience can work together.

Lastly, but certainly not least, I extend my best wishes to my parents for their care and support, as well as to my friends and well-wishers for their constant encouragement and assistance. I exerted my utmost effort to ensure the accuracy and completeness of this report. Due to my limited knowledge and skill as well as time constraints, I apologize for any errors that may have been made. Since I am in the process of continuous learning, I would appreciate your consideration in this regard.

Finally, I want to thank my parents for raising me and for always being there for me, as well as my friends and well-wishers for their unending love and encouragement. In the end, I tried my hardest to make this report as accurate and useful as possible. However, owing to my limited knowledge and aptitude as well as time constraints, I apologize in advance if any inaccuracy is found here. As I am still learning, I would appreciate it if you will bear with me in this matter.

Executive Summary

In 1985, IDLC Finance Ltd., a non-banking financial institution, began operations as a leasing finance corporation. With 40 branches and booths, it now offers a variety of services in diverse financial sectors to clients across the nation. It is assisting people in achieving their aspirations of owning a house, a vehicle, beginning and expanding a business, creating more jobs, etc., with the aid of competent, qualified top management and devoted, efficient employees. They provide expert solutions for business, corporate, and consumer security, portfolio management, mutual funds, asset management, and financing.

During my internship, I had the chance to work with the Credit Risk Management-Consumer Division, or CRM-CD for brief. In this report, I explained about the customer point verification process of credit risk management after the consumer division brings prospective clients who will be taking house loans, personal loans, or car loans. Customer Point Verification form transmission and receiving reports was my primary duty. A client's loan application cannot be approved or funded without these verifications being completed first. This report will provide a high-level overview of the Credit Risk Department's credit approval process, with a particular emphasis on the credit default aspect. In other words, the report details IDLC's credit approval process and how the company handles credit risk in the event of a default. Based on my internship experience and research, this article provides a SWOT analysis and Porter's Five Forces study of IDLC Finance Ltd.

I am certain that my report will provide a comprehensive analysis of IDLC finance limited and the Credit Risk Management-Consumer department. Due to classified concerns, I have been unable to provide as much detail as I would want concerning the inner workings of IDLC Financing Ltd, particularly the Consumer Division.

TABLE OF CONTENTS

Declaration	1
Letter of Transmittal	2
Non-Disclosure Agreement	3
Acknowledgement	4
Executive Summary	5
TABLE OF CONTENTS	6
List of Figures	9
1.1 Student Information	10
1.2 Internship Information:	10
1.2.1 Company Name: IDLC Finance Limited	10
1.2.2 Internship Company Supervisors Information:	10
1.2.3 Job Responsibilities:	10
1.3 Internship Outcomes	11
1.3.1 Student's contribution to the company:	11
1.3.2.Benefits to the student	12
1.3.3.Problems/Difficulties (faced during the internship period)	12
1.3.4.Recommendations (to the company on future internships)	13
Chapter 2 : ORGANIZATION PART	14
2.1 Introduction:	14
2.1.1 About IDLC Finance Limited:	14
2.2 Overview of the Company	14
2.2.1 Vision Statement	15
2.2.2 Mission Statement	15
2.2.3 Values	15
2.3 Management Practices	16
2.3.1. Organogram	17
2.4 Marketing Practices	18
2.5 Financial performance and Accounting Practices	19
2.5.1 Ratios:	19
2.5.2 Accounting Practices:	21
2.6 Operations Management and Information System Practices	22
2.7 Industry and Competitive Analysis:	23
2.7.1 Overview of the Financial Industry in Bangladesh:	23
2.7.2 Porter's Five forces Model	24
2.7.3 SWOT Analysis	27
CHAPTER 3: Project Part	30
3.1 Introduction	30
3.2 Background	30

3.3 Methodology	32
3.4 List of Questions Central to the Case	32
3.5 CPV Process of IDLC Finance Limited	33
3.6 Outsourcing 3rd Party Agents	34
3.7 Challenges and Proposed Solution	35
3.7 Negative Aspect of the CPV Process	36
3.8 Real Life cases regarding CPV	37
3.9 IDLC's own CPV Department	38
4.0 Cost Factor Analysis	39
4.1 Recommendation and Conclusion	42
References	43

List of Figures

Figure 1- Organogram..... Page- 17

Figure 2- Financial Ratios..... Page-19

Figure 3- Du Point Analysis..... Page-20

Figure 4- Porter's Five Forces Page-25

Figure 5- SWOT Analysis..... Page-27

CHAPTER 1 : OVERVIEW OF INTERNSHIP

1.1 Student Information

Name: Kazi Tahmid Ullah

ID: 19104030

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: Credit Risk Management Department under Consumer Division

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

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

1.2.2 Internship Company Supervisors Information:

Name: Saidul Bari

Position: Manager, Credit Risk Management Department

1.2.3 Job Responsibilities:

The consumer division of IDLC Finance Limited focuses mainly on providing loans to consumers in terms of house loans, car loans and personal loans. In my intern role, there were many responsibilities that I had to fulfill for the perfect execution of the loan amount that is provided for the customer. I handled all the communication with third parties affiliated with IDLC Finance Limited, known as "Agents" in the organization.

The Agent organizations were responsible for completing the Contact Point Verification (CPV) of the customers. I assigned the customer profiles to different affiliated agent organizations, which needed to be verified thoroughly. I printed the soft copy and gave the client information to different agent organizations in respect of area and branch wise. CPV includes for both customer profile as well as respective bank statements. Due to my efficiency and strong management skills, my supervisor gave me the opportunity to handle the CPV process independently. I had to generate reports in Excel for all the exceptions, which mainly showcase if there is any discrepancy in the information given by the clients, which can be a problem for the organization, from CPV reports provided by the agent organization to my line manager.

I also had to update the information received in the CPV reports in the internal server of IDLC Finance Limited. Updating information required only for simply checklisting if information were in order. Not only that, I had to communicate with the employees from the Business Department under the Consumer Division who bring customers to the organization. I was given a mail account and a Skype account, which I used for communication. I was in continuous communication with the Sales Team Manager, Relationship manager and agent organizations to make sure that all the queries from both the sides were mitigated.

1.3 Internship Outcomes

1.3.1 Student's contribution to the company:

During my internship, I was able to increase the time it took for the CPV reports to be received by the disbursement team. I managed various Excel sheets by using different formulas that were not used before to make the process of data input quicker. I maintained a new time log system for the agents as they are responsible for doing the verification process. This made me deliver the reports faster at moments notice when the required disbursement office from different branches asked for file CPV. I maintained excellent communication

with the 3rd party so that they were always in track of the files. In monthly and weekly meetings with my supervisor and different departmental teams, I have provided excel reports that I have maintained by myself to update the required individuals. I gave my insights on how certain things can be handled. I was praised by many different individuals working in different departments for my way of handling things as I was able to provide them urgent support when required.

1.3.2.Benefits to the student

Throughout my whole internship journey, I learned many things and gained first hand experience in handling data for a financial institution. I have developed the ability to make decisions based on financial data by analyzing and interpreting client-related financial data. This also led me to increase my computer skills related to typing, Microsoft Office applications, and database management. Participating in departmental meetings and representing my team has also enhanced my leadership and management skills. I acted as an intermediary between the Credit Risk Management Department and the Business Department, which increased my communication and interpersonal skills. This internship provided me with valuable experience and knowledge, enabling me to perform more effectively in future positions.

1.3.3.Problems/Difficulties (faced during the internship period)

IDLC Finance Limited is one of the largest NBFIs in Bangladesh. However, from my perspective, the server and applications that they are using are not up to date with the latest software updates. For instance, they use the 2013 version of Microsoft Office applications. Therefore, some of the applications were a bit slow and unresponsive. The internal server could also be reworked and can be made to work much faster. Also, as an intern, I did not have any access to the internet. I had to rely on my immediate supervisor to provide emails to the agent directly. This created a time delay in providing urgent reports to the respective individuals working at IDLC. Other than these matters, the experience which I have gained from working here is invaluable.

1.3.4.Recommendations (to the company on future internships)

I would like to provide my thoughts for the IT team if they can work on their internal server regarding their personal software applications to handle the client information.

Also, if they can update the computer configurations along with the latest updated software, it will make the working experience more smooth and efficient. If internet access is provided to the interns computers, a lot of time can be saved, and the process would be much faster compared to before. Other than that, if there can be discussion sessions with the higher management team regarding certain tasks, interns can get more valuable insights through their journey.

Chapter 2 : ORGANIZATION PART

2.1 Introduction:

2.1.1 About IDLC Finance Limited:

IDLC Financing Ltd is a well-respected Bangladeshi leasing firm that was formed in the year 1985. IDLC is an abbreviation that stands for "Industrial Development Leasing Corporation." In 1985, when it first began operations, the firm consisted of just four people and leased a single product. Now, it is one of the biggest non-banking financial organizations in our nation. IDLC has a robust presence in the Corporate, Retail, Small and Medium-Sized business, and Capital Market sectors, where it provides a diverse range of services.

2.2 Overview of the Company

It all started in 1985 with a joint effort. IDLC Finance Limited was established through the merger of the World Bank's International Finance Corporation (IFC), the German Investment and Development Company (DEG), the City Bank Limited, the AgaKhan Fund for Economic Development, IPDC of Bangladesh Limited, the Kookmin Bank and the Korean Development Leasing Corporation, and the Shadharan Bima Corporation. IDLC's primary output back then was lease finance, but now they are Bangladesh's largest non-bank financial institution, dealing in a wide variety of financial products and services. They are equally dedicated and flawless throughout their Retail, SME, and Corporate divisions.

At the moment, IDLC Finance Ltd has 40 branches and booths spread over the whole of the nation, and they are all capable of immediately reporting their activity to the main branch, which is located in Gulshan (Bay's Galleria). This multi-product company has more than 1400 employees and around 45,000 customers that shop across all of its divisions. It caters

to Corporate, Consumer, and SME clientele by providing a comprehensive range of financial goods and services, including loans, deposits, and capital market transactions. Via its three completely owned subsidiaries—IDLC Investments Ltd., IDLC Securities Limited, and IDLC Asset Management Limited—IDLC is active in the capital markets.

2.2.1 Vision Statement

IDLC Finance Limited's vision statement is to be the best financial brand in the country.

2.2.2 Mission Statement

The goal statement of IDLC Finance Ltd is to place an emphasis on quality growth, exceptional and unparalleled customer service, and environmentally responsible company practices.

2.2.3 Values

1. Integrity
2. Customer Focus
3. Equal Opportunity
4. Trust and Respect
5. Passion
6. Simplicity
7. Eco-Friendly

2.3 Management Practices

IDLC Finance Ltd is the most prominent Bangladeshi non-banking financial organization. To maintain efficient operations and long-term development, the company adheres to a certain set of management practices appropriate for a financial institution. IDLC Financing Ltd employs the following methods of management:

- **Corporate Governance:** IDLC Finance Ltd is committed to maintaining the highest standards of honesty and integrity in all of its business dealings by adhering to a rigorous framework for corporate governance. It is governed by a board of directors made up of highly accomplished individuals.
- **Risk Management:** IDLC Finance Ltd has a thorough risk management structure in place to help it detect, evaluate, and deal with the many threats to its operations. In order to keep the company's risk profile within reasonable bounds, it has a committee in charge of risk management.
- **Customer Service:** IDLC Finance Ltd is committed to providing exceptional service to each and every one of its clients. It offers a devoted staff of customer service representatives that answer client inquiries quickly and effectively. Regular customer surveys help the company learn how to better serve its clientele.
- **Employee Development:** IDLC Finance Ltd is committed to helping its staff members grow professionally in order to increase both productivity and work happiness. It offers an extensive training and development program that equips workers with the expertise they need to do their jobs well.
- **Technology Integration:** IDLC Finance Ltd integrates technology to improve efficiency and satisfaction among its customers. To better serve its customers, the institution has implemented several technological solutions, including internet banking, mobile banking, and e-commerce platforms.

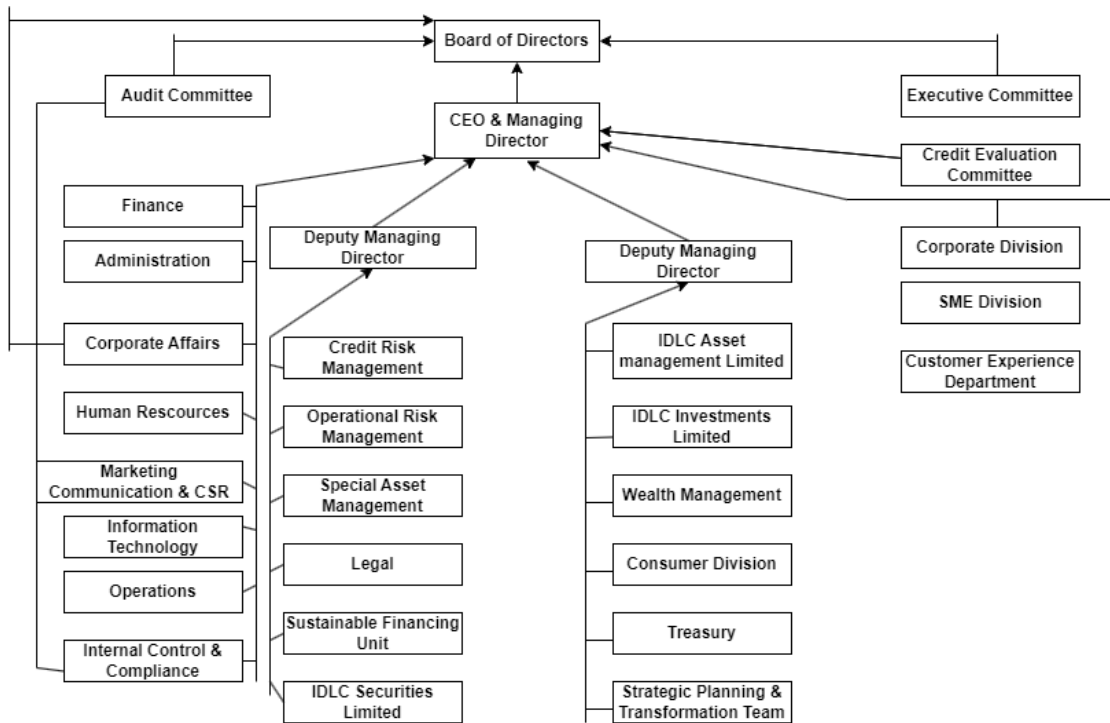
- **Social Responsibility:** IDLC Finance Ltd is dedicated to a policy of social responsibility and environmental sustainability. To help advance society as a whole, it funds a wide range of social and environmental programs including education, healthcare, and environmental protection.

IDLC Finance Ltd takes a well-rounded approach to management by prioritizing all of the following areas: corporate governance, risk management, customer service, employee development, technological integration, and social responsibility. The company is able to work towards its objectives while upholding its values because of these procedures.

2.3.1. Organogram

Figure 1

Structure has been taken as a reference in the same exact manner from their annual report.



2.4 Marketing Practices

IDLC Finance Ltd, has developed a number of marketing strategies that it applies in order to advertise its goods and services and attract prospective clients.

When it comes to marketing its goods and services, IDLC Finance Ltd makes use of a wide variety of advertising mediums, including traditional print media, television, and the internet. By its advertisements, it draws attention to the qualities and advantages of the items and services it offers and focuses on reaching certain types of customers. A powerful digital marketing approach is used by IDLC Finance Ltd. Components of this plan include pay-per-click advertising, marketing through email, marketing via social media platforms, and search engine optimization. The company is increasing its online presence by reaching out to the clients it is most interested in serving via various digital platforms.

IDLC Finance Ltd takes part in a variety of events, including trade fairs, conferences, and seminars, in order to demonstrate its products and services to prospective clients and to network with other industry professionals. In addition to this, it holds events with the purpose of strengthening its connection with its clients. These events include product launches and celebrations of the company's gratitude for its clients. IDLC Finance Ltd encourages its current customers to recommend the company's goods and services to their friends and family members so that they may take advantage of them. Customers that bring in new clients for the company are eligible for rewards like on their future transactions with the company.

IDLC Finance Ltd has a powerful brand image and reputation in the industry, and this contributes to the company's success in branding. It differentiates itself from its rivals and builds customer loyalty within its existing customer base by placing an emphasis, across all of its marketing activities, on the brand values that it upholds, such as trust, transparency, and customer-centricity.

Overall, IDLC Finance Limited promotes its products and services and attracts consumers through a combination of traditional and digital marketing techniques. The organization's marketing efforts are concentrated on enhancing its brand image, fostering stronger customer relationships, and providing customers with value.

2.5 Financial performance and Accounting Practices

2.5.1 Ratios:

Calculations and analysis are shown below for the years 2021, 2020 and 2019. Consolidated financial statements have been collected directly from their official website.

Figure2

<u>RATIOS</u>	2021	2020	2019
Return on Asset (ROA)	1.21%	1.85%	1.38%
Return on Equity(ROE)	12.49%	18.89%	13.68%
Income Tax Burden	48.64%	55.20%	58.18%
Fixed Asset Turnover Ratio	4.80%	6.48%	5.01%
Current Ratio	1.24:1	1.18:1	1;06:1
Quick Ratio	1.21:1	1.18:1	1.19:1
Earnings per share	3.98	5.57	3.84
Leverage Ratio	7.51%	7.33%	7.37%
Interest Burden	76.30%	92.34%	49.15%
Profit Margin Ratio	17.08%	17.35%	12.19%
Asset Turnover Ratio	5.63%	5.46%	4.96%

In an overview, if we look at the comparison with respect to 3 years each, we can see that the majority of the ratios began to decline during the 2020-2021 period, whereas during the

2019-2020 season, the ratios were relatively favorable. This might have happened due to the Covid-19 pandemic and its subsequent impact.

We can see that in the case of both ROE and ROA, the 2020 season had a good jump in the figures from the 2019 season, but in 2021, the ratio significantly dropped.

The current ratio and quick ratio has significantly increased over the 3 year period which is a good sign for the company as it is showing that IDLC Finance limited has the capability to pay its debts.

If we look at the majority of the ratios, from 2019 to 2020, the ratio significantly increased but in 2021, the ratios are seeing a sharp decline, which is due to the Covid-19 pandemic. If we look at leverage ratio, asset turnover ratio, fixed asset turnover ratio and earnings per share, it is showing the trend as mentioned earlier.

DU Point Analysis

Figure 3

IDLC Finance Limited	ROE	Income Tax Burden	Profit Margin	Asset Turnover	Interest Burden	Leverage
2021	12.49%	48.64%	17.08%	5.63%	76.30%	7.51%
2020	18.89%	55.20%	17.35%	5.46%	92.34%	7.33%
2019	13.68%	58.18%	12.19%	4.96%	49.15%	7.37%

The leverage ratio has shown both a steady increase and a steady decrease over the 3 year period. The income tax burden ratio has significantly decreased while increasing in percentage. The asset turnover ratio is shown to have increased over the 3 year period. Interest burden ratio and profit margin, along with roe is seen to have an increase in the year 2020 but in 2021, it has a decreasing number percentage.

2.5.2 Accounting Practices:

The Generally Accepted Accounting Principles (GAAP) are the standards that are used for financial reporting and accounting procedures in Bangladesh, and IDLC Finance Ltd adheres to these standards. In addition, the corporation complies with the regulatory standards imposed by the Securities and Exchange Commission (SEC), the Bangladesh Bank, and the International Financial Reporting Standards (IFRS) (IFRS).

The following is a list of some of the accounting procedures that IDLC Finance Ltd uses:

- A. Accounting on an Accrual Basis: The transactions that are recorded in IDLC's financial statements are accounted for using accounting on an accrual basis. This indicates that revenue is recognized at the time it is generated, and costs are recognized at the time they are incurred, irrespective of the timing of when cash is received or paid.
- B. Accounting at Fair Value: At the conclusion of each reporting period, IDLC values its financial assets and liabilities using accounting at fair value. Instead of depending on expenditures incurred in the past, the corporation may use this technique to calculate the present market worth of its assets and liabilities.
- C. Provision for Loan Losses: In order to guarantee that its loan portfolio is sufficiently protected, IDLC includes a provision for probable loan losses in its financial statements. While calculating its provisions for loan losses, the corporation makes use of a variety of methodologies, one example of which is the Expected Credit Loss (ECL) model.
- D. Depreciation: In order to determine how much money will be spent on depreciation of IDLC's fixed assets over the course of their useful lives, the company uses the straight-line method of depreciation.
- E. Statements of Financial Position: IDLC compiles its financial accounts in line with the International Financial Reporting Standards (IFRS) as well as the Companies Act of Bangladesh. The company's yearly financial statements are published and

made readily accessible to all of the company's shareholders as well as other stakeholders.

- F. **Internal Control:** In order to guarantee the precision and dependability of its financial reporting, IDLC has a solid and reliable internal control system in place. The organization maintains an independent department of internal auditing that is tasked with overseeing and analyzing its accounting procedures, financial reporting, and other aspects of its internal controls.

In general, IDLC Finance Ltd adheres to trustworthy accounting methods that are in accordance with both worldwide standards and the demands of regulatory authorities. Building confidence among the firm's stakeholders and preserving its status as a preeminent financial institution in Bangladesh are made possible by the dedication of the company to financial reporting that is both transparent and accurate.

2.6 Operations Management and Information System Practices

IDLC Finance limited has a separate department responsible within its management structure to handle all the operations which is known as CAD. For both its consumer division and SME division, it has an operations department that is divided in between both divisions. They have employees in different teams to handle different tasks. They are mostly responsible to check the files after the disbursement officers from the Credit Risk Management Department for both divisions have proceeded with loan files. They check the authenticity of the soft copy and hard copy files of the clients. They check the client files thoroughly to see if all the requirements of documents are met. The operations team is the final stage where the cheque that will be given to the customer is cleared. Operations team proceed in giving cheques back to the disbursement officers after all the checklists are cleared for the clients profile.

The IT Department of IDLC Finance Limited plays a critical factor for the company's operation. As the majority of the work is done through the internet, they are responsible

mainly for providing support to their internal server. IDLC uses various tools and softwares for their day to day operations. OCAS which is an internal database server created by the IT team for different teams to do various tasks related to providing loans. They also have another database server named OSP which is used for uploading requests of new client profiles along with their scanned documents in the server. They use “Oracle” to check clients bank statement details regarding payment. Other than that they use cloud services such as OneDrive and Google Drive. They use applications like Zoom and Lync to communicate with employees. Last but not least, they use Microsoft Office applications in their day to day tasks.

2.7 Industry and Competitive Analysis:

2.7.1 Overview of the Financial Industry in Bangladesh:

In recent years, the Bangladeshi financial sector has undergone substantial transformations. The financial industry has played an important role in the country's economic expansion. Despite the effects of the COVID-19 pandemic, Bangladesh's economy expanded by 5.24 percent in 2020. By supporting the country's enterprises and individuals, the financial industry played a crucial role in this growth.

The banking industry in Bangladesh is the sector of the financial industry that serves as the industry's primary support system. According to the estimates provided by the central bank, the industry has been expanding at a consistent pace, with total assets of the banking sector having reached BDT 33.77 trillion (US\$399 billion) as of December 2021. The private banking industry is the dominant player in this sector, accounting for around 59% of the total assets. The number of NBFIs in Bangladesh has been expanding at a fast rate. There are a total of 34 non-bank financial organizations that make up this sector. These institutions include leasing businesses, investment companies, and merchant banks. According to the data provided by the central bank, the total assets held by NBFIs as of June 2021 amounted to BDT 958 billion (about \$11.3 billion).

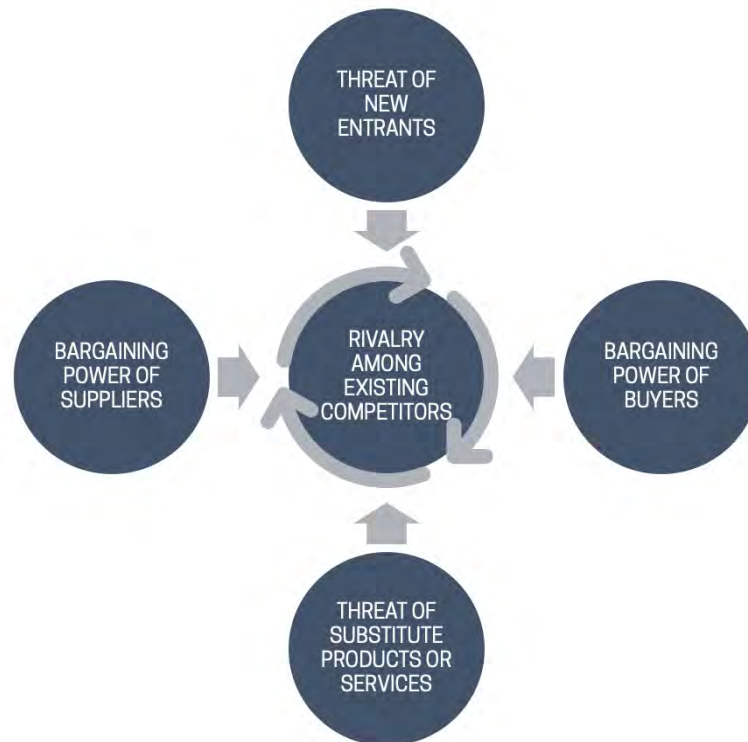
Also, tremendous development can be seen in Bangladesh's capital market during the last several years. The two most important stock markets in Bangladesh are the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). According to the exchange, the total market capitalization of the DSE reached 5.65 trillion Bangladeshi taka (about US\$66.7 billion) as of December 2021.

The fast growth of the financial technology business in Bangladesh over the last few years may be attributed to the widespread use of digital technology as well as the efforts of the government to move the country toward a paperless economy. The financial technology (fintech) business in Bangladesh is projected to be worth \$4.7 billion by the year 2025, as stated in a research compiled by the Bangladesh Association of Software and Information Services. Since they provide individuals with lower incomes access to various financial services, microfinance institutions (also known as MFIs) are an extremely important part of Bangladesh's financial sector. According to the central bank, as of June 2021, the entire loan portfolio of the MFIs reached BDT 308 billion, which is equivalent to \$3.6 billion in American currency. This industry has been expanding at a fast rate.

Overall, the financial industry in Bangladesh has demonstrated significant growth over the past few years. This growth has been driven by a number of factors, including rising GDP growth, an expanding middle class, and policies implemented by the government that aim to promote economic growth and financial inclusion.

2.7.2 Porter's Five forces Model

The concept of Porter's Five Forces is a framework that assists in the analysis of the degree to which a particular sector is competitive and the degree to which it is appealing to new prospective entrants. The following describes each of the five forces:

Figure 4

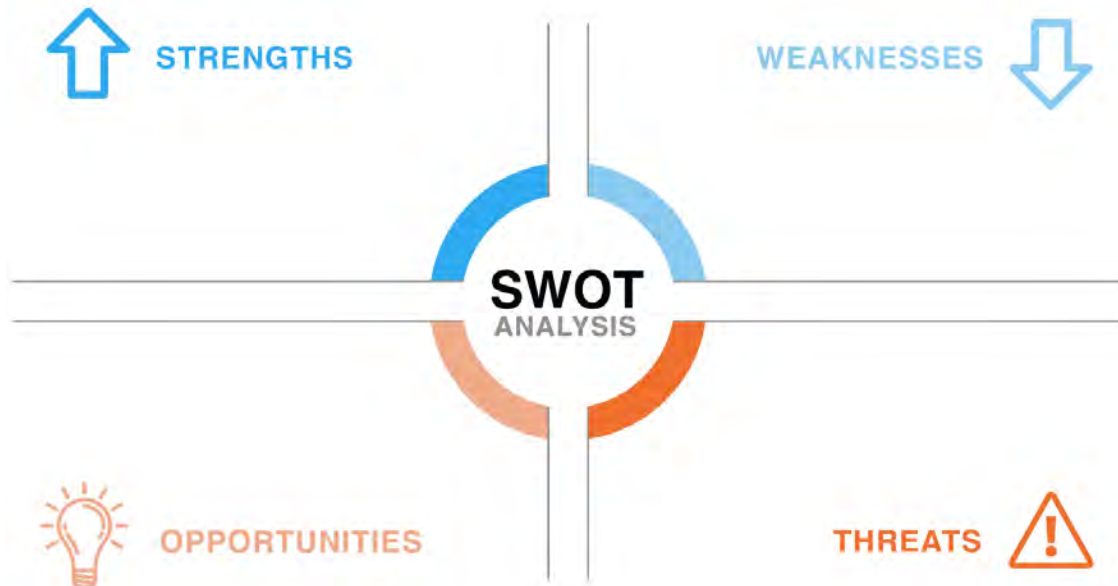
- **Bargaining Power of Buyers:** Customers of IDLC Finance Limited have a large level of negotiating power over the company. Clients have access to a broad variety of financial service providers, and they are able to simply move to a rival if they believe that IDLC's offerings are not sufficiently satisfying their requirements. In order to keep its consumers, IDLC has to concentrate on providing prices that are competitive, outstanding service, and new schemes.
- **Threat of New Entrants:** There are several hurdles for new businesses to enter the highly regulated financial services market in Bangladesh. It is challenging for new businesses to join the market due to the regulatory framework, capital requirements, and licensing processes. New entrants can establish organizations in the market if they meet the requirements. However, it is difficult for new entrants to achieve market share since established firms like IDLC Finance Ltd already have significant brand recognition and client loyalty.

- **Threat of substitute products or services:** IDLC's goods and services are comparable to a large number of other options on the market due to the intense competition that exists in Bangladesh's financial services sector. Consumers have the option of using other financial institutions, such as banks or non-bank financial institutions, or they may go with alternative financial services, such as mobile money or peer-to-peer lending. Customers also have the choice to utilize alternative financial services. To reduce the impact of this risk, IDLC will need to maintain its culture of innovation and provide customers with distinctive goods and services that set them apart from their rivals.
- **Threat of rivalry among existing competitors:** The financial services market in Bangladesh is very competitive due to the large number of competitors that provide goods and services that are almost identical. IDLC Finance Ltd competes with a variety of financial institutions including banks, non-bank financial institutions, and microfinance organizations. IDLC has to place a primary emphasis on strengthening its brand, extending its product and service offerings, and enhancing its customer service in order to maintain its current position in the competitive landscape. In addition, for the corporation to maintain a lead over its rivals, it must continue to put money into research and development of new technologies.
- **Bargaining power of suppliers:** The list of IDLC Financing Limited's suppliers is rather extensive and includes technology vendors, data providers, and marketing agencies, amongst others. IDLC Finance Ltd obtains its funding from a wide range of institutions and markets, including banks and other financial institutions as well as capital markets. Although it is simple for IDLC Financing Ltd to move between several sources in order to get money, the negotiating strength of suppliers is relatively low. On the other hand, if the firm generates the majority of its revenue from a single source, then the negotiating power of the supplier may be enhanced.

2.7.3 SWOT Analysis

An organization's strengths, weaknesses, opportunities, and threats may be analyzed using the framework of SWOT analysis. The letters in SWOT stand for those four words.

Figure 5



- **Strengths:**

1. **Strong brand reputation:** In Bangladesh's financial industry, IDLC Finance Limited has a strong brand reputation.
2. **Diversified product portfolio:** IDLC offers a variety of financial products and services, such as leasing, loans, SME finance, and capital market services, which contributes to the diversification of its revenue streams.
3. **Experienced management team:** The company's management team is highly competent, experienced, and has a history of delivering results.
4. **Strong distribution network:** IDLC's distribution network in Bangladesh is robust, allowing it to reach a large customer base.

5. Good customer service: IDLC's stellar reputation for service is a key factor in the company's success in keeping customers happy.
6. Strict to regulations: Strictly adhering to regulations, the organization and its employees adhere to all administrative bodies' rules, regulations, and guidelines. They serve their cherished consumers by maintaining dependable business practices and proximity.
7. Owned IT Department: Software development is the backbone of every modern business. As IDLC does not rely on others for their IT system, they have a fully disclosed backup of IT. They staff their 24-hour IT support with highly qualified professionals.

- **Weakness:**

1. High operating costs: The excessive operating expenses of IDLC Finance Limited may have a negative impact on its profitability.
2. Limited geographic reach: The company's operations are restricted to Bangladesh, which may constrain its growth prospects.
3. Dependence on a few large customers: IDLC derives a significant component of its revenue from a few large clients, posing a danger of revenue concentration.
4. Limited technological infrastructure: The company's technological infrastructure is not as progressed as that of some of its competitors, which could hinder its ability to offer innovative products and services.
5. Lack of innovative services: IDLC Finance limited needs to invest in research and development to offer more unique services.
6. Regulatory risks: The financial industry in Bangladesh is extensively regulated, and changes in regulations could affect IDLC's operations.

- **Opportunities:**

1. **Growing demand for financial services:** In Bangladesh, there is an increase in the demand for a variety of financial services, particularly among the country's rising middle class.
2. **Increasing adoption of technology:** IDLC has a chance to broaden its client base and provide new goods and services as a direct result of the rising prevalence of technological advancements in the financial services sector.
3. **Government initiatives:** IDLC may be able to broaden its scope of operations if it takes advantage of the possibilities presented by the many efforts that have been made by the government of Bangladesh to encourage the expansion of the country's financial industry.
4. **Expansion into new markets:** IDLC might diversify its income sources by expanding into other areas inside Bangladesh or even into other nations to minimize its reliance on the local market.

- **Threats:**

1. **Existing Competition and New Entrants:** The financial services business in Bangladesh is a very competitive one, and IDLC must contend with competition from a number of different competitors, both domestic and foreign. Also, there is a scope of new entrants in the industry and IDLC Finance Limited has to change its policy to stay in the market.
2. **Economic Instability:** The potential for economic volatility and political unpredictability in Bangladesh, both of which might have a detrimental influence on IDLC's business activities in the country.
3. **Regulatory Changes:** Alterations to existing rules or the introduction of brand new regulatory requirements might drive up the company's compliance expenses and reduce its capacity to provide certain goods and services.
4. **Interest Rate Risk:** The profitability of IDLC is strongly reliant on interest rate fluctuations, and any fluctuations in interest rates might have a severe influence on the company's financial performance.

CHAPTER 3: Project Part

3.1 Introduction

Every financial institution that deals with loans has to deal with the verification system. Contact Point Verification, or KYC (know your customer) term which is mostly used on a global scale, is one of the important steps for the institution to further proceed in giving loans to their customers. The Know Your Customer (KYC) procedure aids in the prevention of money laundering and loan defaults. It is a procedure needed by many nations to verify that clients are who they say they are (CFI,2023). In this research proposal, it showcases how the CPV process is used by IDLC Finance Limited and other financial institutions in Bangladesh. In this paper, it provides an in-depth analysis of the CPV process findings from the journals, articles, case studies, and primary data.

3.2 Background

It is becoming more vital for banks and Non-Bank financial institutions (NBFIs) in Bangladesh to adopt customer point verification systems in order to limit the risks of fraud and money laundering that are associated with financial transactions. This literature study is to offer an overview of the present practices of customer point verification systems in use at banks and NBFIs in Bangladesh as part of its primary objective.

The practice of validating a client's identification at several stages during a financial transaction is referred to as "customer point verification" (CPV). This procedure is essential for preventing fraud as well as money laundering (Hossain, 2020). There has been an increase in the amount of pressure put on financial institutions in Bangladesh to adopt efficient consumer point verification systems in order to meet with regulatory standards and reclaim the public's faith in the business (Hassan, 2020).

The installation of customer point verification systems in Bangladesh is also significantly influenced by the regulatory frameworks that are in place there. The Bangladesh Bank, which serves as the country's central bank, has sent multiple sets of instructions to Bangladesh's commercial banks and non-bank financial institutions (NBFIs) in order to facilitate the successful implementation of client point verification systems. For all online transactions, for instance, the Bangladesh Central Bank requires the usage of a two-factor authentication system (Bangladesh Bank, 2018). In addition, the central bank has demanded that all financial institutions bring their customer identification policies and processes up to date in order for them to be in compliance with the Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) legislation (Bangladesh Bank, 2020). Biometric authentication, which employs unique physical characteristics such as fingerprints or retinal scans to verify the customer's identity, is one of the most prevalent CPV methods in Bangladesh. Several banks and non-bank financial institutions in Bangladesh have implemented biometric authentication systems, such as fingerprint scanners, to verify the identities of their consumers at various phases of financial transactions. For example, Eastern Bank Limited has implemented a biometric authentication system for consumer verification and financial transaction security (Eastern Bank Limited, 2021). IDLC Finance Limited has similarly implemented biometric authentication systems to prevent identity theft and fraudulent transactions (IDLC Finance Limited, 2021).

In addition to biometric authentication, banks and NBFI in Bangladesh use other CPV methods, such as one-time passwords (OTPs) sent to the customer's registered mobile phone number or email address, to verify their identity (Islam et al., 2020). OTPs are convenient and simple to use, but they are susceptible to assaults like SIM exchange fraud and phishing (Ahmed et al., 2021). Some institutions and NBFI in Bangladesh use video identification (VID) systems in addition to biometric authentication and one-time passwords to verify the identity of consumers. VID systems enable remote identity verification for consumers via video conferencing technology (Rahman et al., 2021). This approach is economical and practical for clients who cannot physically visit a branch. Nevertheless, VID systems have

been criticized for their lack of dependability and security, as they are susceptible to video manipulation and identity theft (Chowdhury et al., 2020).

In addition, the regulatory framework mandates that financial institutions use Know Your Customer (KYC) procedures for customer identification. KYC procedures involve authenticating clients' identities and evaluating their risk profiles to prevent money laundering and terrorist financing (Alam, 2021). In Bangladesh, banks and non-bank financial institutions (NBFI) are mandated to conduct Know Your Customer (KYC) procedures for all their consumers, whether they are individuals or legal entities (Bangladesh Bank, 2020).

3.3 Methodology

Primary data is the key source for the analysis of this search, which is collected from first hand experience at the internship. I have consulted with various employees under instructions from my line manager to get an overview of the organization's work. My line manager has answered many of my queries, and I have used that information to provide this analysis. Secondary data was also examined from various articles, research papers, and resources from the internet, which is used for comparative analysis.

3.4 List of Questions Central to the Case

- ❖ How is the current CPV process of IDLC managed and what are the drawbacks present?
- ❖ What are the changes that can be made in the current CPV system which would make the system more efficient and effective?
- ❖ How can financial technology be implemented in the CPV process?
- ❖ What are the advantages of an effective customer point verification for the CRM department of IDLC limited?

3.5 CPV Process of IDLC Finance Limited

IDLC Finance Limited is mainly dependent on 3rd party organizations which they refer to the term as “Agents”. Customer Point verification is mainly done by the agents on behalf of the organization. IDLC Finance Limited does not have a specific department dealing with this task because the organization thinks that the data can be manipulated.

To start with, IDLC has contracts with multiple agents. Agents are provided client information area wise. The task is divided among them area wise. At first, customer information, which includes their address, phone number, photo, contact details, salary certificate, and rent details, is uploaded into their internal server by the CPU team, which is another department under the Credit Risk Management Department and is responsible for the customer data input. Then, clients are assigned to agents in the server with respect to their reference number, which is a unique identifier for customers. The soft copy from the server can be directly printed or sent to the agents through email. Except for urgent moments, soft copies are printed and then sent to the agent organizations after office hours.

Not always requests provided by the CPU team for CPV of clients are sent to the agents on the same day. TAT time or turn over time is carefully measured for the agent organizations in order to record the exact timing. Excel sheets are maintained to record the information and need to be updated regularly in such cases. Bank statements which are also an important part in the CPV process as they need to be verified as well. Bank statements are couriered to one specific branch in IDLC Finance Limited as there is no separate CPV desk for each branch. The Dilkusha Branch is responsible for handling all the CPV under Consumer Assets for the Consumer Division.

After the verification process is complete, agents provide a verification report to IDLC. In the verification report, they check off all the details of customers with Yes or No. There is also a comment section where, if any observation is found by agents while trying to verify, it is written.

There is another internal database application maintained by IDLC employee known as OSP portal where they provide requests for the bank statement along with uploading the soft copy on the server. The CPV team matches the reference number from the OSP portal with the excel sheet which they maintain. If the CPV team receives a bank statement, they record the information on their maintained excel sheet. If the CPV team does not find the required osp number in the reference number, then they reject the file.

This helps to cross check with the business department as multiple incidents happened when the latter held an argument that they had sent the Bank Statement for verification to the CPV team.

The pressure for urgent CPV from all the branches usually starts on the last 10 days of the month. Each branch has a target that they have to fulfill. Requests and bank statements are provided to Dilkusha branch on all the working days of the month. However, the TAT time is strictly maintained, which results in massive delay and misplace of some requests during the pressure days. Without CPV, the disbursement officer cannot proceed to the next stage of ultimately providing the loan to the customer.

3.6 Outsourcing 3rd Party Agents

According to the data provided, IDLC mainly outsources the verification process for various reasons. Firstly, the verification procedure may be more efficiently and cheaply outsourced to third-party agents. By outsourcing to a third party, IDLC Finance Limited may save money by taking advantage of economies of scale and avoiding the need to hire more employees or acquire new equipment.

Secondly, verification procedures may be more precise and time-efficient when performed by third-party agents due to their potential expert knowledge in the field. This will allow IDLC Finance Limited to refocus its efforts where they are most needed. Thirdly, IDLC Finance Limited is able to process a high number of verification requests without adding staff or resources by using an outsourcing model.

Furthermore, IDLC Finance Limited may benefit from the assistance of third-party agents in mitigating possible fraud and compliance risks since these agents may have better expertise controlling risk related with verification procedures. Lastly, IDLC Finance Limited may benefit from using the services of third-party agents who may have a deeper awareness of regulatory standards and compliance difficulties associated with verification procedures.

3.7 Challenges and Proposed Solution

When it comes to CPV, one of the most significant obstacles that banks and NBFIs in Bangladesh must overcome is a lack of adequate infrastructure. Since many regions in Bangladesh lack adequate road networks or transit facilities, it might be challenging for verification agents to visit consumers at their homes or places of business. As a consequence, this causes holdups in the verification process and adds to the cost of verifying (Rahman, 2018).

The lack of collaboration from clients is another difficulty that commercial banks and non-bank financial institutions in Bangladesh confront during the CPV. A significant number of consumers are unwilling to submit the essential information or papers needed for verification, which both slows down the verification process and adds to the cost (Sarker et al., 2018). In addition, there have been instances in which verification agents have been the target of threats or assaults while they were carrying out the verification procedure. The safety of the verification agents is put in jeopardy, and the total cost of verification is increased as a result (Haque et al., 2020).

These above limitations are also faced by IDLC. Banks and non-bank financial institutions (NBFIs) in Bangladesh have been using technology-based solutions such as digital verification and video conferencing in order to address these difficulties. Because of these technologies, the verification process is now much quicker, more effective, and less

expensive. Yet, there are still obstacles to overcome in the process of putting these ideas into action in rural communities with restricted access to technology (Akter, 2019).

From my experience, there are now many agent organizations which now use technology as a method for their verification process. Bari koi, which is one of the agents working with IDLC Finance Limited, uses applications like TrueCaller to verify the customer's name along with confirming with the client through documents. There were also incidents where agents have provided incorrect reports which were discovered at moments before disbursement especially at the end of month. This many times has led some files not being disbursed at crucial moments. Misleading and manipulated data has also been provided by agents many times. To stop these cases, IDLC needs to counsel and hold meetings with the agent organizations regularly. If possible, training sessions should be arranged as well.

3.7 Negative Aspect of the CPV Process

According to my observations, the current process has many disadvantages, as CPV is mainly done by 3rd party organizations affiliated with the company. Firstly, during the last 10 days of the month, disbursement pressure is high, which leads to many urgent CPV requests. Not many agent organizations are partnered with IDLC in correspondence with the pressure of all the branch requests. This creates delays and leads to non disbursement.

Secondly, not all the agent organizations have their employees trained in a professional manner in terms of communication with clients and handling critical situations. There is also a computer literacy problem as many of the reports provided by the agent need to be sent for correction. In many cases, these errors are observed during the last week pressure stage or in last moment which sometimes cannot be sent to the agent for correction if it is on month end after office hours which has led to many non disbursement cases. As a result, the branch sometimes fails to fill up their desired target. In terms of professional training, agents sometimes misbehave with clients who are not that much literate and many cases were seen where agents did not compromise with the clients requested time for CPV.

Lastly, agent organizations sometimes do not follow the instructions given by IDLC. There were cases where agents were told to prioritize certain cases but they did not do the task in an urgent manner which resulted in clients refusing the loan. Also, certain instructions regarding phone calls and professionalism were also provided many times which agent organizations did not pay heed to and carried out according to their own terms, which resulted in client dissatisfaction. Also, misleading and manipulated data has also been provided by agents many times.

3.8 Real Life cases regarding CPV

I got many insights about some cases that happened regarding the CPV process during my internship tenure. There were two scenarios which I was present where managers from the business department who mailed me and my supervisor regarding the accusation of bribery asked by agent representatives from the clients. These instances were proven true as some agent representatives have asked for a bribe for ticking the OK option for verification of the client's profile in some cases. Managers of the agent organizations were informed immediately and demanded an immediate solution regarding the case which resulted in termination of some of the agent representation. IDLC also warned the agent organization that if these kinds of cases occurred again, they would cancel the contract with the agent organization, which was responsible for this. IDLC does not have any external monetary policy regarding agent organizations with the clients.

Also, there were many cases which I have heard from my supervisor where inside employees from the business team have many times tried to contact agent organizations to manipulate data so that loans can be disbursed. Not only that, customers even tried to manipulate data regarding rental incomes, where it was proved by our credit analysts as they had visited the rental sites physically.

3.9 IDLC's own CPV Department

To mitigate the 3rd party organization problems. I believe that IDLC should have its own department to handle all the CPV requests from their different branches. CPV department should have its own teams which would be responsible for many tasks such as one team will be creating a report after receiving information from the team who will be doing the verification physically and one team will be updating the information in the server which will be received in the reports. One team can handle all the requests in the server by keeping the information in the excel sheets branch wise. The IDLC representatives will then be able to verify these details.

Representatives will be divided into small teams according to locations and branch wise who will be responsible in verifying details of clients. Priority team would be another team which will solely focus on high profile and urgent matters. As a result, the process of verification would be much faster. In terms of computer literacy, IDLC employees' literacy would be superior as proper training is provided regarding software applications and employees in IDLC are hired who have a certain level of skill set.

I believe that having a separate department would increase the trust pressure of our credit analysts as many cases are there where IDLC credit analysts were not satisfied with the reports provided by the 3rd party organizations. Problems can be solved faster as this would be a department of its own.

However there is a downside which is data manipulation. Ethics and morality has to be present in the employees working in the CPV department especially for people who will be field representatives. If data is manipulated due to helping of colleagues in the business department then in the long run, it would create severe problems for IDLC as it would create chances of loan default.

4.0 Cost Factor Analysis

During my internship, I sometimes had to check the bills that were sent by the agent organizations before forwarding them to my supervisor. IDLC Finance Limited has set up monetary agreements regarding location wise verification.

This is the cost structure according to the company policy

<u>Information</u>	<u>Cost (in terms of Taka)</u>
Location inside the Dhaka Zone	100 taka per address (Application, Co-applicant, Guarantor)
Location outside the Dhaka Zone	200 taka per address (Application, Co-applicant, Guarantor)
Rental verification inside the Dhaka Zone	200 taka per address
Rental verification outside the Dhaka Zone	400 taka per address
Bank Statement Verification Inside the Dhaka Zone	50 taka per statement
Bank Statement Verification Outside the Dhaka Zone	100 taka per statement

Due to confidential information, I am not able to provide any pictures regarding the information on the CPV requests. Consumers who come to IDLC for loans have to do the CPV verification. 70 percent of the applications have multiple co-applicants and guarantors with one applicant. The reason for multiple co-applicants and guarantors is to prevent fraud by the consumer. Every co-applicants and guarantors have different present address, permanent address, rental address, bank statements, and salary certificate (people who do jobs). All these information in the files has to be verified by IDLC Finance Limited before credit analysts start working on the files. There are also cases where an agent takes double charge if a customer does not cooperate the first time as they have to visit multiple times for verifying and collecting signatures.

This results in big amounts at the end of the month for each of the 3rd party agents. According to the bills, each company has around 2.00 - 2.50 lacs in BDT only for verification inside Dhaka zones, and for verification outside Dhaka zones, it is around 80-100 thousand on average. For the 4 companies, around 8-9 lacs in BDT on average comes at expense for IDLC Finance Limited in the consumer division only. Also, there is communication cost with the agents as agents are directly communicating through phones. There are printing costs and other miscellaneous costs as well.

The whole summation of expenses on average per month based on my personal assumptions,

<u>Name of Expenses</u>	<u>Amount in Terms of BDT</u>
Agent Bills	10,00,000-12,00,000
Printing Costs	40,000-60000
Miscellaneous costs (electricity, phone bills, authorization paper)	80,000-1,20,000
Total	12,00,000-14,00,000

According to my suggestion, if IDLC has its own CPV department, expenses can be reduced substantially. As I have stated, if IDLC hires employees who will be doing this job. This will fall under their job responsibilities to verify information and collect signatures. As currently, all the branch CPV requests are sent to the DR tower branch for CPV. This will not be the case anymore. Each branch will have their own representative who will be working in their respective zones. Each zonal address will be sent to the specific branches in those specific zones.

Then, for this case, payment for inside Dhaka zones and outside Dhaka zones would be eliminated. Also, for double payment cases, verifying information and collecting

information would fall under their job responsibilities and performance evaluation. They will then communicate and cooperate with clients to verify and get signatures, even if there are cases requiring multiple visits. According to IDLC payment structure, IDLC allows payment of 28000 BDT in gross salary along with benefits. If there are representatives for CPV department as a whole ranging from a minimum of 1 person in a branch to maximum 3 person in a branch depending on the pressure of requests and branch size. The costing structure compared to agents would reduce greatly.

In case of printing costs, employees can directly be sent CPV requests papers through their mails in their phone from where they can download the required information. This would eliminate the printing process. Authorization papers would still require to be printed but compared to the CPV request papers, it is very less. In case of phone bills, there would be no bills concerning the agents which would result in a significant decrease in the miscellaneous costs.

<u>Name of Expenses</u>	<u>Amount in Terms of BDT</u>
Employee Salaries	4,00,000-6,00,000
Printing Costs	10,000-15,000
Miscellaneous costs (electricity, phone bills, authorization paper)	50,000-60,000
Total	6,00,000-8,00,000

In my perspective, I believe that IDLC should go for its own CPV department initiative. Costs would be reduced significantly, and there would be more resources to be put to use in other fields.

4.1 Recommendation and Conclusion

In conclusion, the CPV is a crucial procedure that is carried out by banks and NBFIs in Bangladesh to guarantee that their clients are real. Nevertheless, there are a number of obstacles that must be overcome in order for this process to be successful. These obstacles include a lack of appropriate infrastructure, the participation of customers, and worries over the safety of verification agents. Banks and non-bank financial institutions in Bangladesh have begun employing technology-based solutions in an effort to address these difficulties, as well as to make the verification process more effective and less expensive.

In the end, I would recommend IDLC to make the CPV process more authentic by partnering with agents who are now using modern technology to verify customer information. They should hold training sessions and meetings with Agent organizations so they can shape the agent organizations to provide them reports according to their requirements. There is also the option of IDLC having its own CPV department despite the challenges would be the best possible decision according to my perspective.

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