

Report On

A study on the determinants of Non-performing Loan
emphasizing on the macroeconomic variables focusing on the
NBFIs of Bangladesh

By

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Student ID: 19104132

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
May, 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:

Rezwan Ahsan Sinha

Student ID: 19104132

Supervisor's Full Name & Signature:

Sayla Sowat Siddqui

Assistant Professor, BRAC Business School

BRAC University

Letter of Transmittal

Sayla Sowat Siddqui

Assitant Professor,

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of internship report

Dear Ma'am,

It is my pleasure to submit my internship report as required by the BBA program at BRAC University. I focused on finding out the determinants of Non-Performing Loans emphasizing on the macroeconomic variables focusing on the NBFI's of Bangladesh.

I have experience working in the Corporate Business departments from my internship at IPDC Finance Limited. I've learned about corporate financing during my internship. I've been able to learn firsthand how to do disbursement of a term loan thanks to this experience. I did my best to finish the report as fully and completely as possible with the necessary information and recommendations.

I hope that the report will meet your approval and look forward to your valuable feedback.

Sincerely yours,

Rezwan Ahsan Sinha

Student ID: 19104132

BRAC Business School

Date: June 05, 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 IPDC Finance Limited and the undersigned student at BRAC University Rezwan Ahsan Sinha.....

Acknowledgement

I am incredibly appreciative of the chance to work as an intern at IPDC Finance Limited and learn from the Corporate Business departments of the Head quarter. I am very thankful of the guidance I received from my supervisor, Sayla Sowat Siddqui, who is presently an Assistant Professor of BRAC Business School.

I Would also like give thanks to my co-supervisor, Abu Saad Md. Masun Al Mahi who is presently an Assistant Professor of BRAC Business School for this guidance.

Executive Summary

Non-performing Loan is a global concern in today's economy. It affects the performance Banks and NBFI's. It also has a huge impact on the economy. There are some macroeconomic variables that has an impact on NPL. The impact of macroeconomic variables on NPL differs from country to country. In this report we will analyze the impact of different macroeconomics variables on NPL in the perspective of Bangladesh. We will do statistical analysis to find out the relation of Macroeconomic variable and NPL in terms of Bangladesh.

Keywords

NBFI- Non-Banking Financial Institutions

NPL- Non-performing Loan

SME- Small and Medium Enterprise

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Chapter 1

Overview of the internship

1.1 Student Information: Name, ID, Program, and Major

Name: Rezwan Ahsan Sinha

ID: 19104132

Program: Bachelors in Business Administration (BBA)

Major: Finance

1.2 Internship Information

1.2.1 Period, Company name, Department, Address

Internship Period: January 19th 2023 to April 18th 2023

Company Name: IPDC Finance Limited

Department: Corporate Business

Address: Hosna Center 4th Floor, 106 Gulshan Avenue, Dhaka 1212

1.2.2 Internship Company Supervisor's name and Position

Name: Md. Emran Khan

Position: Senior Manager (Corporate Business)

1.2.3 Job Scope: Responsibilities as Intern

In my internship role at IPDC Finance Limited, I was responsible for variety of task in the department of Corporate Business. Some of my responsibilities are written below:

Assisting the financial analysis team in analyzing the financial performance of client

- Doing ratio analysis and Industry analysis.
- Preparing CIB summary.
- Helping in memo preparation.
- Making Offer Letter.
- Doing credit profile analysis
- Client communication
- Client visit
- Preparing liability position
- Providing Information of Daily Exchange rate on open market.

1.3 Internship Outcomes

1.3.1 Students' contribution to the company

I started my Journey as an Intern of the Corporate Business department at IPDC finance Limited on January 19th 2023. My internship tenure lasted for three months. Over this time period I have gain practical knowledge in corporate finance and several industries of Bangladesh including power sector and Leather sector. After getting warmed up in the first few weeks the first crucial responsibilities I was given in making CIB Summary. CIB is Credit Information Bureau where all the credit related information of corporations and individuals are stored. By doing a CIB summary I can know about a particular company's funded facility, non-funded facility, NPI, Loan Reschedule, number of defaults and etc. this information's are highly sensitive and are strictly prohibited from sharing it to outside of the company. I was also responsible for doing financial analysis of several clients. I was also responsible for doing Industry analysis. The industries that I have analyzed includes Leather Industry, Power sector and FMCG Industry. Providing Information on exchange rate in the open market was my daily task. As part of responsibilities, I have also done credit report analysis and client profile summary. Communicating with the Operations team and verifying the documents of clients was also my responsibility. I have also assisted in making offer letter. During my Internship I went to three client visits. Communicating with client for verifying documents was also my task. I also assisted in memo preparation. My key achievement as an Intern at IPDC Finance Limited was assisting is disbursing 45 million BDT worth of term loan.

1.3.2 Benefits to the Student

As a finance major student who has completed his internship in IPDC Finance Limited in the Corporate Business department I have gained numerous benefits from my experience. Some key benefits include:

Practical Experience: I have gain hand on experience on Corporate Financing. How Financing works for large corporations. I have also gained in the money circulation in Short-term Finance.

Knowledge and skills Development: Due to my internship I have gained knowledge in several industry and it also helped me to sharpen my skills in excel.

Networking Opportunities: As I have went to three clients visit during my internship tenure, I was able to make connection with some notable persons in some highly reputable companies.

Career Development: My experience in IPDC has surely impacted my career as I have gained a lot of knowledge about corporations and have developed skills that are necessary for a finance graduate

1.3.3 Problem/Difficulties

During my internship I have faced several difficulties which affected my ability to complete this report. One of the main difficulties was shortage of time. One of the amin difficulties for me was shortage of time. Given this shortage of time it was hard for me to gather all the necessary data and analyze it. Moreover, the working environment of IPDC was also a challenge for me. I was not able to get some data as these were highly confidential. Another problem that I faced was not being able to access Gmail. Hence, I was not able to work with the internship report in my idle time at office.

1.3.4 Recommendations

From the experience I had in IPDC I have come with some recommendations for them. These are:

- 1 Providing more structured training and support to interns.
2. Proving a proper orientation program to the interns which will help them to built a network among them.
3. Proving interns with an office email id so that they use it for communicating and file sharing purposes.

Chapter 2

Organization Part

2.1 Introduction

IPDC Finance Limited is a renowned Non-Banking Financial Institutions of Bangladesh. It is the first NBFIs of Bangladesh. The goal of this research paper is to analyze IPDC Finance Limited's Leadership styles, Brand management practices, financial condition, operations management and industry and competitive environment. The purpose of this segment is to give an overall picture of IPDC Finance Limited, describe its products and services, assess its monitoring, marketing, financial and operational practices. This segment of the paper will carry out a porter's five forces analysis and a SWOT analysis of the competitiveness of this sector in which IPDC Finance Limited works and the company's strength, weakness, opportunities and threats. Finally, the study will conclude with a summary of the key findings and potential consequences of the interpretation and followed by suggestions for improvements.

2.2 Overview

A prominent financial organization in Bangladesh, IPDC Finance Limited provides a variety of financial goods and services. As the nation's first private sector financial institution, the business was founded in 1981 and has since been essential to the expansion and development of Bangladesh's financial industry. IPDC Finance Limited has made a name for itself as a reliable partner for organizations and people in need of funding. IPDC Finance Limited is a subsidiary of the International Finance Corporation (IFC), a member of the World Bank Group.

Being a customer-focused, socially conscious, and successful financial institution is how IPDC Finance Limited conducts business. In addition to corporate finance, retail financing, SME finance, investment banking, and capital market services, the organization also provides a wide range of other financial products and services. Customers of the business can easily access it thanks to the vast network of branches and service centers it has around the nation.

The company's corporate finance section offers its corporate clients a variety of financing options, such as term loans, working capital loans, project financing, and syndicated loans. While the SME finance section offers financing options to small and medium-sized businesses, the retail finance division serves individual clients with credit cards, personal loans, and consumer loans.

A separate division of IPDC Finance Limited is engaged in investment banking, which offers advice services for mergers and acquisitions, underwriting services for initial public offerings, and private placements. Investors can get services from the company's capital market services segment, including portfolio management, margin trading, and share trading.

IPDC Finance Limited has concentrated on utilizing technology to offer cutting-edge financial solutions to its clients in recent years. In order to offer its consumers convenient and safe financial services, the corporation has launched a variety of digital goods and services, including mobile banking, online banking, and digital wallets.

For its efforts and services to the Bangladeshi financial industry, IPDC Finance Limited has received numerous honors and accolades. Bangladesh Bank, the nation's national bank, presented

the business with the title of "Best SME Financing Institution" in 2020. Additionally, the organization was named by Global Finance magazine as Bangladesh's "Best Investment Bank."

In conclusion, IPDC Finance Limited is a well-known financial organization in Bangladesh that provides a vast array of financial goods and services to its clients. The firm has made a name for itself as a reliable partner for companies and people in need of financial assistance thanks to its customer-focused strategy, innovative products and services, and dedication to social responsibility.

2.3 Management Practices

IPDC Finance Limited is renowned for its outstanding management techniques, which have been crucial in guaranteeing its steady growth and success over the years. The management team at IPDC is made up of knowledgeable and seasoned experts that are committed to attaining the company's goals and have a thorough understanding of the financial industry. We will go into detail about IPDC Finance Limited's management procedures in this part.

Leadership

Any company, and IPDC is no exception, must have strong leadership to be successful. Experienced individuals with extensive industry knowledge make up the senior management team of IPDC. A wealth of expertise and knowledge is brought to the table by the CEO and other senior executives of the business, which has aided IPDC in making wise judgments and maintaining an edge over rivals. The IPDC leadership team is renowned for its strategic thinking, risk management, and strong execution capabilities. Overall, it can be said that the leadership style of IPDC Finance Limited is democratic, as before taking any decision the Board of Directors sits for a meeting discusses the whole agenda then comes to a decision democratically.

Corporate Governance

A vital component of IPDC's management procedures is corporate governance. The business has a strong framework for corporate governance in place to guarantee accountability, transparency, and moral conduct. The IPDC Board of Directors is made up of skilled individuals with a variety of experiences who bring a lot of knowledge and expertise to the table. The board is in charge of

establishing the company's strategic direction, keeping track of performance, and making sure the business is run in accordance with the highest standards of corporate governance.

Risk Management

An important part of IPDC's activity as a financial institution is risk management. The business has put in place a thorough framework for risk management that is intended to help it recognize, evaluate, and control different kinds of risks. It is the job of IPDC's risk management team to make sure that the company's risk appetite is clearly defined and that risks are managed within the permitted boundaries. Additionally, there is a strong culture of risk management at the organization, and all staff members are encouraged to recognize and disclose issues that could have an impact on the business.

Customer Focus

The customer-centric management philosophy that underpins IPDC's operations places the demands of its clients at the forefront of everything the company does. The business has developed its products and services to better satisfy the needs of its clients as a result of a thorough understanding of those needs. The management team at IPDC is dedicated to offering top-notch customer service, and this has aided the business in developing solid, long-lasting connections with its clients.

Employee Engagement

IPDC lays a strong emphasis on employee engagement because it understands that its people are its most significant asset. The workplace values open communication, and staff members are encouraged to offer their thoughts, judgments, and suggestions. Additionally, IPDC offers its staff members chances for both professional and personal growth, which has aided in luring and keeping outstanding talent.

Innovation

IPDC's management practices place a high priority on innovation. In order to satisfy the needs of its clients and stay competitive, the business is constantly looking for fresh, creative solutions. In order to improve the client experience, IPDC has a dedicated innovation team that creates new goods and services while utilizing cutting-edge technology.

Human Resource Planning Process

It is important to determine the company's current and future workforce needs, as well as the skills and competences that will be required to fill those needs, as part of the human resource planning process. The human resource plan for the business is created and carried out by the HR department at IPDC Finance Limited. The HR plan makes sure the right people with the correct abilities are accessible when they're needed by coordinating with the company's strategic plan. Planning for succession, which identifies key jobs and prospective successors for the business, is another component of the HR strategy.

Recruitment and Selection Process

To ensure that it recruits and hires the most qualified and eligible people for the job, IFL (IPDC Finance Limited) employs a stringent recruitment and selection procedure. In order to find new employees, the organization uses a variety of recruitment methods, including job portals, social media, and employee referrals. An examination (aptitude test) of the work is done first to determine the skills and abilities needed for the position. IFL shortlists individuals based on their credentials and experience after receiving applications. The shortlisted candidates are subsequently invited for an interview, and the best candidate is chosen depending on how well they perform there.

Compensation Program

Base salary, transportation allowances, mobile allowances, medical allowances performance-based bonuses, retirement benefits, and health insurance are all part of the competitive remuneration package that IFL provides to its employees. The pay structure of the business is created to entice and keep the top industry professionals. Based on the employee's qualifications, work history, and duties, the basic pay is calculated. When an employee meets or exceeds their

performance goals, they are given performance-based incentives. A gratuity and contributory provident fund are included in the retirement benefits. Both the employee and their family members are covered by the health insurance.

Training and Development Program

IFL understands the importance of training and development in advancing employees' know-how and ensuring their long-term growth and development. The business provides its employees with a range of training and development opportunities, including classroom instruction, on-the-job training, and online learning. The technical, management, and leadership abilities of the staff members are to be improved through the training programs. IFL also provides a leadership development program that seeks out high-potential individuals and trains them for roles as leaders within the organization.

Performance Analysis System

IFL has a system in place for analyzing performance, which tracks how well employees are doing and gives them feedback on how they might do better. Performance reviews, which are completed annually, and regular feedback meetings between staff members and their managers are all part of the performance analysis system. In addition to providing comments on an employee's strengths and areas for improvement, performance reviews evaluate an employee's performance in relation to the established objectives. Employees can continually improve their performance and reach their goals with the assistance of the regular feedback sessions.

As a result, IFL has implemented a thorough HRM strategy that addresses a variety of topics, including human resource planning, recruiting and selection, remuneration, training and development, and performance analysis. IFL believes that human resources are essential to the company's success. The organization's human resources strategy makes sure that the appropriate individuals with the appropriate capabilities are accessible when needed. To ensure that the most qualified and suitable applicants are hired for the position, the recruitment and selection process is rigorous. In order to draw and keep the greatest talent, the remuneration package is competitive. The extensive training and development programs are made to improve employees' abilities and expertise. The method for evaluating performance tracks workers' progress and offers comments.

2.4 Marketing Practices

For any company, marketing is a crucial component, and IPDC Finance Limited is fully aware of this. The business's marketing strategy is well defined and centered on fulfilling the demands and expectations of its clients. Some of IPDC Finance Limited's most important marketing strategies are listed below:

2.4.1 Marketing Strategies

1. Corporate Commercial Team

The marketing team of IPDC Finance Limited is known as Corporate Commercial Team. They work with full dedication to implement the marketing strategies of IPDC Finance Limited. A strong marketing strategy is in place at IPDC Finance Limited with the aim of bringing in new customers, retaining current ones, and achieving the company's overall goals. The major objectives of the IFL's marketing initiatives are to raise brand awareness, advertise the products and services it offers, and engage with customers.

2. Customer Relationship Management

Customer relationship management is highly valued by IPDC Finance Limited. Client relationship management and guaranteeing client satisfaction are handled by a specific team within the business. The group has received training in how to properly respond to client concerns and complaints and deliver excellent customer service.

3. Digital Marketing

Strong digital marketing is used by IPDC Finance Limited. The business uses a variety of digital marketing channels, including social media, email marketing, and search engine optimization (SEO), to connect with its target market. The business also offers customers access to all the information they require about its goods and services via a user-friendly website.

4. Branding

The market recognizes IPDC Finance Limited as a reliable brand. The company's reputation for innovation, excellent customer service, and reliability. Through a variety of branding initiatives,

such as sponsorships, events, and advertising, the corporation makes investments in establishing and preserving its brand image.

2.4.2 Product and Services

A prominent non-banking financial institution (NBFI) in Bangladesh, IPDC Finance Limited provides a variety of financial products and services to its clients. To meet the various needs of its consumers, the company provides a varied array of goods and services. The following are only a few of the products and services that IPDC Finance Limited provides:

Corporate Business

Products and services that fall under corporate business are:

Lease Finance: offered against industrial machineries, commercial equipment, generators, vehicles, vessels, industrial large engines, etc.

Term Loan: This facility is offered to corporation to meet up Capex of production line, increasing production, modernization of manufacturing and etc.

Project Financing:

massive investment. Through syndication, IPDC engages other Financial Institutions/Banks to raise money, with IPDC arranging the financing. For the establishment of an additional product line and capacity, project financing was granted.

Short Term Financing: This facility is offered to corporation in order to meet the needs of their short-term cash requirement.

Investment in Preference and Common Stock: IPDC Finance Limited does financing for its client by participating in buying the preference and common stocks of its clients.

Small and Medium Market Enterprise (SME)

SME financing is provided by IPDC Finance Limited to assist small and medium-sized businesses (SMEs) in developing and growing their operations. The business provides a variety of finance options, including working capital financing, term financing, and project financing, to satisfy the various demands of SMEs. The products and services SME clients receives from IPDC are:

Long Term Finance: This facility is offered to SMEs in so that they can meet regular capital. Fixed asset expenditure.

Short Term Finance: This facility is provided to SMEs by IPDC Finance Limited so that they can meet their working capital requirements

Factoring: offering cash in advance in exchange for bills or invoices to help them with their financial flow.

Work order Finance: to fill the time gap between processing the transaction and receiving payment.

2.4.3 Retail Business

In order to meet people's financial needs, IPDC Finance Limited provides a variety of retail finance options. To assist people in reaching their financial objectives, the business provides credit cards, personal loans, home loans, and auto loans.

Overall, IPDC Finance Limited provides its clients with a comprehensive range of financial goods and services, from corporate to retail finance. To satisfy its customers' various financial demands, the business is dedicated to offering creative solutions that focus on them.

2.5 Finance Performance and Accounting Practices

2.5.1 Accounting Practices

The International Financial Reporting Standards (IFRS) are followed by IPDC Finance Limited to create its financial statements, which gives stakeholders access to transparent and comparable financial data. The business also conforms with the rules established by the Bangladesh Securities and Exchange Commission (SEC) and Bangladesh Bank.

Financial statements for the company, including the income statement, balance sheet, cash flow statement, and notes to the financial statements, give comprehensive information about its operations. A true and fair representation of the company's financial situation and performance is

guaranteed by the financial statements' audit by an independent auditing firm, which gives stakeholders that assurance.

Additionally, IPDC Finance Limited has an effective internal control system in place to guarantee the quality and dependability of financial data. The business has a clearly defined system of internal controls and policies, which are often reviewed and modified to guarantee compliance with legal obligations and accepted standards.

2.5.2 Financial Performance

2.5.2.1 Liquidity

A company's liquidity and solvency are two crucial indicators of its financial performance. This shows how well the company can meet its financial obligations and pay its debts. IDLC's current ratio from 2019-2021 is constantly 1. Meaning the company has enough liquidity to meet up its short-term obligations.

2.5.2.2 Profitability

Another important measure of a company's financial success is the profitability. IPDC Finance Limited's Net profit after tax from 2019 to 2021 are 562 million BDT, 706 million BDT and 881 million BDT. The growth in the net profit indicates that the company has performed exceptionally well.

2.6 Operations and Management Information System Practices

2.6.1 Operation Practices

For its operations to run more smoothly and efficiently, IPDC Finance Limited has taken a number of steps. With the use of a centralized management system, the corporation is now able to effectively oversee activities at all of its locations. The management team can make educated judgments because to the system's reliance on real-time data and reliable information it delivers.

To increase its operational effectiveness, the corporation has also made investments in automation technology. The business has also launched an online customer interface that lets users manage their accounts, check balances, and make payments.

The company has also made investments in automation technology to boost its operational effectiveness. By establishing an automated loan approval process, the company has greatly reduced the time it takes for loans to be approved. A customer interface that allows customers to manage their accounts, check balances, and make payments has also been launched by the company.

2.6.2 Management Information System Practices

The management information system practices of IPDC Finance Limited have been enhanced by a number of initiatives. In order to give the management team quick and easy access to client information, the company has implemented a consolidated database system that keeps all customer data in one place. A business intelligence system that the company has put in place gives the management team access to real-time data on the business's performance.

Additionally, the business has improved its reporting methods by putting in place a number of measures. The organization has put in place a thorough reporting system that gives the management team precise and timely information on the organization's financial performance. Aside from shareholders, regulatory agencies, and the general public, the corporation also reports on a regular basis to all of its stakeholders.

The business has also made technological investments to enhance its customer service procedures. In order to allow customers to communicate with the business online, the company has launched an online customer care platform. Customers may now access their accounts and conduct transactions on their mobile devices thanks to the company's introduction of a mobile app.

2.7 Industry and Competitive Analysis

IPDC Finance Limited's industry, financial services, is characterized by high entry barriers, low levels of competition among present rivals, and moderate levels of supplier bargaining power. New competitors must conform to strict regulatory requirements and obtain the necessary licenses and approvals before they can function in the highly regulated financial sector. This increases the barrier to entry for new players while defending incumbent businesses like IPDC Finance Limited.

2.7.1 Porter's Five Forces Analysis

Threat of new entrants

Bangladesh's financial sector faces a moderate threat from new competitors. The central bank has a strict regulatory framework in place for both the banking and non-banking financial sectors, which makes it difficult for new rivals to enter the market. On the other hand, there are some recent market entrants who have rapidly increased their market share. This shows that IPDC must keep up its innovative streak and deliver top-notch goods and services to keep its competitive edge.

Bargaining power of suppliers

IPDC Finance Limited obtains its funding from a variety of sources, including equities, bonds, interbank borrowing, and deposits. Bangladesh's financial sector has a vast pool of suppliers, which limits providers' ability to bargain. However, economic variables like inflation, interest rates, and political unrest can have an impact on the cost of finances, which in turn can have an impact on the availability of funds. In order to maintain competitive pricing, this calls for a proactive approach to liquidity management.

Bargaining power of buyers

Since there are many options available to clients, buyers have significant bargaining power in the financial sector. Customers are very price sensitive, and if other banks provide better interest rates and services, they are likely to transfer their deposits and loans there. Because of this, IPDC Finance Limited must provide reasonable rates and set itself apart from other banks by providing value-added services.

Threat of substitute

Bangladesh's financial sector faces a serious threat from replacements. Customers have a variety of options for replacements, including other banks, microfinance organizations, and insurance providers. In order to maintain its clientele, IPDC must provide a variety of cutting-edge goods and services.

Competitive Rivalry

Bangladesh's banking sector experiences fierce rivalry in the marketplace. Large banks currently control the majority of the market, while new competitors are upending it with ground-breaking goods and services. Although IPDC Finance Limited has a positive reputation and a solid brand image in the market, it needs to continue to invest in marketing and customer service as well as improve its products and services to keep up with the competition.

In conclusion, the Bangladeshi financial sector is extremely competitive, and IPDC Finance Limited must contend with threats from both recent arrivals and long-standing players. By consistently enhancing its goods and services, spending money on marketing and customer support, and keeping up with the most recent technical developments, the business must preserve its competitive advantage. IPDC Finance Limited can stay one step ahead of the competition and keep holding the industry's top spot by comprehending the five elements that influence its position in the market.

2.7.2 SWOT Analysis

The SWOT analysis on IPDC Finance is given below:

Strengths

- 1. Strong Brand Image:** IPDC Finance has a very strong brand image in Bangladesh as it is the first NBFIs of Bangladesh the company is very popular in the country. Due to its excellent customer service and innovative financial solution the company was able to build a good brand image over the years.
- 2. Diverse Product/Service Portfolio:** Corporate banking, SME banking, retail banking, and wealth management are just a few of the financial services and products that IPDC Finance Limited provides. The company can serve a large customer base and generate different revenue streams because to its varied product line.
- 3. Experienced Management Team:** The management staff of IPDC Finance Limited is extremely skilled and knowledgeable. The team has a thorough awareness of the regional financial industry and has successfully guided the business through trying times economically.

4. **Robust Technology Infrastructure:** IPDC Finance Limited has made significant investments in its technological foundation. Modern methods and procedures have been put in place by the business to guarantee quick and secure financial transactions.

Weakness

1. **Limited Market Share:** Despite having a solid reputation as a brand, IPDC Finance Limited has a tiny financial market share compared to some of its bigger rivals. Due of this, the business may find it challenging to compete on price with other businesses.
2. **Dependency on Wholesale Funding:** IPDC Finance Limited is mostly dependent on wholesale funding to finance its operations. Because of this, the business is more susceptible to fluctuations in the interest rate environment, which could raise its borrowing costs in uncertain economic times.
3. **Limited Geographical Presence:** IPDC Finance Limited is only present in a few numbers of locations, with the majority of its activities being centered in major cities. This can make it more difficult for the business to grow its customer base and restrict its capacity to contact customers in rural locations.

Opportunity

1. **Growing Demand for Financial Services:** With Bangladesh's economy expanding quickly, there is a rising need for financial services. Through the provision of creative and cost-effective financial solutions to its clients, IPDC Finance Limited can take advantage of this potential.
2. **Expansion Operations:** By creating new branches in remote locations, IPDC Finance Limited can increase the size of its geographic footprint. This would enable the business to access a larger customer base and boost its market share.
3. **Fintech Partnerships:** IPDC Finance Limited can collaborate with other fintech businesses to provide cutting-edge financial solutions to its clients. By doing this, the business would be able to keep one step ahead of their rivals and draw in younger clients.

Threats

- 1. Intense Competition:** A lot of well-established businesses and recent newcomers are contending for market share in Bangladesh's financial sector, which is characterized by intense competition. This could influence IPDC Finance Limited's profitability by putting pressure on company to cut its prices.
- 2. Economic Uncertainty:** Bangladesh's economy is susceptible to external shocks, such as changes in the world economy, political unrest, and natural disasters. The financial performance of the business may be impacted, and its credit risk may rise.
- 3. Changes in Regulations:** IPDC Finance Limited's ability to function in the financial sector may be impacted by changes in the regulatory environment. The company might be subject to more stringent regulatory oversight, which could have an effect on how profitable and productive it is.

The management team of IPDC Finance Limited is quite seasoned, and the company has a diversified product offering and a solid brand image. The business can take advantage of its advantages to grow its clientele and get more market share. However, it also encounters a number of difficulties.

2.8 Summary and Conclusion

To conclude, IPDC Finance has proven a record of success with great leadership style, a thorough marketing strategy outstanding financial results and a concentration on operational effectiveness and client satisfaction. IPDC Finance Limited may think about investing more on its technology in order to keep growing in the future.

2.9 Recommendation

There are some recommendations to IPDC Finance Limited. The recommendations are:

- To adopt to the changing consumer needs in order to stay competitive
- To expand its operation all over Bangladesh
- To promote development and success, cultivate a culture of cooperation and creativity through leadership.

Chapter 3

Project Part

3.1.1 Introduction

Non-Performing Loans also known as NPL is a major threat for Financial Institutions globally as NPL plays a significant role in implications of profitability and stability of Financial Institutions.

Non-Performing Loan (NPL) is a loan that is in default or near to being default. Many loans move toward becoming non-performing loan in the wake of being default 90 days based upon agreed terms. According to International Monetary Fund (IMF), “A loan is non-Performing when payments of interest and/or principal are past due by 90 days or more. Researchers have extensively examined the determinants of non-performing loans with macroeconomic variables. However, the relationship among macroeconomic variables and non-performing loans is different across countries. It is very crucial for the policymakers, Financial Institutions and investors who are looking ways to mitigate risk associated with bad loans to understand the importance of macroeconomic variables in terms of determining NPL. In our paper we aim to analyze the contribution of macroeconomic variables on non-performing loans in the context of Bangladesh by using the publicly available data of NBFIs. With the help of econometric analysis, we will pinpoint the significant determinants of non-performing loans and will also try to provide insights on the factors driving NPLs in Bangladesh.

Non-Banking Financial Institutions also known as NBFIs are financial institutions which offer certain sort of banking services. The services that NBFIs offers include Term Loan (TL), Short-Term Loan (STL), Lease Financing, Auto Loans, Home Loans and etc. The major clients of NBFIs includes Corporations, Small and Medium Enterprises (SME) and retail clients. Just like banks NBFIs also plays a significant role in a country’s economy. The popularity and demand of NBFIs services are growing very rapidly in Bangladesh.

Over the last few decades, we have seen many banking failures globally (Farhan, Sattar, Chowdhury & Khalil, 2012) which leads to terminations of Banking Institutions by regulatory authorities (Brownbridge, 1998). These Banking failures negatively affect the economic system of

a country in several ways. Firstly, these failures cause banking catastrophe by harming the banking industry sector. Secondly, it also impacts the loan flow in the country which eventually impacts the effectiveness and efficiency of business units (Farhan, Sattar, Chowdhury & Khalil, 2012). According to many studies it has been shown that majority of the time banking catastrophe are sourced by non-performing loans (Brownbridge, 1998).

The existing studies has established that there is a significant relation between macroeconomic variables and non-performing loans. For instance, according to a study by Wang and chen (2018) GDP growth has a negative impact on NPLs in the Chinese banking industry, while Inflation has a positive impact on NPLs. On the other hand, according to another research by Delis and losifidi (2018) GDP Growth, Inflation and Unemployment rate are significant determinates of NPLs. From these two studies we can say that the relationship between macroeconomic variables and non-performing loan varies from country to country. For instance, we came to know from an existing study that GDP growth has a negative relationship with NPLs in China. However, there is a positive relationship between GDP growth and NPLs in Turkey and India (Chakrabarti et al, 2020; Yuksel and Gurkan, 2021).

Considering this diverse relationship between macroeconomic variables and non-performing loans in different countries and economic environment, it is very important to analyze the impact of macroeconomic variables on non-performing loans in the context of Bangladesh.

3.1.2 Research Objective

The objectives of this paper are written below:

- To find out the reason behind non-performing loans.
- To increase the knowledge on existing studies related to this topic.
- To gain knowledge about non-performing loans.
- To understand the relationship between macroeconomic variables and NPLs in Bangladesh.
- To provide valuable insights to the policy makers.

3.1.3 Significance

Macroeconomic variables such as GDP Growth, Inflation rate, Lending rate, Exchange rate, Unemployment rate impact NPL in many ways. However, these impacts are not the across countries. For instance, there is a strong negative relationship between lending rate and NPL in Pakistan however in Japan Lending rate does not have any significant relationship with NPL. Moreover, when it comes to Inflation rate in India Inflation rate has a positive relation with NPL however, in Turkey the relationship between inflation rate and NPL is a non-linear relation. Seeing this diverse relation oof macroeconomic variable with NPL I felt that there's a need to understand the relationship between NPL and macroeconomic variable in Bangladesh as some NBFIs in Bangladesh have very NPL growth per year.

3.1.4 Literature Review

There are currently 35 NBFIs in Bangladesh (Bangladesh Bank, 2023). These NBFIs are regulated under the Financial Institution Act 1993 and controlled by Bangladesh Bank (Bangladesh Bank, 2023). In the last few years, non-performing loans has involved enthusiasm of a few authors especially the consideration in comprehension of the factors subject to money related weakness (Khemraj & Sukrisnalall, 2009). Many studies have found that there is a strong relation between NPL and different macroeconomic variables; The real interest rate, GDP growth, annual Inflation rate, Lending rate, The Unemployment rate and money supply (Messai & Jouini, 2013).

3.1.4.1 Non-performing Loan

In this current economy non-performing loan is very common problem for countries around the world. NPL effects the performance of Non-banking Financial Institutions negatively. NPLs decline with growth and rises with inflation rate (Espinoza, Raphael A; Prasad, Ananthkrishnan, 2010). Moreover, NPL also hamper the economic growth and economic efficiency of a country.



Figure 1 NPL rate from 2017 to 2021

3.1.4.2 Lending Rate

The lending rate has a significant impact on NPL in terms of floating interest rate. This implies that the effect of financing should be certain. As a result, the obligation is increased due to the increase in financing cost installments, which ultimately helps to increase the number of NPLs. For instance, there is a strong negative relation between lending rates and NPLs in the banking sector of Pakistan (Khan et al. 2019). The author also indicated that high lending rate may lead to increase in number of defaulters which ultimately increases the NPL. On the other hand, there is no significant relationship between lending rate and NPL in in the Japanese banking sector (Batten et al. 2006). The author also added that this may have occurred due to the high levels of capitalization of Japanese bank which is a buffer for NPL. According to the data collected from Bangladesh Bank's website the lending rate gradually increased from the year 2017 to 2019 which saw a stable grow in the flowing two years. this might have happened due to the macroeconomic variables such as pre covid-19 and post covid-19 scenario.

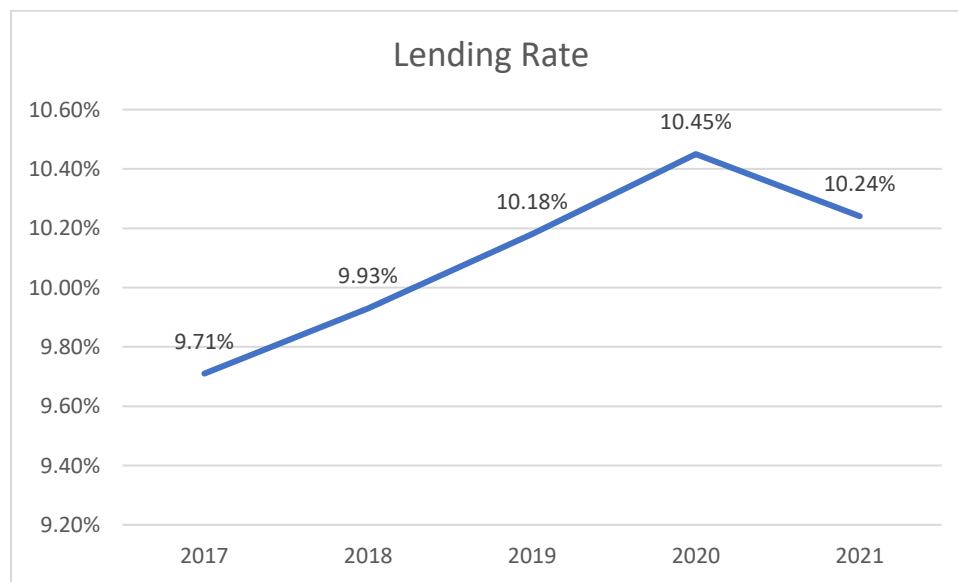


Figure 2 Lending rate from 2017 to 2021

3.1.4.3 GDP Growth Rate

A growth in GDP indicates that there will be an increase in revenue and decrease in financial distress. Because increase in GDP creates a higher level of income. Due to this the ability of borrower to pay off its obligation increases and it also lessen the bad debts. Therefore, GDP growth rate has a strong negative relationship with NPL (Louzis, Voludis & Metaxas, 2010). However, some studies also suggest that there is a positive relationship between GDP growth and NPL. As when the economy grows due to increase in GDP Banks and NBFIs tend to lenient in their lending practices due to these chances of defaulters may rise which ultimately lead to an increase in NPLs (Pandey,2015).

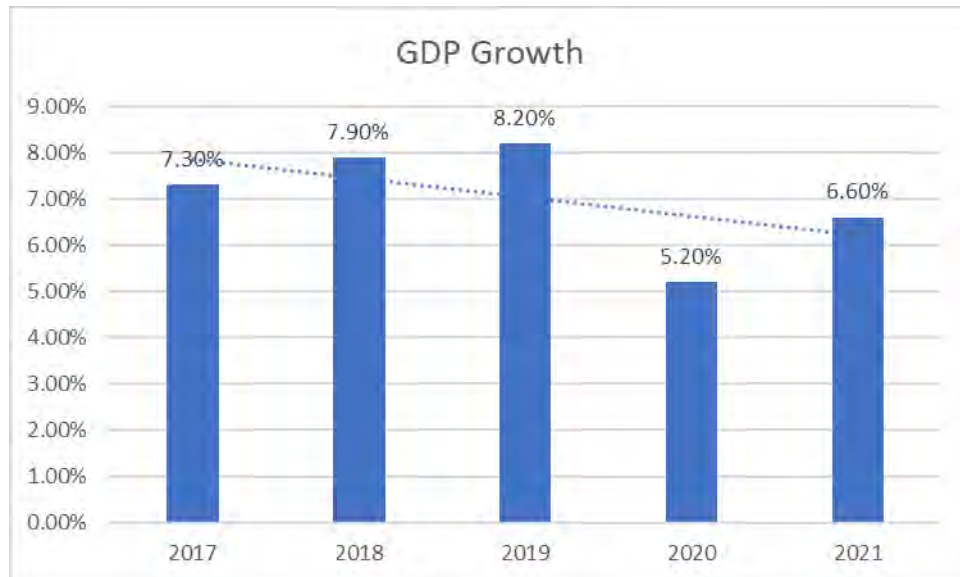


Figure 3 GDP Growth rate from 2017 to 2021

3.1.4.4 Inflation

Inflation is one of the key macroeconomic variables that has an impact on NPLs. Inflation means there is an increase in price of general commodities which is measure by how much value of the currency has been impaired (Warue, Beatrice Njeru, 2013). According to study conducted in India Inflation has a strong positive relationship with NPLs which implies that if inflation rate goes up then NPL will increase also. However, a study conducted in Turkey contradicts this theory and implies that Inflation rate has a non-linear relation with NPL. The study also implies that the relation of Inflation and NPL is positive to certain level but after that it becomes negative (Dinc & Erdem, 2019).



Figure 4 Inflation rate from 2017 to 2021

3.1.4.5 Unemployment Rate

According to several studies Unemployment rate has a strong impact on NPL. It has a strong positive with NPLs (Dimitrios, Anastasiou, Helen, Louri, Mike, Tsionas, 2016). Higher unemployment rate indicates that individuals will have no source of income which will decrease their ability to pay of their debts hence there will be a rise in NPL (Abuka et al. 2015). In another existing study it was stated that Higher unemployment rate leads to increase in NPL as due borrowers faces difficulties in paying off their loans due to higher unemployment rate. Moreover, in the study it was stated that Higher unemployment rate brings a decrease in consumer spending which slowdown the growth of the economy eventually leads to a rise in NPLs (Fofack et al, 2015). Besides the economy of Bangladesh grows 5.8 for every penny yearly yet the work constrained was expanded by 4.6 for every penny amid the period 2000 to 2010. A sum of 15.1 million new occupations was made yet 20.1 million new works entered in to the work compel (World, 2012). Additionally, NPLs are linked to an escalation in the macroeconomic environment as indicated sluggish growth, a decline in asset prices or higher unemployment. An Increase in the unemployment rate increases the NPL as well. Increased unemployment rate limits people's ability to purchase goods and services now and in the future and is linked to a decline in the output of such products and services. The economy's cash flow is reduced by unemployment and the amount of debt increases. Therefore, Unemployment rate is positively related with non-performing loan (Messai & Jouini, 2013).

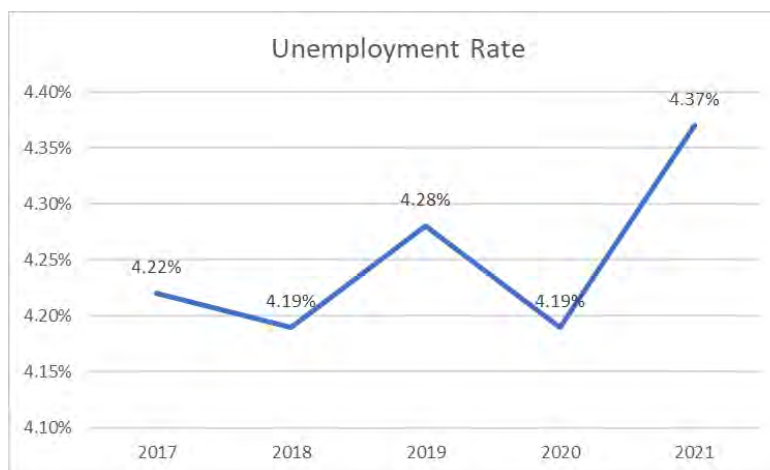


Figure 5 Unemployment rate from 2017 to 2021

3.1.4.6 Exchange Rate

Numerous studies have been conducted in the field of finance on the impact of Exchange Rate on non-performing loans. Exchange rate is the rate used in order to exchange one currency with another one. A depreciation in the value of home currency will cause imports to be more expensive, increasing the risk of default and the pressure to finance Letter of Credits (LC) given to traders by commercial banks. As a result, an increase in the exchange rate is positively related to NPLs (Badar, Javid, & Zulfiquar, 2013). According to another study, it has been stated that if there is an appreciation in the local currency, the NPL portfolios of NBFIs are expected to be high. Additionally, the gain of investors and FIs in the Foreign Exchange Market is increased by the exchange rate. If the conversion standard increase, it will have an impact on shipper because they will have to pay more for their advance payment under this method (LC), while simultaneously forcing the exporter to take up additional cargo under the same condition. Additionally, with regard to the local money flow, NBFIs plays a significant role in the NPL arrangement. According to a different study, real effective exchange rate and high interest rate contributed to a high percentage of NPLs. Therefore, there are both positive and negative impact of exchange rate on non-performing loans (Kemraj and Sukrishnalall, 2009). For instance, the fluctuations of exchange rate have a significant impact on the banking sector of United Arab Emirates (Al-Tamimi and Al-Mazrooei, 2013). Similarly, in a study conducted in South Korea it was stated that change in exchange rate have a significant impact on the NPL ratios of Banks in the banking sector of South Kora (Kim and Yang, 2020). However according to another study there is no significant impact of exchange rate on NPL. For example, in a study conducted in Bangladesh it was found that fluctuations of exchange rate have no significant impact on NPLs in the banking sector of Bangladesh (Islam et al, 2018).

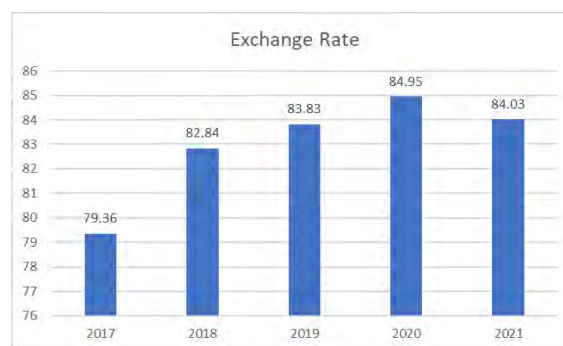


Figure 6 Exchange rate from 2017 to 2021

3.1.4.7 Hypothesis Development

According to the data collected from the Bangladesh bank website Lending rate in Bangladesh grew gradually from 2017 to 2019 and saw a steady growth in the following two years. Besides, there is a noteworthy positive relationship between the lending rate and non-performing loan (Messai and Jouini, 2013). Therefore, my first hypothesis is:

H1: Lending rate has a positive impact on non-performing loan (NPL)

According to study conducted in India Inflation has a strong positive relationship with NPLs which implies that if inflation rate goes up then NPL will increase also. However, a study conducted in Turkey contradicts this theory and implies that Inflation rate has a non-linear relation with NPL. The study also implies that the relation of Inflation and NPL is positive to certain level but after that it becomes negative (Dinc & Erdem, 2019). Therefore, my second hypothesis is:

H2: Inflation (Inf) has impact on non-performing loan (NPL)

An increase in the exchange rate is positively related to NPLs (Badar, Javid, & Zulfiquar, 2013). According to a different study, real effective exchange rate and high interest rate contributed to a high percentage of NPLs. Therefore, there are both positive and negative impact of exchange rate on non-performing loans (Kemraj and Sukrishnalall, 2009). Hence, my third hypothesis is:

H3: Exchange rate has an impact on non-performing loan (NPL)

According to several studies Unemployment rate has a strong impact on NPL. It has a strong positive with NPLs (Dimitrios, Anastasiou, Helen, Louri, Mike, Tsionas, 2016). The economy's cash flow is reduced by unemployment and the amount of debt increases. Therefore, Unemployment rate is positively related with non-performing loan (Messai & Jouini, 2013).

H4: Unemployment rate (UR) has a positive impact on non-performing loan (NPL)

A growth in GDP indicates that there will be an increase in revenue and decrease in financial distress. Because increase in GDP creates a higher level of income. Due to this the ability of borrower to pay off its obligation increases and it also lessen the bad debts. Therefore, GDP growth rate has a strong negative relationship with NPL (Louzis, Voludis & Metaxas, 2010) Therefore, my fifth hypothesis is:

H5: GDP growth rate (GDP) has a negative impact on non-performing loan (NPL)

3.2 Research Methodology

The research methodology I have used for my research is qualitative research as in the paper I have used statistical tools to show the relationship between the hypothesis I have developed and Non-Performing Loan. In order to conduct my research, I have used secondary data in order to conduct my research, as all the data I have used are collected from various websites in the internet.

First of all, I have collected the information of Non-performing Loan (NPL) of 15 Non-Banking Financial Institutions (NBFI) from their annual report of 5 years starting form the year 2017 to 2021. All the 15 NBFIs are regulated by Bangladesh Bank and are under Securities Exchange Commission (SEC).

After collecting the information of NPLs I started collecting the information of different macroeconomic variables. Here I have collected the information of macroeconomic variables such as GDP growth rate, Inflation, Unemployment rate, Lending rate and Exchange rate. I have collected the data of the above mentioned macro-economic variables for five years timeline staring from the year 2017 to 2021. All the data have been collected from the websites of Bangladesh Bank and Bangladesh Bureau of Statistics.

After collecting the data, I have search for different existing paper on macroeconomic variables affecting non-performing loan. I have considered the perspective and findings of those research papers in my research paper.

Finally, based on the existing research papers I have created hypothesis for my paper considering non-performing loan as depending variable and Lending rate, GDP growth rate, and exchange rate.

3.3 Finding and Analysis

	NPL
GDP Growth	-0.37
Exchange Rate	0.72
Inflation Rate	-0.58
Unemployment Rate	0.80
Lending Rate	0.73

Relationship of Macroeconomic variables with NPL

Based on our analysis we can say that Unemployment rate and Lending rate are the two most Influential macroeconomic variables that has an impact on Non-Performing Loans in Bangladesh. The results of our analysis states that unemployment rate and lending rate both has a very strong positive relationship with the non-performing loans of Bangladesh. If the Unemployment rate increases it will affect the NPL in a positive manner, meaning if the unemployment rate increases then the non-performing loan in Bangladesh will increase too. Similarly, Lending rate also has a very strong positive relationship with NPL in Bangladesh. If the lending rate increases it will affect the non-performing loan of Bangladesh in a positive manner, meaning if the lending rate in Bangladesh goes up the non-performing loan rate of Bangladesh will go up too. The other macroeconomic variables such as GDP Growth, Exchange Rate, Inflation rate also has an impact on the non-performing loans in Bangladesh.

The first hypothesis we developed that Lending rate has a positive relationship with NPL. According to Messai and Jouin’s research conducted back in 2013 lending rate has a noteworthy positive relationship with NPL. The results of analysis also go hand in hand with existing results as it states that lending rate has a very strong positive relationship with NPL.

The second hypothesis we developed is Inflation rate has an impact on NPL. According to research conducted in India Inflation rate has a positive relationship with NPL, which implies that if the inflation rate goes up then the NPL rate will also go up as well. However, the result of our analysis states that Inflation rate has a negative relationship with NPL meaning if inflation rate goes up then NPL rate will go down. Even though it may sound strange but this result is also possible as

well. According to a research paper conducted in Turkey by Dinc & Erdem in the year 2019 it is possible for inflation rate to have a negative relationship with NPL. Their paper states Inflation does have a positive relationship with NPL however, after reaching a certain point it the relationship between inflation and NPL can be negative as well. Their study also claims that inflation has a non-linear relation with NPL. Hence our 2nd hypothesis is true as well.

Our third hypothesis is Exchange rate has an impact on NPL. Exchange rate is the rate that is used in order to exchange one currency with another. According to many research exchange rate also has an impact on NPL An increase in the exchange rate is positively related to NPLs (Badar, Javid, & Zulfiqar, 2013). However, according to a different study, real effective exchange rate and high interest rate contributed to a high percentage of NPLs. Therefore, there are both positive and negative impact of exchange rate on non-performing loans (Kemraj and Sukrishnalall, 2009). The result of our analysis states that Exchange rate has a positive relationship with NPL in Bangladesh. Which implies that if the exchange rate in Bangladesh goes up then the NPL rate in Bangladesh will go up too.

Our fourth hypothesis is Unemployment rate has a positive impact on NPL. According to numerous studies it has been found that Unemployment rate has a very strong and positive relationship with NPL. The economy's cash flow is reduced by unemployment and the amount of debt increases. Therefore, Unemployment rate is positively related with non-performing loan (Messai & Jouini, 2013). The result of our analysis shows that Unemployment rate has a very strong and positive relationship with the NPL rate in Bangladesh. In fact, when it comes to macroeconomic variables Unemployment rate is the most influential variable that has an impact on NPL rate in Bangladesh. Changes in the unemployment rate in Bangladesh will affect the NPL rate of Bangladesh significantly.

Our fifth and final hypothesis is GDP Growth has a negative impact on NPL rate. A growth in GDP indicates that there will be an increase in revenue and decrease in financial distress. Because increase in GDP creates a higher level of income. Due to this the ability of borrower to pay off its obligation increases and it also lessen the bad debts. Therefore, GDP growth rate has a strong negative relationship with NPL (Louzis, Voludis & Metaxas, 2010). The result of our analysis also

go hand in hand with the previously conducted research. According to our findings GDP Growth has a negative relationship with NPL rate in Bangladesh. Which means that if the GDP growth rate in Bangladesh Increases then the Non-Performing Loan rate in Bangladesh will decline.

3.4 Conclusion

The non-performing has become a major concern for Financial Institutions Globally. High rate of Non-performing Loan not only impacts the performance of Non-Banking Financial Institutions it also has an impact on the economy. The paper specifically focuses on Non-Banking Financial Institutions in order to find the Determinants of Non-Performing Loan emphasizing on macroeconomic variables focusing on NBFIs of Bangladesh: Evidence supported by IPDC Finance Limited. After the study we found that the two most influential macroeconomic variables in Bangladesh that has an impact on NPL rate are Unemployment rate and Lending rate. The relationship of Unemployment rate and Lending with rate with NPL is highly positive. We also found that due to the non-linear relationship Inflation rate has a negative impact on NPL rate in Bangladesh. Moreover, we found that GDP Growth has a negative relationship with NPL in Bangladesh and Exchange rate has a positive relation with NPL in Bangladesh.

The results of this paper justify the prior concept about Lending Rate impacts on NPL, that It has a very strong positive relationship with NPL. The study also justifies prior concept about Unemployment rate and Exchange rate that these two variables have strong positive relationship with Non-performing Loan. Moreover, it also justifies prior concept about GDP Growth, that it has a negative relationship with NPL rate. However, It contradicts with the prior concept when it comes to inflation rate and its relationship with NPL. The stud states that the relationship between inflation rate and NPL is negative where existing studies state that the relationship between inflation rate and NPL is positive.

In my internship tenure at IPDC Finance Limited, it was a great chance for me to understand Corporate Financing, how corporation does their financing and how financial institutions deal with them. My understanding from the academic knowledge in Finance have also helped me in my workplace learning. Among the 35 Non-Banking Financial Institutions in Bangladesh IPDC Finance Limited shows remarkable performance in terms of reducing its Non-Performing Loan in the last couple of years.

3.5 Recommendations

The impact of Non-performing Loan is very severe across the globe. It does not hamper only the financial institutions it also hampers the whole economy. Hence, it is important to take some necessary steps in order to mitigate the risk of Non-performing Loan. After doing some research I have come up with some recommendations that can be implemented in order to mitigate the risk of non-performing loans. My recommendations are given below:

1. In order to lessen the impact of macroeconomic variable on NPL NBFIs should diversify their loan portfolio. Spreading the risk among several borrowers and sectors is what is meant by portfolio diversification. By doing this NBFIs will be able to lessen their exposure to a certain borrower or industry. As a result, the influence of macroeconomic variables on NPLs will be diminished. Italian banks with diversified loan portfolios experienced lower NPL levels than those with concentrated loan portfolios (Funari and Ruzza, 2020)
2. Prior to making loan disbursement NBFIs should analyze the credit risk properly. Credit risk assessment plays a significant role in order to determine the borrower's capacity to repay the loan. The assessment of borrower's credit risk should involve looking at their cash flows, financial statements, credit history and other relevant factors. By doing this the likelihood of loan default and NPL will decrease. Banks in Nigerian carried out proper risk assessments reportedly had lower NPLs compare to Banks who did not (Adegboye, Adelowokan and Gbolahan, 2019)
3. In order to lessen the losses from NPLs NBFIs need to maintain an adequate capital buffer. The Capital Buffer will work as a cushion against losses brought by NPLs. NBFIs may experience financial crisis in the time of a high NPL if they do not keep adequate capital buffer. According to a study in UAE banks in United Arab Emirates who kept adequate capital buffer had an lower rate of NPLs compare to banks who did not kept adequate capital buffer.
4. In order to mitigate the risk of NPL NBFIs should introduce a proper collection procedure. Legal actions, debt restructuring and thorough follow-up with defaulters should all be part of the collection procedure team. Moreover, The NBFIs may offer rewards to borrowers who pay back their loan on schedule. This will encourage borrowers to pay off their loan

on a timely manner as a result NPL rate will decline. In Italy Banks with proper collection procedure experience a lower rate of NPL compared to Banks who did not have a proper collection procedure (Rancati and Vezzani, 2018)

5. The macroeconomic variables should be monitored by NBFIs and they should take necessary steps to lessen their impact on NPL whenever they notice a change in the macroeconomic variables. For instance, NBFIs can raise their lending rate if they notice a rise in the inflation rate this will lessen the demand of loan when the inflation is high. By doing this the likelihood of loan default and NPL will decrease. Banks in Pakistan who monitored macroeconomic variables, notice the changes in the variables, reacted according to the changes experienced a lower impact on NPL compare to the banks who did not (Habib & Kalim, 2017).
6. In order to lessen the impact of NPL on the financial soundness of NBFIs, NBFIs should have a strong NPL recovery strategy in place. Refinancing a debt, reaching to a settlement, selling off assets and foreclosure are all viable recovery alternatives. In order to stop the accumulation of NPLs NBFIs should concentrate on early NPL recovery. In addition, NBFIs should create a separate NPL recovery department that is appropriately staffed with qualified personnel to handle these accounts (Majumdar & Miah, 2016)

As mentioned before NPL is a major concern for Financial Institutions around the globe. NBFIs should take necessary step in order to mitigate the risk/loss that arises from NPL. NBFIs should diversify their loan portfolio, conduct proper credit risk assessment, maintain adequate capital buffer, introduce a proper collection mechanism, monitor the macroeconomic variables and must have effective recovery strategies in order to mitigate risk/loss that arises from NPL. The above-mentioned recommendations will help NBFIs to mitigate the risk/loss that arises from NPL.

Appendix

Appendix A: Rate of NPL of Different NBFIs in Bangladesh (from 2017 to 2021)

SL	Name of the NBFi	NPL of 5 years				
		2017	2018	2019	2020	2021
1	IPDC Finance Limited	0.62%	2.14%	1.57%	1.38%	3.15%
2	IDLC Finance Limited	2.77%	2.20%	3.07%	1.79%	3.05%
3	Lanka Bangla Finance Limited	2.85%	3.35%	5.20%	4.40%	6.14%
4	Bay Leasing and Investment Limited	6.78%	6.22%	5.59%	5.45%	7.03%
5	Delta Brac Housing Finance Corp. Limited	0.27%	0.30%	0.45%	0.41%	0.63%
6	FAS Finance & Investment Limited	15.09%	21.05%	73.15%	88.76%	88.92%
7	First Lease Finance and Investment Limited	32.88%	48.75%	34.79%	35.35%	88.60%
8	GSP Finance	8.15%	12.09%	18.91%	17.36%	16.04%
9	ICB	4.78%	5.15%	5.08%	5.02%	5.35%
10	National Housing Finance and Investments Limited	5.06%	4.21%	5.16%	5.33%	5.88%
11	Phoniex Finance	4.94%	5.77%	7.06%	6.47%	19.67%
12	Premier Leasing and Finance Limited	5.88%	6.21%	6.29%	7.09%	8.31%
13	Union Capital	8.73%	9.68%	16.97%	11.00%	27.32%
14	United Finance	2.49%	2.68%	3.02%	3.15%	2.92%
15	Uttara Finance	5.96%	9.93%	5.60%	5.78%	6.33%
	NPL of NBFIs from 2017-2021	7.15%	9.32%	12.79%	13.25%	19.29%

Figure 7 NPL rate of NBFIs in Bangladesh

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