Report On
Contribution of IDLC in Addressing Financial Inclusion Gaps in Financing Scheme Accessibility

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

BRAC Business School
Brac University
May 2024

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 have acknowledged all main sources of help.

Student's Full Name & Signature:

____

Barira Nafisa Zaman
20104013

Supervisor's Full Name & Signature:

____

Dr. Mohammad Mujibul Haque
Professor and Associate Dean (Acting Dean),
BRAC Business School
BRAC University

Letter of Transmittal

Dr. Mohammad Mujibul Haque
Professor and Associate Dean (Acting Dean),
BRAC Business School
BRAC University
Merul Badda, Dhaka-1212

Subject: **Submission of Internship Report**

Dear Sir,

It is my pleasure to submit my internship report as a requirement of the BBA program at BRAC University. I aim to provide analysis about the contribution of IDLC in addressing financial inclusion gaps.

During my internship at IDLC Finance PLC, I was assigned to the SME Product and Business Management (PBM) department. Throughout this period, I was involved in various aspects related to SME refinancing schemes implemented by IDLC. This hands-on experience enabled me to acquire practical knowledge of the documentation process involved in refinancing procedures. I have exerted my utmost effort to gather the necessary information, and I have provided comprehensive explanations to ensure your complete understanding.

I hope that the report will meet your approval.

Sincerely yours,

____

Barira Nafisa Zaman
20104013
BRAC Business School
BRAC University
Date: May 26, 2024

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 PLC. and the undersigned student at Brac University Barira Nafisa Zaman……………………………………

Acknowledgement

I am very grateful for the opportunity to work as an Intern at IDLC Finance PLC. and to be guided under the tutelage of the SME Product and Business Management team. I am very grateful to my supervisor Dr. Mohammad Mujibul Haque, who is currently Professor and Associate Dean (Acting Dean) of BRAC Business School for guiding me throughout the whole period.

Executive Summary

This internship report provides a comprehensive overview of the experiences gained during my internship at IDLC Finance PLC in Product and Business Management (PBM)-SME department. The report is structured into three chapters: an overview of the internship, an analysis of the organization, and a project based on internship period.

In the first chapter, I detailed the internship information, outcomes, contributions to the company, and the benefits and challenges faced during the internship. Additionally, recommendations for future internships at the company are provided based on the insights gained.

In the second chapter, offers an in-depth look at IDLC Finance PLC, including overview of the company, and management practices. financial performance and accounting practices are analyzed through the calculation of ratios and industry and competitive analysis, providing a comprehensive understanding of the company's position in the market.

The third chapter is the project part which is an exploration of various financing strategies employed by IDLC Finance PLC, particularly in refinance schemes and SME loans. Special attention is given to the challenges faced by women entrepreneurs in accessing loans and how IDLC Purnota is addressing these barriers.

Throughout the report, insights into team dynamics, product management strategies, and the broader financial landscape are provided, reflecting on the invaluable learning experiences gained during the internship.

Keywords: CMSME; Financial Inclusion; Women empowerment; Refinance; Gender disparity;

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List of Acronyms

CMSME	Cottage, Micro, Small and Medium Enterprises
BB	Bangladesh Bank
ADB	Asian Development Bank
WEL	Women Entrepreneur Loan
FI	Financial Institution
NBFI	Non-bank Financial Institution
MFS	Mobile Financial Services
MFI	Monetary Financial Institution
EMI	Equal Monthly Installments
MSME	Micro, Small, Medium Enterprises

Chapter 1

Overview of Internship

1.1 Student Information

Name: Barira Nafisa Zaman

ID: 20104013

Program: Bachelors of Business Administration (BBA)

Major: Finance major, CIM major

1.2 Internship Information

1.2.1 Period, Company Name, Department/Division, Address

Internship Period: January 10th to April 9th

Company: IDLC Finance PLC.

Department: Product and Business Management – SME

Address: Gulshan Branch Bay's Galleria (4th floor), 57 Gulshan Avenue, Dhaka 1212, Bangladesh

1.2.2 Internship Company Supervisor's Information: Name and Position

Supervisor name: Navid Chowdhury

Position: Manager – SME, Product & Business Management– SME

1.2.3 Job Scope – Job Description/Duties/Responsibilities

The product and business management team of the SME division handles all the loan products under the SME loan and refinance schemes. The day-to-day activity involves checking refinance documents following Bangladesh Bank's document list, loan closing documents, preparing bills, preparing OLLs, annexures to apply for refinance, managing clients related to overdue payments. The PBM team is divided into three functional roles: business finance, refinance, and process reengineering. The department has four heads of regional business who manage all 29 branches; it's the branches and sales officers who help us initiate the loans from the front by meeting clients. Sitting in the head office, we coordinate everything with the help of these HORBs. Here's the organogram of our department:

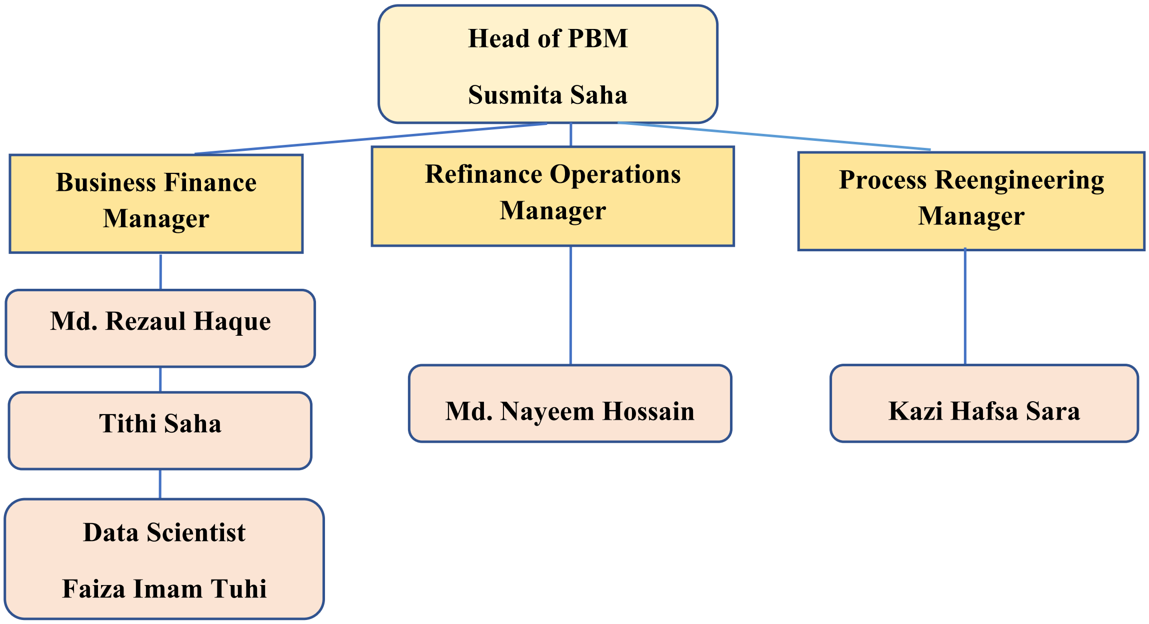


*Figure 1 SEQ Figure * ARABIC 1- Organogram of PBM - SME of IDLC Finance PLC.*

1.3 Internship Outcomes:

1.3.1 Student's contribution to the company

As the department suggests, my day-to-day work is mainly to help the team members and assist them in finishing tasks on time. I had luckily gotten the chance to work in both business finance and refinance. Some of the responsibilities are:

i. Using Bangladesh Bank's document guidelines for different products, first I had to check the refinance list for every month, compile, assemble, and verify client documents for four loan products. All these documents are provided by the different branch officers for final checking by the Gulshan Branch. After first checking the documents, I had to contact the DPU's and STM's of different branches if any problems were found in the documents or if the document itself was missing.

ii. Secondly, I gathered additional information for the refinance list, like the credit information report, total project cost, overdue, outstanding principal, type of business, etc., before applying for refinance. All these had to be done within 15 days of every month.

iii. After ensuring all the documents were error-free and legitimate, we printed them, maintaining a serial of documents that is different for different products, and did signature verification for all the files.

iv. Lastly, I have prepared the OLL, annexure, and forwarding letter for every single file to help apply for these loans to Bangladesh Bank. These get attached to the loan files.

v. My duties also included reviewing, maintaining, and verifying SME business bills and bill databases from all branches before sending them for signing and to the Administration and Treasury for bill reimbursement. I have assisted my supervisor with things like early loan closing, NPL loan accounts, early settlement, overdue accounts, etc.

I have also got the chance to work on the Financial Literacy Program of 2024, which is encouraged to be celebrated by Bangladesh Bank in rural areas in order to educate the people about available financial products, how to keep their money safe, how to invest, take out loans and savings possibilities, etc.

1.3.2 Benefits to the student

This internship has helped me to understand what SME loan and refinance schemes are and how they play a pivotal role in developing our economy. Before starting the internship, I didn’t have any prior knowledge about how Bangladesh Bank uses non-banking financial institutions to extend funds to every corner of our country. As we know, a central bank like Bangladesh Bank can’t directly give loans or funds to the general public; hence, they give funds to banks and non-banking financial institutions like IDLC Finance, IPDC Finance, Lanka Bangla

Finance, etc. to revitalize the economy. Without doing an internship in the SME division, I would have never been able to get insight into the small, cottage, and medium industries, their economics, threats, opportunities, and operations. Also, I have an understanding of how loans are processed and how to deal with loan defaults, overdue payments, and complaints. During my internship, I got to see cross-functional and cross-departmental collaboration to resolve issues, which has helped me learn better ways to collaborate, efficient teamwork, and better communication. Since I was constantly working closely with senior officers and contacting DPU’s, STM's, and credit officers for different issues, it has increased my ability to handle situations and resolve issues by following proper manners.

I experienced the company culture, customs, attitude, and conduct up close for the first time while I was an intern at IDLC Finance PLC. I am now equipped with a more comprehensive and solid understanding of the corporate job environment thanks to my experience. This has helped me understand a lot about professional behavior at work. I believe the three months I spent will be beneficial to me in my future pursuits, since I'm about to enter the fierce corporate world where practical experience is highly valued.

1.3.3 Problems/Difficulties (faced during the internship period)

During my tenure as a student intern at IDLC Finance PLC, I have acquired valuable knowledge and skills, yet I have encountered several noteworthy challenges over three months:

a) Initially, adapting to an 8–9-hour workday was exhausting.

b) Several issues emerged with the shared PC utilized by all interns in the department, notably frequent technical glitches while doing printing, leading to delays and disruptions particularly when printing large batches of over 100 SME refinancing documents.

c) Adjusting to the professional environment was challenging, required time to adapt into the company's culture and operational norms.

d) Handling multiple supervisors posed difficulties as their instructions occasionally conflicted.

e) I found that the guidance provided by senior colleagues was at times insufficient, leading to repeated inquiries to clarify tasks.

f) Limited desk space for interns due to the company's preference for permanent staff created obstacles in securing a suitable workspace.

g) The short time of the internship period meant that I felt unable to fully capitalize on the learning opportunities available.

h) The department workload was substantial, occasionally my motivation to perform effectively was diminished.

1.3.4 Recommendations (to the company on future internships)

While working as an at this prestigious company, IDLC PLC. has been a valuable experience, I would like to offer some recommendations for improving future internships. Given the significant volume of sensitive information that interns must quickly comprehend, it would be beneficial to create a concise document outlining key tasks beforehand. This document could serve as a reference guide for interns, aiding in their familiarization with their responsibilities. Additionally, since the SME Product and business management team regularly recruits interns throughout the year to support during busy document processing periods, implementing such a document could minimize information gaps and enhance overall efficiency. Due to the frequent turnover of interns, it is often impractical for departing interns to adequately train their next batch in their final days, making this solution particularly valuable in the long term. Furthermore, updating the PCs or installing a dedicated printer could expedite document printing, thus addressing delays caused by technical issues. Lastly, interns should be afforded more opportunities to engage in innovative and creative tasks, rather than solely handling routine assignments, to enrich their overall experience.

Chapter 2

Organization Part

2.1 Introduction

IDLC Finance, a non-bank financial institution originating from Bangladesh, was established in 1985, with a primary emphasis on corporate, retail, and SME sectors. The capital markets hold significant importance for IDLC, evident through its wholly-owned subsidiaries: IDLC Investments Limited and IDLC Securities Limited. The company is headquartered in Dhaka and currently ranks among the largest NBFI's in the country. Officially licensed in 1995, IDLC expanded its operations by inaugurating its first SME-focused branch in Bogura in 2006. Presently, the SME division constitutes over 37.54% of the total customer lending portfolio, exhibiting a compound annual growth rate (CAGR) of 26% over the last decade. With a diversified portfolio composition, including Corporate (31%), SME (36%), and Retail (33%) customers, IDLC stands as a leading financial institution in Bangladesh. The organization's growth trajectory is reinforced through its subsidiaries: IDLC Securities Limited, IDLC Investments Limited, and IDLC Asset Management Limited. IDLC remains committed to achieving its objective of being the country's leading financial brand, with a strong emphasis on sustainable business methods, excellent customer service, and quality development. Furthermore, the organization's core values, encompassing integrity, customer-centricity, equal opportunities, environmental consciousness, passion, simplicity, and trust, are deeply ingrained in its organizational philosophy.

2.2 Overview of the Company

IDLC Finance PLC. is one of the oldest operating non-banking financial institutions in the finance industry, with more than three decades of legacy. In 1985, IDLC started off as a leasing company thanks to the International Finance Corporation's (IFC) initiatives. Numerous domestic and international businesses partnered to build the company. These organizations included the Sadharan Bima Corporation, the German Investment and Development Company, the Aga Khan Fund for Economic Development, Kookmin Bank, the Korea Development Financing Corporation (KDLC), and The City Bank Limited. IDLC Finance PLC. was formally known as **Industrial Development Leasing Company of Bangladesh Limited (IDLC)**. The headquarter is in Dhaka, and there's almost 40 branches operating in over 20 districts as of today, with more 1700 employees serving thousands of customers every year. Through its subsidiaries, IDLC Securities Limited, IDLC Investments Limited, and IDLC Asset Management Limited, the firm has been growing. The company is committed to realizing its goal of being the nation's top financial brand. In addition, their goal is to prioritize sustainable business processes, excellent customer experience, and quality growth. IDLC SME division has been growing with a Compound Annual Growth Rate (CAGR) of around 6.06% over the past 5 years and at 26% over the 10 years.

2.2.1 Vision, Mission, Values and Strategic Objective of IDLC

The driving forces behind IDLC Finance PLC's success were their clear vision, mission, values, and strategic objectives, which have made them a market leader in the NBFI.

IDLC's Vision- We will be the best financial brand in the country.

IDLC's Mission- We will focus on quality growth, superior customer experience and sustainable business practices.

IDLC's Strategic Objectives are -

- Achieve sustainable business growth
- Fully leverage the core banking platform
- Maintain strong funding mix
- Attract, retain and develop talented employees

- Continuously improve operational efficiency
- Advance our social causes
- Embrace internationally accepted Corporate
- Governance and sustainable business practices

Values followed by IDLC Finance are- Integrity, Customer Focus, Equal Opportunity, Trust and Respect.

2.2.2 Financial Products and Services

SME Finance	Consumer Finance	Corporate Finance	Capital market Operations
SME loans and lease through loan products like AGRO, JICA, CMSME etc.	Loans – Home, car, student loan, consumer products.	Lease finance, term loan, commercial space financing.	IDLC securities Ltd. Products like margin account, IPO apply, stock brokerage services.
Seasonal loans, Shachal Loan.	Personal loans	Project financing, working capital loans.	Services - Trade execution through DSE, CSE.
IDLC- Women entrepreneurs loans like Purnota, WEL.	Loan against deposit.	Structured finance – debt syndication, fund raising through zero coupon, commercial paper.	IDLC Investment Ltd.- margin loan, portfolio management, underwriting. corporate advisory.
Medium enterprise financing – commercial vehicle, machinery or commercial space loans, working capital loans.	Deposits on different flexible terms.	Green banking solutions- offering 50 products under green banking and sustainable finance.	IDLC Asset Management Ltd. Products- mutual funds, portfolio management.
Work order financing, distributor financing, factoring accounts receivable, and supplier and distributor finance.	Regular earner package.	Corporate advisory for merger and acquisitions, feasibility study.	Custodial and CDBL services, stock issue management.

Table 1 Financial Product & Services of IDLC Finance PLC.

2.2.3 Operations of IDLC

At the core of IDLC's operational model lies a promise of quality and innovation, ensuring that it remains at the forefront of the country's rapidly growing financial landscape. One of the key pillars of its operations is customer-centricity, with a focus on delivering personalized solutions that address the unique requirements of each client segment.

SME: This division is committed to financing small, cottage, and medium-sized organizations in the manufacturing, trading, and service industries. Loans provided by SME are funded by Bangladesh Bank, JICA, and ADB, and funds go to agriculture, manufacturing companies, and service companies. Products like Stimulus were given during COVID-19 to suffering enterprises.

Consumer: Offering retail financial services is the division's main goal. Personal, home, car, and loans against deposits are among its financial products. With regard to the Bangladeshi house loan industry, this section has achieved the most market share and growth rate. With its assortment of retail savings products, the corporation is actively engaged in increasing deposit rates with varying interest rates.

Corporate: The primary responsibility of the corporate division is to provide high-quality financial management to the country's financial institutions. The variety of financial options available for term advances, capital consumption, and renting. This section arranges structured finance (SF) transactions, such as obligation syndication installments and corporate securities.

Capital Markets: IDLC's subsidiaries like IDLC Securities Ltd and IDLC Investments Ltd give a wide range of services to their clients. Capital market operations encompass brokerage, underwriting, initial issues, merchant banking and portfolio management service. They are giving additional reflection to expand this portfolio with inter departmental parallel with their buyer divisions.

2.2.4 CSR activities of IDLC Finance PLC.

At IDLC, the goal is not only to make profits by selling financial services but also to help society and stakeholders live in a better place. Some of the key CSR activities are:

- **Education:** IDLC supports education by contributing through their Odditiya, Khusir Kheya, and Orther Ortho programs. IDLC has donated 5% of the CSR Fund, around 18,00,000 lacs, to the Prime Minister's Education Assistance Trust for the year 2022 to provide scholarships to underprivileged students based on merit. (IDLC-CSR, 2022)

- **Environmental Sustainability** They engage in initiatives aimed at environmental sustainability like tree plantations, promote eco-friendly practices, offer loans for sustainable projects, and support projects focused on renewable energy etc.
- **Financial Literacy:** Every year on the first week of March, IDLC conducts a program on financial literacy, empowering people from underprivileged backgrounds to be aware of financial management, savings, investments, and other relevant topics to improve financial literacy levels.
- **Healthcare Support:** IDLC helps organize health camps and provides medical equipment to clinics. IDLC Finance signed a MOU with the United Nations Children's Fund (UNICEF) in 2021 to improve maternal and neonatal health rights in the Tea Gardens of Sylhet. Through this, IDLC will fund the renovation of the Tea Gardens health facility. (IDLC-CSR, 2021)
- **Disaster relief support:** In times of disaster, IDLC Finance contributes by providing financial aid and supplies to support affected communities. During COVID-19, IDLC stood beside 9000 daily-wage earners and lower-middle-class families with food and other essentials in partnership with four distinguished non-profit, voluntary organizations across Bangladesh. (IDLC-CSR, 2021)

2.3 Management Practices

IDLC Finance PLC. demonstrates a commitment to maintaining a progressive and collaborative management style, evident in its organizational practices. This inclusive approach encompasses both full-time and part-time staff, along with board members. Moreover, the company prioritizes the recruitment of qualified individuals for various roles, ensuring that employees and board directors possess the necessary competencies to fulfill their responsibilities effectively. The organizational structure of the company is illustrated in the following organogram.

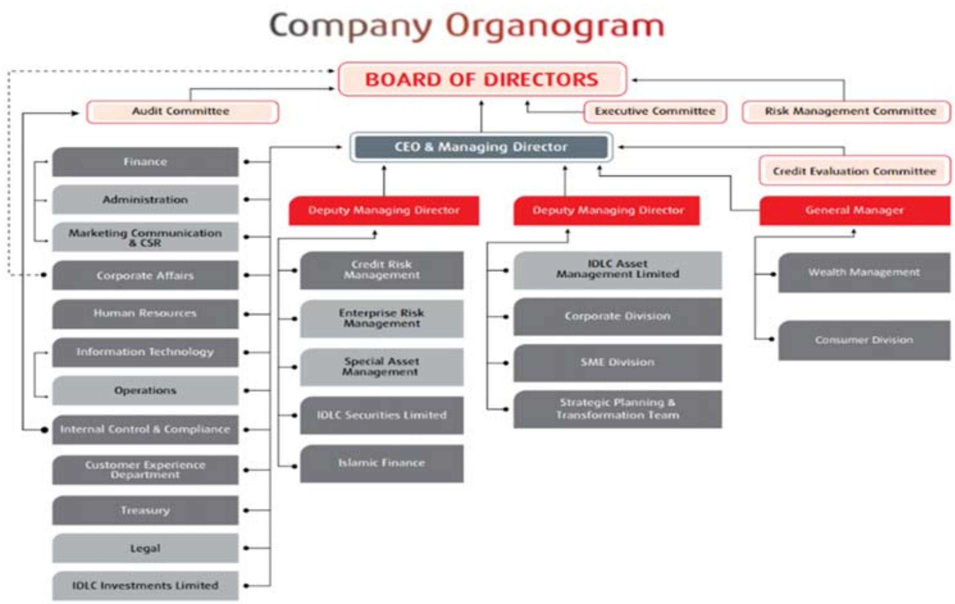


Figure 2 Company Organogram

2.3.1 Human Resource Policy and Practice

IDLC Finance PLC. has segregated its human resources functions into two distinct teams, each with specific duties. The first team, referred to as 'Talent Acquisition,' oversees activities related to talent acquisition and organizational aspects, including recruitment, employee engagement, employer branding, performance management, and talent development. The administration of benefits and wage plans falls within the purview of the second team, referred to as the "Reward Team."

Recruitment: At IDLC, the hiring process begins with a detailed examination of the business goals of the organization, which is followed by an assessment of the human resource needs required for achieving those objectives. After this, an assessment is carried out to determine the present state of the workforce by analyzing the skills, knowledge, and competences of the personnel. Finding any disparities between the current workforce and the workforce required to achieve business goals is made easier with the support of this study. Board interviews, Focused Group Discussions, Assessment, and Testing are some of the phases that make up the recruitment process. Notably, IDLC Finance PLC has made diversity and fairness the foundations of its talent acquisition strategy, which has led to a notable 45.45% rise in the hiring of women by 2023.

Talent Acquisition programs: At IDLC Finance, the three main pillars of the people management approach are succession planning, retention, and recruitment. Starting with an intense aptitude exam and ending with a final interview, the Young Leadership Program (YLP) is a crucial initiative in developing a strong pipeline of bright individuals. Furthermore, the "Jumpstart" internship program gives fresh graduates the chance to learn and develop experience in the financial services industry in a physical office. IDLC increased the scope of its internship program in 2023 by enabling interns to interact with several organizational departments.

2.3.2 Performance management

Performance & Rewards: The goals and values of the organization are carefully aligned with the performance and rewards system of IDLC PLC. This is using a thorough appraisal procedure to compare each person's accomplishments to predetermined goals and behavioral standards. Regular biannual evaluations of performance provide discussions between employees and their line managers to define goals and track progress towards corporate objectives. The insights derived from these discussions shape developmental programs and performance-driven rewards.

Talent Development: Internal talent development is a key component of IDLC, and the HR division promotes leadership, diversity, and inclusiveness. During an extensive on-boarding process, newly hired employees are introduced to the company's executives and company values as soon as possible. While mid- to senior-level employees attend outside training to advance their abilities, other training programs, such as e-learning initiatives and specialty academies, encourage continuous learning. The training programs take several forms, including external, customized, and in-house programs, to accommodate the post-pandemic shift in the nature of education. IDLCFL documented 9356 hours of sales force training in 2023, demonstrating a commitment to providing outstanding customer service.

Succession Planning: IDLC is focused on developing and promoting internal talent, generating leaders of the country and having a wide range of business sector experiences. One aspect of succession planning is to provide cross-functional exposure and rotation of individuals through challenging duties. Merit-based promotions have resulted in the promotion of 32 employees to managerial roles in 2022 and 20 in 2023, highlighting the success of the strategy and assuring a robust leadership pipeline for IDLC PLC's potential growth.

2.4 Marketing Practices

IDLC uses a broad range of marketing techniques, including customer-based, search-based, collaboration-based, and advertisement-based strategies, to reach a variety of target audiences. With a variety of media, newspapers, social media, and ceremonial gatherings, particularly on important holidays such as Independence Day and Bengali New Year, IDLC efficiently advertises its offerings. Through digital marketing campaigns, IDLC hopes to interact with its target market by making use of websites, YouTube, LinkedIn, Facebook, and other channels.

Figure 3 IDLC Saving Scheme through bKash promotion (source- idlc.com)

The nation's first "Digital Services Scheme," which allows previously financially excluded people to access IDLC's term deposits via bKash accounts, is one among the innovative offers highlighted in recent advertising campaigns like "Taka Jombe, Barbe Nirapode."

Furthermore, IDLC uses relationship marketing strategies like event sponsorship and customized gifts to build strong connections with customers while aggressively promoting goods like the IDLC Affordable Home Loan-Shobar Jonno Bari. Targeting women with loan packages, products such as Purnota have engagement activities that help with client networking. In order to successfully fulfill client demands and continuously enhance service delivery, IDLC has formed a specialized customer experience team that is tasked with obtaining input via surveys and phone conversations.

Figure 4 IDLC affordable Home Loan (source- idlc.com)

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance:

To evaluate IDLC's sustainability and future viability, an in-depth study is carried out. The ratio analysis that was done for IDLC Finance PLC is shown below.

Equity analysis

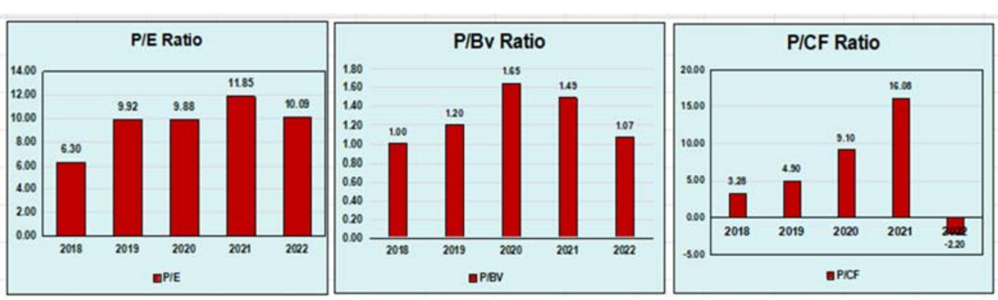


Figure 5 P/E, P/Bv, P/CF ratio yearly analysis

The equities study of IDLC Finance PLC shows a trend of variable but positive indications throughout time. Price-to-Earnings (P/E) ratios show a favorable trend; greater ratios were noted in 2021 and 2022 when compared to previous years. This suggests that earnings performance could improve about stock price. Nonetheless, there are swings in the Price-to-Cash Flow (P/CF) ratio, with a notable negative ratio in 2022 suggesting a potential undervaluation in relation to cash flow, most likely as a result of negative operational cash flows. P/BV, or price-to-book value, also shows fluctuations; in 2022, it was lower than in previous years, which could indicate changes in how the market views the inherent value of the company.

Figure 6 EBITDA, Dividend per share & Dividend payout

Following a generally rising trend from 2018 to 2021, earnings before interest, taxes, depreciation, and amortization per share (EBITDA) show a variable pattern, with a very small fall in 2022.

In addition, there are differences in dividend indicators like the dividend payout ratio. In fact, the dividend payout ratio decreased in 2021 and 2022 compared to 2019, which suggests that a smaller percentage of earnings was used for dividends. To the benefit of investors looking for dividend income, IDLC nevertheless keeps a rather high dividend payment ratio.

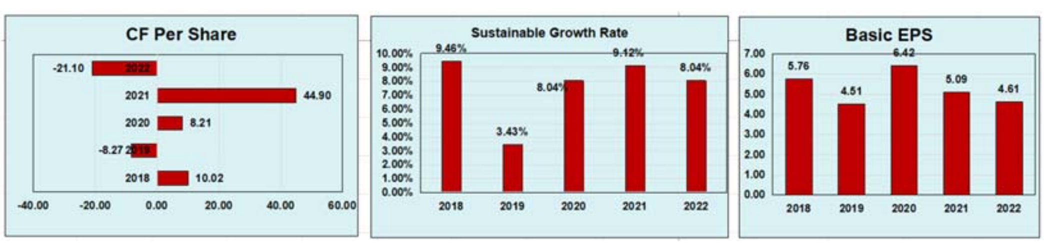


Figure 7 CF Per share, Sustainable growth rate, Basic EPS

Over time, basic earnings per share (EPS) have decreased; however, in 2022, there is a slight recovery that suggests future earnings growth. In the meantime, there are large swings in cash flow per share, with a considerable rise in 2021 and a steep decrease in 2022, underscoring the instability of cash flow creation. IDLC has demonstrated a stable sustainable growth rate in spite of these swings, suggesting that it can consistently increase earnings while keeping dividend payouts constant. In conclusion, despite occasional difficulties, IDLC Finance PLC exhibits development potential and durability, as seen by its continuous dividend payments and growing P/E ratios.

Credit analysis

Credit Ratios					
Ratios	2018	2019	2020	2021	2022
EBIT interest coverage	0.45	0.32	0.50	0.68	0.43
EBITDA Interest Coverage	0.53	0.41	0.58	0.94	0.65
FFO Interest Coverage	0.39	0.29	0.42	0.65	0.54
Free operating cash flow to debt	4.37%	-3.41%	3.01%	14.18%	-6.82%
Debt to EBITDA	25.48	29.44	25.15	24.57	32.67
FFO to Debt	2.91%	2.37%	2.84%	2.81%	2.52%
Non Performing Loan	2.20%	3.07%	1.79%	3.05%	3.81%
Provision for credit losses	0.48%	0.46%	0.34%	1.25%	1.02%

Table 2 Credit Analysis Ratios

The notes on credit analysis provide various meaningful pointers concerning IDLC Finance PLC's financial stability over the long term and how they manage risks in the process. It has been observed that there is better capacity by the business to pay interest charge from its operational profits since 2018 until 2021 according to EBIT interest coverage ratio trend. Even just a small fall in 2022 raises the possibility of being unable to cope with interest costs from operating income. Moreover, an increase has been noticed in the EBITDA interest coverage ratio, which indicates that IDLC can now use its EBITDA in order to pay off debts. Though a small drop in 2022 seems to reflect a corresponding drop in EBITDA that could be applied towards interest payments. In as much as free operating cash flow to debt ratio has some volatility—negative figures appear in some instances—, a remarkable increase was noted in

2021 implying better cash flow generation compared to obligations arising from debts and this was accompanied by a remarkable decline in 2022 which could be an indication that there could be strain of funds when it comes to honoring debts. While there is a tiny increase in 2022 that signals a relative increase in debt compared to earnings, overall, IDLC's debt to EBITDA ratio shows swings with a downward trend that indicates an increased ability to pay off debt using EBITDA. The FFO to debt ratio is comparatively stable despite fluctuations, indicating a steady ability to pay down debt using proceeds from operations.

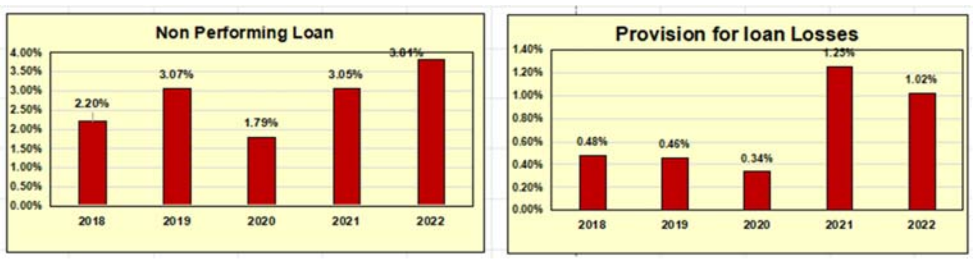


Table 3 NPL and Provision for Loan losses yearly comparison

The business keeps its Non-Performing Loan (NPL) ratio comparatively low, which shows good risk management and fewer defaults on loans. As shown by the low NPL ratio, IDLC Finance PLC consistently maintains an excellent credit profile through improved interest coverage ratios, controlled debt levels, and efficient risk management procedures. A significant increase in 2021 indicates larger provisions, either as a result of riskier loan profiles or economic uncertainty. The provision for credit losses, which represents expenses set aside for probable losses from defaulting loans, varies in IDLC.

Profitability ratio analysis

Profitability Ratios					
Ratios	2018	2019	2020	2021	2022
Net profit margin	19.4%	12.9%	21.0%	20.1%	17.1%
Gross profit margin	37.8%	35.4%	37.1%	48.3%	45.5%
Operating profit margin	31.6%	24.2%	34.0%	46.0%	33.0%
Return on asset	2.06%	1.5%	2.0%	1.5%	1.3%
Cost to Income	39.5%	43.3%	38.2%	36.2%	43.8%
Return on equity	19.7%	15.1%	16.7%	12.6%	10.6%
Net interest margin	4.0%	4.1%	3.5%	3.6%	3.4%

Table 4 Profitability Ratio Yearly Analysis

Net Profit Margin: Over the years, the company's net profit margin has varied, reaching an impressive level of 21.0% in 2020 and then falling to 17.1% in 2022. This fluctuation indicates that turning sales into profit may not always be easy.

Gross Profit Margin: From 2018 to 2020, the gross profit margin fluctuated between 35% and 37%; however, in 2021, it saw a notable rise to 48.3%. This shows effective price and production cost management, even with a minor decline to 45.5% in 2022.

Operating Profit Margin: IDLC's operating profit margin has fluctuated, but it has improved over time, most notably rising from 24.2% in 2019 to 46.0% in 2021. In 2022, there was a decline to 33.0%, indicating possible difficulties in controlling operating costs.

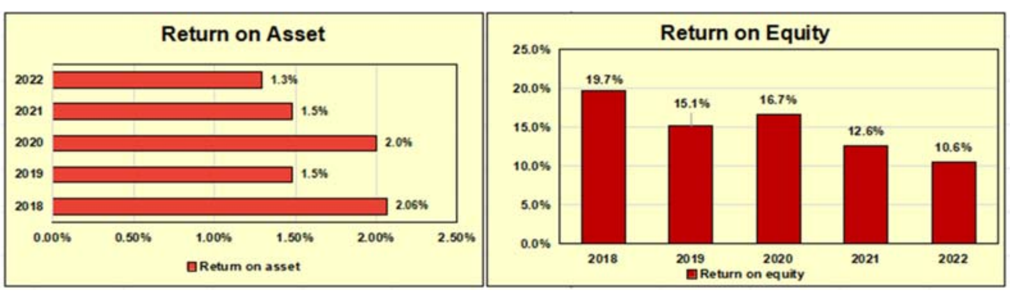


Figure 8 ROA & ROE ratio yearly comparison

Return on Assets (ROA): The return on assets ratio has declined over time, from 2.06% in 2018 to 1.3% in 2022, indicating a decrease in the business's capacity to generate revenue from its assets.

Return on Equity (ROE): The ROE ratio shows a downward tendency, dropping from 19.7% in 2018 to 10.6% in 2022. This indicates that the return on equity invested by shareholders in the company has decreased.

Cost to Income Ratio: IDLC's cost to income ratio fluctuates, with a decrease to 36.2% in 2021 from 43.3% in 2019, indicating improved efficiency in managing operating overheads relative to operating profits. However, there was an increase to 43.8% in 2022, suggesting potential challenges in cost management.

Net Interest Margin: IDLC's net interest margin remains relatively stable, fluctuating between 3.4% and 4.1% over the years, indicating consistent profitability from interest income relative to interest-earning assets.

Solvency ratio analysis

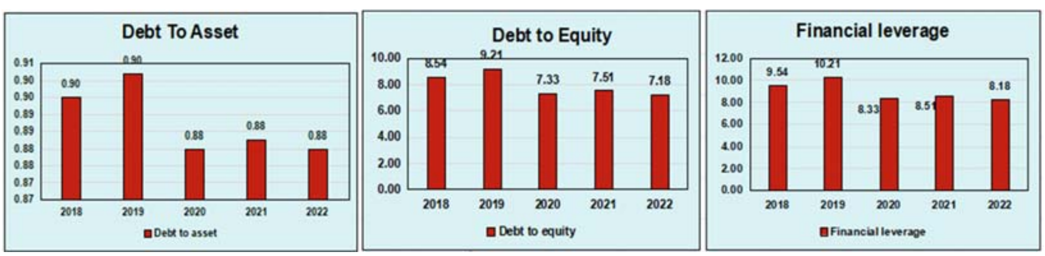


Figure 9 Solvency ratio yearly analysis

Debt to Asset Ratio: The debt to asset ratio remains consistent at 0.88 from 2020 to 2022, indicating that the company finances approximately 88% of its assets through debt, implying a stable capital structure over the years.

Debt to Equity Ratio: The debt-to-equity ratio demonstrates a declining trend from 8.54 in 2018 to 7.18 in 2022, suggesting a decreasing reliance on debt financing relative to equity. This indicates a strengthening financial position and lower financial risk for the company.

Financial Leverage: Similarly, the financial leverage ratio shows a downward trend from 9.54 in 2018 to 8.18 in 2022, indicating a decreasing reliance on debt to finance operations. Lower financial leverage ratios generally imply lower financial risk and less vulnerability to fluctuations in interest rates or economic downturns. This suggests that the company is in a better financial position and has reduced its vulnerability to financial risks.

2.5.2 Accounting Policy and Regulation

IDLC uses the accrual-based method of accounting for preparing its financial statements on a going concern basis. Currently, they prepare their work using International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). On the other hand, they create cash flow statements based on declared market value.

IDLC complies with the Basel Accord for Financial Institutions (BAFI) in order to reduce risk by meeting the standards for minimum capital, disclosure, and adequacy. In 2022 IDLC group maintained a capital adequacy ratio (CAR) of 19.29% (consolidated) in order to meet Bangladesh bank's 10% CAR standard. The capital to risk weighed assets ratio is a useful metric for determining how risky a corporation is. It checks to see if the institution's capital reserves are sufficient to reduce its risk-weighted credit exposures. IDLC Finance PLC. is seeing gradual growth from 14.59% in 2020 to 15.27% in 2021 and 15.99% in 2022 in its CAR. Nonetheless, the fact that their CAR was over 10% suggests that the company has sufficient capital to reduce its credit exposures and absorb losses. IDLC is a trusted and reliable partner, holding a prestigious AAA long-term credit rating since 2012. (Disclosures under Pillar-III, 2022)

The credit risk management department uses the Risk Grading Model (RGM) is to facilitate informed decision-making and to enhance the safety and soundness of the company. With the use of this approach, credit risk is quantified and individual and group credit risks are distinguished. In order to reduce credit risk, IDLC measures the risk of default for its clients by obtaining credit reports from Bangladesh Bank's Credit Information Bureau (CIB).

2.6 Operations Management and Information System Practices

2.6.1 Operations Management Practices

IDLC's steadfast commitment to sustainability across its operations has been recognized by Bloomberg, which has identified the company as one of the seven most sustainable companies in Bangladesh. Amidst a backdrop of economic challenges starting in 2023, including currency depreciation, diminishing foreign exchange reserves, escalating interest rates, and increasing inflation, the country remained on high alert, prompting the implementation of tightened monetary measures. Given the circumstances, it was imperative that IDLC Finance PLC take prompt action to reconsider its strategic path in order to safeguard the organization's interests as well as those of its stakeholders and clients, in keeping with its core values.

Following this, the Bangladesh Bank implemented a Treasury bill-tagged pricing mechanism for the sector called the Six-month Moving Average Rate of Treasury Bill (SMART), which affected lending and deposit rates and was accompanied by a margin. The main obstacles to lending operations were the adoption of SMART rates in the second half of 2023, after the application of lending rate caps in the first half, and an upsurge in inflation. IDLC continued to operate cautiously in its lending business throughout 2023, emphasizing the quality control of its loan book more than anything else. Despite widespread loss, efforts were undertaken to support the buildup of excess deposits, which led to a 3.63% gain in deposits at year's end, accounting for 60% of the financing basket.

Furthermore, IDLC funded a sizeable amount—roughly 18% of the funding basket—by utilizing these programs for SME and corporate lending in response to the Bangladesh Bank's initiatives to support under various refinance schemes.

2.6.2 Information System Practices

IDLC Finance PLC maintained and updated their systems in accordance with technology and process audits to swiftly adapt and improve operations due to the high volume of daily transactions. To address this challenge, they regularly reviewed system rights and requested changes, while also monitoring general controls like logical access and management changes, as well as aspects of IT operational controls for proper authorization oversight. They utilized video telephony technology for online training programs, extending their reach. Additionally, they implemented technology-based solutions such as geo-tracking for relationship managers and collectors to enhance post-disbursement activity management. For refinancing, they utilized the Bangladesh Bank e-refinancing dashboard to record SME loan disbursement transactions, ensuring more efficient transaction recording.

2.7 Industry and Competitive Analysis

2.7.1 Industry analysis

Today NBFI sector in Bangladesh is growing rapidly and a dynamic segment of the country's financial system, playing a critical role in directing funds and supporting economic activity. Previously in the newly independent Bangladesh the banking industry was dominating the whole financial industry catering to a specific set of financial needs. The rural areas and the SME industry was facing hardship to get access to funds for starting or expanding their business. To mitigate this gap in 1980s the Non- Banking Financial Institutions emerged as a solution. The NBFI industry provides to a broader range of financial needs compared to traditional banks, particularly for long-term funding, venture capital financing, investing opportunities, infrastructure loan, insurance and specific sectors like SMEs, entrepreneurship and agriculture.

NBFIs had total assets of BDT 914.25 billion as of June 2021, up from BDT 901.73 billion at the close of 2020. Up to 25% of its paid-up capital and reserve may be invested in the capital market by NBFIs. The overall capital market investment made by all NBFIs as of December 2020 was BDT 21.64 billion, up from BDT 18.89 billion as of December 2019. NBFIs had invested a total of BDT 22.96 billion in the capital market as of June 30, 2021, which represented 2.51% of all NBFI assets. (BB.org.bd, 2021)

A report from Bangladesh Bank states that there are currently 35 NBFIs in operation in Bangladesh. 3 of these NBFIs are controlled by the government, 13 are joint ventures with foreign partners, and the remaining 19 are private businesses. The credit for being the pioneer in this regard goes to the Industrial Promotion and Development Company (IPDC), a private sector NBFI. Among these 35 competitors currently IDLC Finance PLC has secured leading position in terms of earning a return on capital employed and owning highest amount of portfolio.

Non-bank financial intermediaries primarily depend on the issuance of bonds, call money, credit lines from traditional banks and other financial institutions, as well as term deposits lasting at least three months for financing. Thanks to imposition of restrictions pertaining to acceptance of deposits, these entities that aren't banks sometimes get limited in terms of efficient resource acquisition. Recently, the non-bank financial industry in Bangladesh has experienced major growth due to factors such as increasing disposable incomes, urbanization, and government efforts to promote financial inclusion.

New financial technology has changed the way NBFI business' function and interact with their customers. Digital banking systems, mobile payment platforms and online loan services are among the developments that have helped expand the scope of NBFI services including customer convenience and operational efficiency. In order to remain relevant in the market, NBFI firms are left with no choice but to improve on their existing systems or adopt new ones owing to the continuous changes occasioned by fintech breakthroughs.

2.7.2 Porter's Five Forces analysis of NBFIs in Bangladesh

1. Threat of New Entrants (Low-Moderate)

High Barriers to Entry: There are regulatory requirements for Non-Bank Financial Institutions (NBFIs), for sure, however NBFI licensing may be less complicated than for banks. To effectively compete, newcomers to the NBFI industry would still need to have a sizable amount of money, experience in the financial services industry, and a thorough understanding of regulatory frameworks. Determining how to set oneself apart from competitors is difficult because established businesses frequently get an advantage over new entrants by launching services earlier.

Additionally, the amount of sunk costs tends to be higher for NBFIs, which means that in order to obtain market share and consumers' trust, new entrants would have to spend higher sunk costs than reputable businesses. (Ismail, 2016)

Government Regulations: The recent enactment of the Finance Companies Act 2023 has imposed restrictions on the number of deposits Non-Bank Financial Institutions (NBFIs) can accept from individuals and joint accounts. This poses a significant challenge for newcomers in terms of gathering deposits. (Mowla, 2023) The regulation of Non-Bank Financial Institutions (NBFIs) in Bangladesh falls under the purview of the Bangladesh Bank, exerting significant influence over market entry and competition. With a current presence of 35 NBFIs in the sector, the likelihood of the Bangladesh Bank issuing new licenses is diminished.

2. Bargaining Power of Suppliers (Low)

Many Suppliers of funds: Suppliers, like depositors, possess limited bargaining power within Non-Bank Financial Institutions (NBFIs) due to the diversified sources of funding they rely upon. These sources include borrowings from banks, institutions, funds from the Bangladesh Bank, and other lines of credit. Consequently, their dependence on any singular supplier remains low.

Limited Supplier Power: Suppliers to Non-Bank Financial Institutions (NBFIs), including technology providers and software vendors, typically wield limited bargaining power due to the availability of numerous suppliers in the market. While software companies offering specialized financial software solutions may possess some degree of bargaining power, NBFIs generally have the flexibility to select from a range of suppliers. Additionally, some NBFIs have already established in-house technological infrastructure, further diminishing suppliers' leverage in negotiations. (Ismail, 2016)

3. Bargaining Power of Buyers (Moderate-High)

Interest Rate Sensitivity: Customers hold considerable bargaining power, particularly individuals and small businesses, who tend to prioritize competitive borrowing rates and deposit returns. However, in the realm of SME loans, certain customers may find their bargaining power diminished, as prevailing rates remain uniform across providers. Economic downturns can potentially shift the balance of negotiation in favor of borrowers, as the overall demand for financing declines.

Switching Costs: Transitioning between Non-Bank Financial Institutions (NBFIs) can be relatively effortless, particularly for minor transactions, thereby increasing customer bargaining power. Individuals in search of consumer or commercial loans could readily shift to a bank offering lower interest rates and fewer restrictions.

4. Competitive Rivalry (High)

Non-Bank Financial Institutions (NBFIs) compete not only amongst themselves but also with banks and fintech startups. This competition drives the adoption of aggressive marketing strategies, competitive pricing, and continuous innovation in products and services to attract customers.

Fragmented Market: The NBFI sector in Bangladesh is fragmented, with many players across different sub-sectors (leasing, investment, SME, Consumer, microfinance).

Similar Products: Many NBFIs offer similar core products, leading to price competition and pressure on margins. While some NBFIs specialize in niche areas, competition within those segments can still be intense having similar products and services.

5. Threat of Substitutes (Moderate-High)

Mobile Financial Services (MFS): Mobile Financial Services (MFS) provided by bKash, Nagad, and other fintech companies represent a exploding threat, especially in the realms of microloans, savings, and payments. Nevertheless, forging collaborations with them could also yield opportunities, as evidenced by IDLC's partnership with bKash for Deposit Pension Scheme (DPS) services.

Bank: The banking industry will consistently pose a threat as it has the ability to adapt its services and operations swiftly to capture market share from Non-Bank Financial Institutions (NBFIs). This can be achieved through the utilization of their traditional products or by establishing subsidiaries to venture into the NBFI sector.

Microfinance Institutions (MFIs): Established Microfinance Institutions (MFIs) serve a customer segment similar to certain Non-Bank Financial Institutions (NBFIs), providing loan products and vying for market share based on pricing and accessibility. Additionally, informal lenders may serve as substitutes in certain segments, particularly for unbanked populations.

Given these dynamics, the NBFI sector in Bangladesh appears **moderately attractive**. While new entries may face fewer barriers compared to banks, competition is intense, with substitutes posing threats and customers exerting strong bargaining power. However, the increasing emphasis on financial inclusion and the presence of a substantial unbanked population offer opportunities for NBFIs capable of distinguishing themselves and targeting specific market segments effectively.

2.7.3 SWOT analysis

to identify the organization's common strengths, imitable strengths and distinctive strengths to identify its competitive advantage.

I. S – Strength:

The reliable brand image of IDLC Finance PLC among stakeholders firmly establishes its position as the leading Non-Banking Financial Institution in the country. Through its subsidiaries, IDLC has diversified its revenue streams, creating a risk-averse business model. The company's business model demonstrates remarkable adaptability to market changes, supported by a wide-reaching distribution network that fosters channel synergy and ensures accessibility. Moreover, IDLC engages in risk trading, risk transfer, loan restructuring, and loan rescheduling to mitigate potential risks. For SME refinancing, the company conducts collateral visits and thorough documentation rechecks to further mitigate risks. They evaluate customer creditworthiness by assessing non-performing loan percentages, PAR, and provision coverage. IDLC's competitive advantage is reinforced by the positive perception of the "IDLC Brand," which significantly enhances its performance. Recognized as one of Bangladesh's top 7 Sustainable Companies and the only NBFI by Bloomberg, the company has effectively managed credit risks by establishing comprehensive debt servicing facilities, enabling precise payment tracking, financial capacity assessment, and collateral visits.

Furthermore, IDLC has invested in developing its human, social, and relationship capital to cultivate stronger ties with its clientele. Its widespread branch network ensures easy access to services for clients across various regions of the country. Additionally, the company maintains a relatively low cost-to-income ratio, attributable to investments in software and infrastructure that drive process efficiency.

II. W – Weakness:

The company faces challenges in aligning its wide array of products and services with its overarching objectives. Presently, IDLC relies heavily on interest income to sustain its operations. However, there's a pressing need for greater penetration at the micro-level and diversification of product offerings to bolster income streams and secure financing capital effectively. Diverse range of products and services offered arise frequent misunderstandings between workers and management which hinder day-to-day operations, posing a significant obstacle. Furthermore, the majority of IDLC's portfolio is concentrated in Dhaka and nearby areas, limiting accessibility to loan portfolios. To address this issue, there's a necessity to establish additional facilities to extend outreach to distant distribution points. Obtaining loans from individuals without collateral can prove challenging at times, impacting the company adversely. Moreover, the subpar quality of the company's online resources contributes to reduced employee productivity, necessitating improvement.

III. O – Opportunities:

In recent years, there has been a noticeable surge in people seeking loans for various purposes, such as purchasing homes, cars, and other goods. IDLC has a great chance to grow its customer base as a result of this increase in demand from customers. The growing client base raises expectations for the business, which drives IDLC to keep improving its offerings. Over time, the banking industry has seen a substantial digital transformation, mostly due to the widespread adoption of Mobile Financial Services (MFS) and the launch of products designed to serve distant communities. Acknowledging this potential, IDLC has started getting ready to grow and open branches in strategic regions of the country. According to Bangladesh Bank data, MFS transactions reached Tk 124,548 crore by the end of December 2023, up 30% from the previous year. As a result, IDLC's emphasis on online deposits and its strategic alliances with bKash offer chances to utilize technology for market expansion.

Beyond the banking sector, IDLC Finance PLC. has the capacity to become a leader in a number of other industries. Recent years have seen a significant increase in foreign investments across a variety of industries, all with bright future prospects. The need for financial advising services has surged as a result of this expansion, opening up new business opportunities for IDLC.

In addition, the political stability that followed the election can improve investor mood and push the capital market in the right direction, creating new development and expansion prospects.

IV. T – Threats:

Many banks and NBFIs in this market place frequently provide attractive interest rates as the industry is concentrated, it is very evident for customers to switch from IDLC. Risks to capital and market liquidity are serious threats to the business. Credit and default risks are increased when borrowers are unable to pay back their obligations due to a variety of factors, including external market conditions, cash scarcity, lack of capital diversification, and market uncertainty. That's why it is very difficult for IDLC to keep its customers in this competitive market. Due to its reliance on wholesale borrowing, concentrated funding mix, and investments in low-liquidity assets, the company is vulnerable to liquidity risk. If any clients of IDLC is found to be doing illegal activities then Bangladesh Bank can restrict the company's license for 1 year which might be a very big loss. On the other hand, IDLC has a huge pressure being the industry leader to uphold its market share.

2.7.4 Competitor Analysis

Within the landscape of Bangladesh's 35 NBFIs, only a handful directly rival IDLC Finance in areas such as interest rates, product offerings, service quality, and overall performance. Over time, a growing number of NBFIs are incorporating SME financing into their product portfolios to access broader market opportunities. The charts presented offer a comparative analysis of IDLC and its competitors' performances-

Figure 10 Company wise comparison (source- IPDC annual report 2022)

Some of the key competitors of IDLC who also provide SME financing are-

IPDC Finance PLC: IPDC, like IDLC, offers a range of SME loan products tailored to the needs of small, medium, and cottage industries. As of 2023, IPDC boasts a market capitalization of 21,374.9 million BDT. Presently, IPDC's loan portfolio stands at 70 billion BDT, with a deposit portfolio of 59 billion BDT. Notably, IPDC maintains one of the lowest classified loan ratios in the sector, at 4.14% as of 2022, compared to the industry average of 24.6%. Furthermore, IPDC has secured coverage against classified loans amounting to BDT 2,306 million, which represents 81.8% of the total value of classified loans totaling BDT 2,818 million. Currently, IPDC serves 73,116 clients across 15 offices, with its market share witnessing growth to 9.2% in recent years. As of 2022, IPDC's Non-Performing Loan (NPL) ratio stands at 2.14%. (IPDC, 2022)

Lanka Bangla Finance PLC: Lanka Bangla, a prominent player in the NBFI sector, offers a similar range of products tailored for the SME sector, particularly in the CMSME domain. Notably, Lanka Bangla holds a dominant position in capital market services. In 2022, the company disbursed BDT 4,471 million in CMSME loans, marking a 14% rise from the previous year. However, its total deposit value in 2022 decreased by 9% to BDT 43,457 million compared to 2021. The net asset value for the year 2022 stood at BDT 20.73 million. Despite a challenging market liquidity scenario, the company's asset portfolio grew by 4% to BDT 61,331 million in 2022. In terms of capital adequacy, the consolidated CAR for 2022 was

17.37%, while the standalone CAR was recorded at BDT 15.73%. However, the classified loan percentage increased from 6.57% to 7.22% in 2022. (LBFL, 2022)

DBH Finance PLC: DBH Finance PLC is renowned as a premier financial institution dedicated to delivering comprehensive financial solutions to its clientele. With a rich history spanning several decades, DBH Finance PLC has solidified its position as a trusted ally for individuals, businesses, and institutional clients seeking expert financial advice and assistance. Notably, within the industry, DBH Finance PLC has consistently achieved the highest **'AAA'** credit rating for 18 consecutive years. Their product offerings primarily target the consumer segment, encompassing car loans, home loans, term loans, construction loans, plot purchase loans, and various deposit options. Moreover, they are recognized for their commendably low Non-Performing Loan (NPL) ratios. To date, DBH Finance PLC has disbursed BDT 14000 core in home loans to 54000 families. As of December 2022, their loan portfolio stands at BDT 44,536 million, with deposits totaling BDT 40,061 million. (DBH, 2022)

United Finance PLC: United Finance PLC offers a range of financial services including investment, leasing, loans, term finance, and channel financing. The company primarily sources approximately 80% of its funds directly from individual depositors. In 2022, the company witnessed a significant growth in its lease, loans, and advances portfolio, which expanded by 17.37% from BDT 17.2 billion to BDT 20.2 billion. Additionally, their deposits experienced a growth rate of 7% compared to the previous year. Over the last five years, United Finance PLC has consistently achieved positive net profits and demonstrated growth in its operations. (UFL, 2022)

2.8 Summary and Conclusions

IDLC Finance PLC. emerges as a highly successful Non-Bank Financial Institution (NBFI) in Bangladesh, distinguished by its effective internal collaboration to realize organizational objectives. Despite the challenges posed by the post-pandemic and ongoing market dynamics, IDLC Finance PLC. has exhibited resilience, evidenced by the increase in its earnings per share and the adoption of innovative strategies to attract new customers. The company's growth trajectory is underscored by its expansion from a modest start with just five staff members to a network of 40 branches nationwide, reflecting its steadfast commitment to expansion and achievement.

IDLC Finance PLC. has transformed into a leading financial institution with a focus on serving corporate, retail, and SME sectors, supplemented by notable involvement in capital markets through its subsidiaries. The strategic expansion of operations, particularly in SME financing, has contributed significantly to its lending portfolio diversification. As the NBFI sector continues to evolve, institutions like IDLC Finance PLC are positioned to maintain their leadership positions through a steadfast commitment to excellence, innovation, and customer-centric approaches.

2.9 Recommendations/Implications

In comparison to other major industries in Bangladesh, such as the banking and non-banking sectors, IDLC Finance PLC struggles to achieve high levels of client satisfaction, despite being a major player in the country's increasing financial landscape. To solve this problem, I suggest that IDLC Finance PLC consider hiring more marketing managers. These extra staff members have the potential to improve the efficacy of the company's operational and branding efforts. Before any loan application is approved, an applicant's payment history should be scanned carefully.

In order for IDLC Finance PLC to stay competitive, there is need for them to broaden the scope of services they provide to their customers. This may be in the form of personalized customer support services, digital banking solutions and financial products. Besides, technological advancement should be given precedence by IDLC Finance PLC in a bid to automize its operations as well as improve customer satisfaction. The employment of new technologies like AI, Data Analytics and mobile banking platforms can make IDLC Finance PLC serve its customers better as well as keep up with changing market environment. This is what will help IDLC Finance PLC to keep its position of top market leader in the sphere of Bangladeshi finance at the same time retaining and ensuring growth as a constant option for a
long period of time.

Chapter 3

Project Part

3.1 Introduction

The unbanked face hurdles to pick up formal financial services, which is primarily owing to several formal obstacles to financial inclusivity. It might be scary for those who just don't know so much about banking to open an account or borrow money; since there is so much to be done. Furthermore, harsher conditions for the loaning process do not allow small and medium enterprises to obtain as much as possible finance to expand their businesses. Here the people's insufficiency to comprehend financial services and products adequately worsens due to low financial education, affecting their ability to make decisions. Lastly, contemplating the financial requirements of the excluded and rural minorities is also causing challenges concerning financial access to the location bias of the bank; the bank is more likely to

be situated in and around a city center while disregarding remote areas. Because they face the hurdle of a financial mismatch between operating and potential returns, financial institutions are hesitant to service groups living on the fringes. Poor risk management systems impose additional problems on individuals and companies, such as natural disasters or vagaries of the market. Because they face the hurdle of a financial mismatch between operating and potential returns, financial institutions are hesitant to service groups living on the fringes. Poor risk management systems impose additional problems on individuals and companies, such as natural disasters or vagaries of the market. Individuals with few assets or few willing guarantors can borrow only after providing security or a financial guarantee. The financial exclusion dilemma owed to firms that are not registered and require cash dealings to obtain formal protection services is unregistered.

Moreover, official sources reject historical debt instruments from microfinance institutions and informal lenders during mainstream credit checks. Second, the small profit margins from funding SME's present critical financing needs among the small businesses and entrepreneurs necessary for banking institutions to make the sector a

priority. Notable in the discussion of access to funds is that, although it refinances programs like JICA, AGRO, Somvabona (start-up), and WEL to back the above discussion, the limited access to capital also cuts across the genders, thereby pointing to the continued challenges in the finance inclusion. Still the Purnota financing program for women entrepreneurs by IDLC Finance PLC is the beacon of light

for the women who wants to take up entrepreneurship as their career after complete financing for every need that they might face. Among the programs it organizes are the IDLC Ladies Forum for empowering ladies economically at the workplace despite their gender. Besides money the Purnota loan also provides assistance in getting licenses, specialist consultants, insurance policies and medical reimbursement which helps in increasing security and future potential of women.

3.1.1 Background

Problems with financial inclusion pertain to challenges experienced in accessing credit cards, savings accounts, insurance, among other financial services by people. This is worse for women but also other disadvantaged groups like the elderly, transgender or handicapped women within Bangladesh. Disparities come to light across a variety of sectors, including financial capability, availability and readiness for digital banking. IDLC Finance PLC has developed refinance programs targeted at simplifying loan acquisition process by small and medium scale businesses (SMEs) for working capital requirements as well as business expansions through purchase of machinery and equipment. IDLC is now working towards financial inclusion by reaching out to more remote locations, which helps make it easier for people in such areas to get the necessary details or update, training or even assistance with ease. Using this approach, Bangladesh Bank is able to take care of loan administration costs making it possible for banks and other financial institutions to lend money at lower interest rates without negatively affecting their profits. Given that CMSMEs contribute around 25% to the country's GDP, their significant impact underscores the importance of analyzing how financial inclusion gaps impede the effectiveness of refinancing schemes. (Hossain, 2023) This study is to explore a range of strategies that can be employed by CMSMEs (Cottage, Micro, Small, and Medium Enterprises) to successfully bridge the funding gap.

However, both in industrialized and developing nations worldwide, the contribution of female business operators towards sustainable growth in economies cannot be underestimated. Policymakers are acknowledging the significance of women participating in income generation jobs as a critical concern. Around 24.6% of all small and medium-sized firms (SMEs) within the country were women-owned small and medium-sized firms by 2020 with about 2.8 million female entrepreneurs in Bangladesh, as seen in Bangladesh Bureau of Statistics (BBS) statistics. IDLC’s SME Division has been committed to meeting the requirements of SMEs across various fields so as to enhance their aims. Women entrepreneurs can leverage on IDLC’s cost-effective funding products that come at competitive interest charges alongside an array of paying options. Additionally, IDLC Purnota expanded its services, in 2015, through networking events, market linkage initiatives, and capacity building training aimed at female entrepreneurs. As of this date, 5000 women benefited from IDLC loans for business enabling female economic empowerment through such programs.

3.1.2 Objective(s)

My research will concentrate on identifying the primary obstacles faced by entrepreneurs when they seek loans for their businesses. While previous studies have examined the overall impact of refinancing on SMEs (Small and Medium-Sized Enterprises), my research will delve deeper into the specific role that IDLC Finance PLC's loan schemes, such as JICA, AGRO and WEL (Women Entrepreneur loan), can play in alleviating the challenges encountered by both underprivileged communities and women entrepreneurs. Additionally, it will also address the challenges faced by entrepreneurs in accessing loans for their businesses.

Research Questions:

1. What steps taken by IDLC to increase the ability of entrepreneurs to access the financing schemes?
2. Which of the loan schemes offered by IDLC have uplifted different underprivileged communities of Bangladesh?
3. What obstacles do women entrepreneurs face, and how is IDLC Purnota solving them to aid in women's financial independence?

3.1.3 Significance

In Bangladesh, Small and Medium Enterprises (SMEs) often encounter barriers in accessing financial resources due to issues like poor credit ratings, limited collateral, and insufficient financial literacy. This analysis holds vital implications for evaluating and refining strategies aimed at bolstering credit availability for marginalized communities. This report shows detailed research on trends and differences in outstanding loans, recovery rates as well as industry growth concerning Bangladeshi SME loans which have been disbursed during the previous years. It also shows some barriers and challenges faced by Bangladeshi female business proprietors when they are seeking credit facilities. The research seeks to elaborate the systemic issues that require attention to enhance women’s access to financial resources by exposing them; additionally, it evaluates how initiatives like Purnota deal with SME finance-related discrepancies about gender roles to address the crucial roles when it comes to promoting female entrepreneurship. This study underpins aimed at providing practical ideas for policymakers, financial institutions and development organizations to take targeted interventions and establish a fair and inclusive financial environment for small and medium sized enterprises in Bangladesh by a thorough examination of these components.

3.2 Methodology

In this research data collection, a combination of primary and secondary methods is used. In order to get primary data, the Senior Executive Officer, Shaown Maumud, and the Head of Purnota, Navid Chowdhury are interviewed. In this regard, there are many details about loan applications and how the Purnota loan program works from these interviews. The secondary data, which is obtained from publicly accessible web sources including reports, annual reviews, and articles, enhances the primary data by offering a more comprehensive viewpoint. Credible organizations such as the World Bank, IDLC, IFC, and Bangladesh Bank are the main sources of secondary data; for a thorough summary of the company's financial performance, particular focus is paid to IDLC Finance Limited's annual reports. Additionally, the IDLC Monthly Business Review Magazine online is scrutinized for SME-specific insights. External sources like books, journals, periodicals, and newspapers are utilized for statistical analysis.

3.3 Findings and Analysis

3.3.1 Overview of SME financing in Bangladesh

Being a developing country with middle income status our economy is heavily dependent on the small and medium sized businesses spread all over country contributing to our GPD growth, employment generation, poverty reduction, and overall economic growth. In 2022, the manufacturing sector- which includes cottage, micro, small, and medium-sized businesses contributed around 24.45% of GDP, as reported by the Bangladesh Bureau of Statistics (BBS).

Begum & al (2022), in their study of finding significance of SME financing on GDP growth found that, SME has a positive and substantial impact on our GDP. More specifically if there is a 1% increase in SME output it will drive the GDP to rise by 0.30% on average. Increase in the SME financing is expected to encourage employment and increase income which uplifts our standard of living and eradicate poverty. (Begum & al, 2022)

Bangladesh has a thriving Small and Medium Enterprise (SME) sector, which is further subdivided into 33 product and service subsectors within 3 main sectors. In 2022, 35.41% of workers were employed by SMEs, which make up 50.91% of the microeconomic sector. As per the BBS economic study, the CMSME sector accounts for almost 99% of all enterprises in the country. With 7.8 million employees, this sector accounts for 80% - 85% of all industrial jobs in the country. By the end of 2024, the contribution in GDP of SME is expected to reach to reach at 32%. (Tribune, 2022)

According to the National Industrial Policy (2016), cottage, micro, small and medium sized enterprises are the firms which is not a public limited company and complies the following criteria:

Type of Industry		The amount of investment BDT	Number of employed workers
Cottage Industry		Below 10 lakhs	not exceed 15
Micro Industry		10 lakhs to 75 lakhs	16 to 30
Small Industry	Manufacturing	75 lakhs to 15 Cr	31 to 120
	Service	10 lakhs to 2 Cr	16 to 50
Medium Industry	Manufacturing	15 Cr to 50 Cr	121 to 300
	Service	2 Cr to 30 Cr	51 to 120
Large Industry	Manufacturing	More than 50 Cr	More than 300
	Service	More than 30 Cr	More than 120

Table 5 Definition of CMSME in Bangladesh (SME.gov.bd, 2016)

To facilitate these growth, Bangladesh Bank has implemented various policy initiatives to facilitate their access to finance through bank and NBFI. These include setting self-determined, year-wise lending targets for banks and Non-Bank Financial Institutions (NBFIs) specifically focused on the SME sector. This target-based approach, along with close monitoring by

Bangladesh Bank, encourages them to prioritize SME lending. Furthermore, refinancing facilities have been established to provide banks and NBFIs with additional liquidity for SME financing.

3.3.2 SME loan products of IDLC Finance PLC.

Since 2004, IDLC has provided low-interest loans for company refinancing to small and medium-sized enterprises. It has been successful to obtain refinancing from a number of institutions, including the Asian Development Bank, Bangladesh Bank, and Japan International Cooperation Agency (JICA). These funds specifically target a wide range of industries, including as publishing and printing, plastics production, light the field of engineering, dairy and agricultural products, businesses that support green economy, and female entrepreneurs. By using these readily available funds, IDLC may be able to offer small and microbusiness owners financial assistance and favorable interest rates, supporting to their growth in the economy. The programs for IDLC SME refinancing are:

- ADB refinancing program
- Women entrepreneur refinancing program
- JICA refinance program
- Agro Based refinancing program
- CMSME prefinance

3.3.3 Financial inclusion gaps & Refinancing schemes

Having no bank accounts is one of the greatest barriers for people to partake in financial inclusion adding more obstacle accessing financial services. Process of creating a bank account and receiving and using credit card sometimes can be very complicated, especially for the non-banking people who are not familiar with banking operations. Furthermore, SMEs find it difficult to raise capital due to credit limitations.

The most common reason people are financially excluded is the low literacy in financial matters which makes it hard for most to comprehend what various financial products and services are all about thus interfering with their capacity to make informed choices not leaving behind the distribution of bank offices in urban centers which leave out the rural poor and other disadvantaged groups. Financial institutions face difficulties providing services to underprivileged groups because operational expenses are disparate from possible returns. Also, people and firms who lack proper strategies for risk management find it hard because of external factors such as market volatility as well as natural disasters.

Credit applicants face substantial obstacles due to the demand of collateral and guarantors, especially those from marginalized groups who have limited access to assets or willing guarantors. Informal businesses, reliant on cash transactions, struggle to access formal financial services, perpetuating financial exclusion. Assessing borrowers' debt positions is complicated by reliance on informal credit sources and microfinance institutions, often not captured accurately in traditional credit assessments. Furthermore, the narrow profit margins associated with SME financing deter financial institutions from prioritizing this sector, limiting essential financial resources for small enterprises and entrepreneurs.

3.3.4 Entrepreneurial challenges in SME financing due to Financial Inclusion gaps

Bangladesh's SME sectors' contribution in GDP contribution is quite low when compared to its neighboring countries due to psychological obstacles, complicated procedures, and lack of interest to fund. According to the president of FBCCI, inadequate finance and obsolete policies are to blame for the SME sector's underutilization of resources. Many organizations failed to meet targets for loan disbursement in various categories, despite the government creating laws and targets in this regard. In July 2020, deposits totaled BDT 107.88 billion, while loan disbursements amounted to only BDT 949 million, indicating that less than 1 percent of the deposits were allocated as loans. This low loan-to-deposit ratio suggests that financial exclusion is the primary reason for the lack of credit provision to Cottage, Micro, Small, and Medium Enterprises (CMSMEs). The utilization of formal finance by CMSMEs in Bangladesh is significantly restricted, with an estimated finance gap valued at BDT 237 billion or USD 2.8 billion. (Light Castle Partners, 2020)

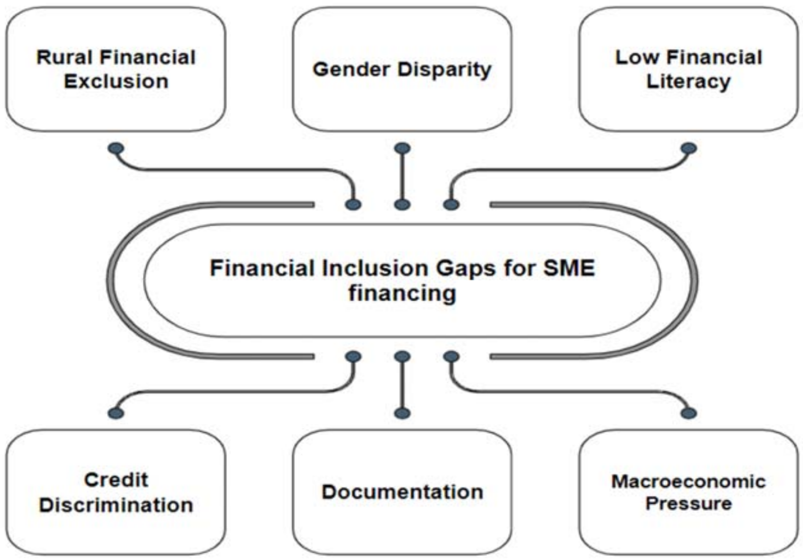


Figure 11 Financial Inclusion Gaps to access SME Finance

A. Limited Financial Access for Women Entrepreneurs:

Critical issues and gaps concerning female financial inclusion in Bangladesh encompass various challenges across multiple dimensions.

Firstly, access to banking services remains a significant hurdle, with approximately 65% of women lacking access. Additionally, there is a notable gender gap in mobile phone ownership, an essential tool for accessing mobile financial services, with around 30% fewer women owning mobile phones compared to men.

Gender Gaps on Selected Indicators of Financial Inclusion, 2018

Particular	Male (% of Adult Males)	Female (% of Adult Females)	Gender Gap (%)
Registered users of banks	30	20	33
Registered users of MFS	24	10	58
Registered users of NBFI[a]	20	27	–35
Own or access mobile phone (any type)	91	78	14
Own smartphone	30	16	47
Have necessary ID	87	84	3
Own SIM card	88	70	20
Able to send and receive text messages	55	39	29
Financial literacy	33	24	27
Financial numeracy	87	79	9
Accessed a digital payment or transfer	56	32	43

ID = identification, MFS = mobile financial services, NBFI = nonbanking financial institution, SIM = subscriber identity module.

Table 6 Source: Financial Inclusion Insights. 2019. Bangladesh, Wave 6 Report, Sixth Annual FII Tracker Survey 2018. Washington, DC

According to the FII survey, the gender gap for smartphone ownership was 47%, while ownership of any cell phone showed a 14% difference between genders. The Global System for Mobile Communications (GSMA) survey in 2020 reported a 29% gender gap in mobile phone users, an improvement from the 33% gender gap recorded in 2019. GSMA emphasizes that in low- and middle-income countries, mobile phones are the primary gateway to internet access, highlighting the implications of women's lower smartphone ownership on internet usage. Additionally, the FII 2019 survey identified skills shortage, including texting proficiency, financial literacy, numeracy, and financial management skills, as significant barriers to financial inclusion among women. (ASIAN DEVELOPMENT BANK, 2017) Moreover, obstacles persist in loan disbursement, with only 7% of small and medium-sized borrowers being women. There are thousands of businesses in remote areas who are successful but they have no credit history, absence of official documents, and a lack of understanding of the banking process, all together act as huge barriers when it comes to accessing formal credit fundings.

B. Gender Disparity:

Financial literacy remains a significant barrier in Bangladesh, where a considerable portion of the population lacks MFS and formal banking access and the financial literacy rate is notably low. Recognizing the importance of Mobile Financial Services (MFS) in promoting currency mobility, Bangladesh Bank introduced MFS as part of its Financial Inclusion Program. Despite the growing adoption of MFS accounts in Bangladesh, women significantly trail behind men in terms of financial inclusion, as highlighted by a recent study conducted by a team of researchers.

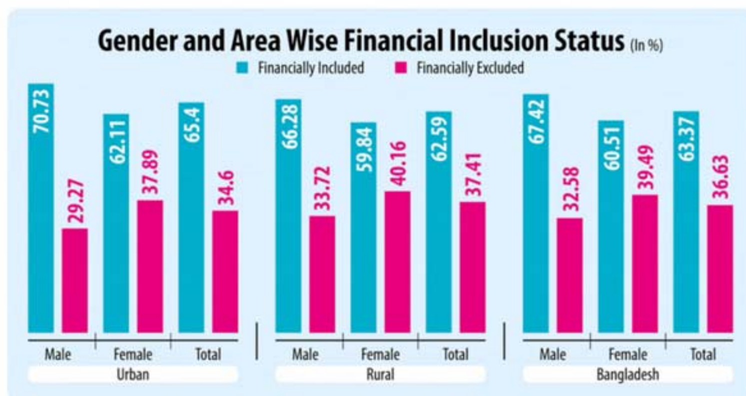


Figure 12 Gender and Area wide financial inclusion (Source: The Daily Star)

The study revealed that currently, 82.58 percent of men possess Mobile Financial Services (MFS) accounts, whereas only 47.16 percent of women do. (Banu, 2024) In Bangladesh, the research unveiled a notable 6.90 percentage point disparity in financial inclusion between genders. Analysis of the results indicates that approximately 75% of this gap can be attributed to various factors such as demographics, economic condition, education level, job status, and marital situation. However, there remains a significant 25% portion of the gap that remains unexplained. (The Daily Star, 2024) A 2019 survey conducted by Bangladesh Bank identified primary reasons for financial exclusion, including inadequate physical access to banking infrastructure, high minimum balance requirements, and insufficient financial education. An Asian Development Bank (ADB) study published in December revealed that 65% of women in Bangladesh remain unbanked. Furthermore, there exists a significant gender gap in mobile phone ownership, with women constituting only 7% of borrowers in the small and medium enterprises (SME) sector. (Rahman, 2023) The inaccessibility of financial services to women and their reluctance to adopt digital financing can be attributed to the lack of proper financial literacy initiatives and financial inclusion measures.

Hesitation of lending: The biggest barriers are faced by women-owned businesses as banks are still hesitant to lend to female-run SMEs even if these businesses have a track record of timely loan repayment. Just 6.6% of the borrowers, when accounting for all SME loan disbursements, were female. The women entrepreneurs receive only about 4% of the entire amount of CMSME loans. They are reluctant to finance women because in some cases women are shown as partners in business only to get access to low interest rate loans by the male partners. Just 3.54% of the SME loan disbursement portfolio in FY2022 went to women. Compared to male borrowers, SME female borrowers often take out loans that are nearly half as large. Therefore, there is a gender disparity in the way that people can obtain financing. (Ahmed, 2022)

C. Limited Banking Infrastructure in Remote Areas:

One significant supply-side factor contributing to financial exclusion is the geographical distribution of bank branches, particularly in urban or semi-urban areas. This geographical disparity in banking infrastructure contributes significantly to financial exclusion, particularly for women in rural areas who face time constraints and social norms restricting their mobility. The scarcity of ATMs also forces women to go to far-off cities in order to obtain cash, which worsens the problem of financial exclusion.

Banks or NBFI branches are mostly located in urban or in Upazilla, due to lack of having branches in the remote areas the SME funds are not getting into the hands of people in remote places. Even if there are successful people running small handicraft businesses in rural areas, they don’t have knowledge about these SME funds because of lack of banking and FI branches. Traditionally they borrow money from NGO or Local lenders at higher interest rates leading to underutilized SME funds. (Raihan, 2021)

D. Financial Literacy Barriers:

The rural areas are mostly unaware of the SME concept and existence of such facilities. In order to access stimulus funding offered by refinance schemes, around 38% of MSME's need a valid trade license and/or a tax identification number.

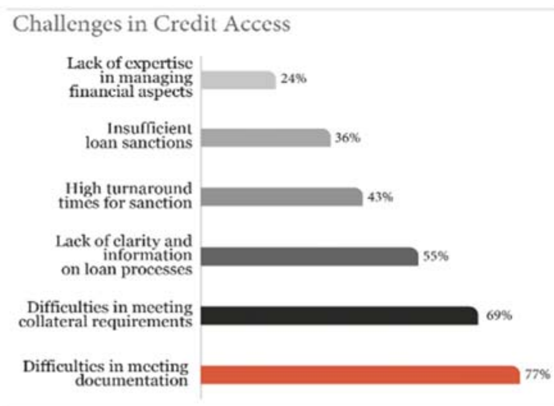


Figure 13 IFC Gender Finance Survey 2016

Despite the increasing number of women entrepreneurs across different sectors, many banks are still hesitant to provide loans to them. A survey conducted by Bangladesh Bank on 680 women entrepreneurs revealed that 32% encountered difficulties in securing loans, while 23% lacked proper information. Similarly, an International Finance Corporation (IFC) survey of 500 women indicated that 69% struggled to meet collateral requirements for loans under Tk 1.0 million. Because of these obstacles, these businesses are unable to complete the rigorous documentation process. However, financial institutions have provisions for collateral-free loans up to Tk 2.5 million for women entrepreneurs, as per the SMESPD Circular on SME Financing, provided the borrower is a woman entrepreneur or at least 51% of the borrowing institution is owned by a woman. (Begum F. A., 2019)

E. Institutional Hesitancy and Risk Perception:

Less than 30% SMEs have access to institutional loans. Owing to their informal economic activities, they encounter several other difficulties, like the difficulty of getting institutional loans and government support through institutional channels. Because most banks thinks that transactional and operating expenses for these small loans are too much compared to the interest they earn. Many banks ponder that these loans are risky as many SMEs have unsustainable business plans, which makes loan recovery unpredictable. (Financial express, 2023)

F. Macroeconomic pressure:

In recent years, several macroeconomic pressures, including the Covid-19 pandemic, the Russian-Ukraine war, soaring fuel prices, rising interest rates, and inflation, have significantly impacted the revenue generation of small to medium-sized organizations operating in Bangladesh. The high inflation rate prompted the Bangladesh Bank to cease further funds for SME financing until inflation is under control, as continued funding could exacerbate inflation by increasing the money supply. This cessation of funding ultimately diminishes the ability of SMEs to repay loans. Despite government subsidies and easy access to loans in the past 3 years, the non-performing loan (NPL) ratio of several banks and non-banking financial institutions (NBFIs) has increased, with SMEs struggling to repay loans, discouraging organizations from providing new SME loans. Additionally, lending activities for cottage, micro, small, and medium enterprises (CMSMEs), as well as consumer loans, may incur an additional fee of up to 1% to cover supervision costs. (Khatun, 2023)

3.3.5 Refinancing Schemes to mitigate Financial Inclusion

Refinancing schemes have been devised to facilitate credit access for Cottage, Micro, Small, and Medium Enterprises (CMSMEs). Under the refinance scheme offered by the Bangladesh Bank, banks and financial institutions can access funds at the bank rate, presently set at 5%, within the SME sector. These schemes operate through funding from various entities such as the Bangladesh Bank, IDA, and Asian Development Bank (ADB), with fund allocation aligned with the objectives of these entities. Notably, the Bangladesh Bank prioritizes directing funds under refinance schemes towards the manufacturing and service sectors to stimulate employment and economic growth. The Bangladesh Bank has made it a priority to support women in entrepreneurship, allocating at least 15% of its total refinance capital for the SME sector to female entrepreneurs. This makes it possible for banks and other financial organizations to lend money to female business owners at interest rates of 5% to 10% annually. The financial system needs to be made more inclusive of a larger portion of the population in order to support Bangladesh's economic growth by making credit and jobs more accessible. Many bank branches and microfinance institutions exist, but not all of the population, especially the impoverished in rural areas, has sufficient access to financial services. The Government of Bangladesh (GOB) and the Bangladesh Bank have established in place several kinds of corrective measures to close these gaps in financial inclusion.

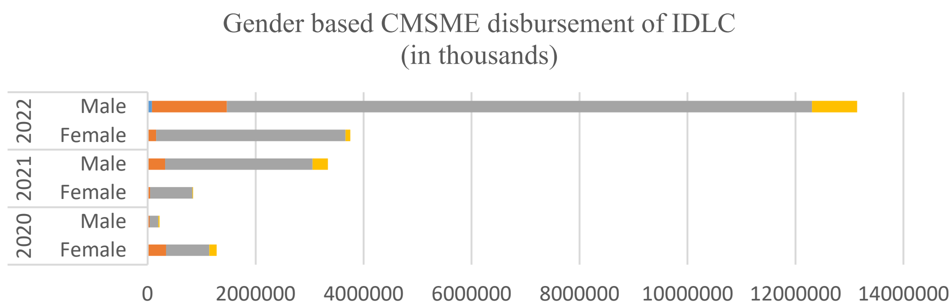
Encouraging financial inclusion requires integrating Cottage, Micro, Small, and Medium-Sized Enterprises (CMSMEs) into the official banking system. Along with holding capacity-building programs for banks and Non-Bank Financial Institutions (NBFIs) to increase their efficacy in servicing these sectors, the Bangladesh Bank provides guidelines and prudential regulations to facilitate financing for CMSMEs.

3.3.6 Contribution of IDLC refinancing scheme to mitigate financial inclusion gaps

The IDLC refinancing scheme has played a pivotal role in addressing financial inclusion gaps through various initiatives:

I. Women's Accessibility to SME Financing:

IDLC's SME loan division offers the Women Entrepreneur Loan (WEL), specifically tailored to support women CMSME owners, thereby promoting financial inclusion and empowering women entrepreneurs. In alignment with government objectives, at least 15% of the Bangladesh Bank's refinance fund for the SME sector is earmarked for women entrepreneurs, totaling 3000 crore BDT, allocated to various banks and non-banks to facilitate easier financing access for women.



	2020		2021		2022	
	Female	Male	Female	Male	Female	Male
Cottege	3300	11850	0	9350	5900	77700
Micro	334400	23250	42250	313380	149900	1387615
Small	803300	160150	786450	2729230	3508230	10840814
Medium	135100	24500	12000	284720	89400	835620

Table 7 Gender based CMSME disbursement of IDLC

Analyzing the gender-based disbursement of CMSME loans over the years reveals a consistent trend of higher disbursement amounts for male-owned enterprises. In 2021, the total disbursement amount for female-owned enterprises amounted to over 78 million BDT, whereas it was over 272 million BDT for male-owned enterprises. However, these figures increased substantially in 2022, with disbursements rising to over 350 million BDT for female-owned enterprises and exceeding 1084 million BDT for male-owned enterprises. Moreover, the loan amounts extended to both genders have been experiencing rapid growth over time, reflecting IDLC's capacity to finance an increasing number of female entrepreneurs within the CMSME sector.

Remarkably, WEL loans constitute an extensive portion of IDLC's SME loan portfolio disbursements; on average, each month, a third of the loan files are WEL loans. WEL seeks to reduce borrowing costs and assist female entrepreneurs in starting or growing their businesses by providing an alluring 4% interest rate.

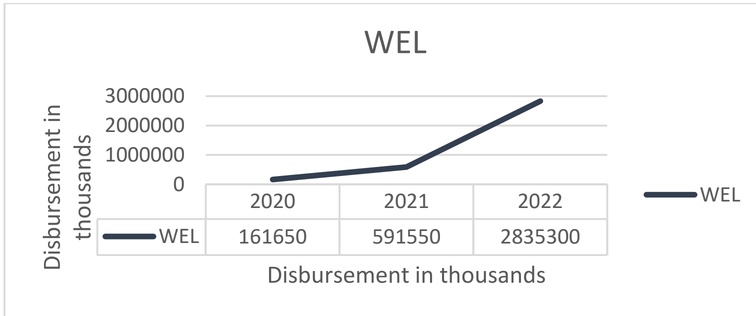


Figure 14 Total Disbursement of WEL yearly comparison

WEL's reimbursement amount has increased significantly over time, rising from less than 59 crore BDT in 2021 to 283 crore BDT in 2022.The streamlined interest rate arrangement and accommodating regulations promote women's unrestricted access to financing. If the company is licensed under female ownership, WEL loans are available nationally for a variety of sectors, including manufacturing, services, and trading. The maximum loan amount is 50 lakh BDT.

II. **Expanding Rural Financial Inclusion Initiatives**:

A key component of IDLC's strategy focus is financial accessibility for rural areas, which is demonstrated by their dedication to agriculture loans with advantageous terms and low interest rates. Additionally, IDLC supports agro-tech businesses with loan and equity finance. One example of this is the investment they made in i-Farmer, an entire system for agriculture that meets the demands of farmers. In addition to supporting the agriculture industry, this

Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.

Area	BDT crore
Dhaka	7,587.96
Chattogram	686.72
Bogura	261.39
Sylhet	180.00
Savar	421.63
Cumilla	277.51
Jashore	264.07
Narsingdi	121.45
Bhulta	133.92
Khulna	161.69
Natore	113.65
Kushtia	179.80
Habiganj	154.74
Mymensingh	194.48
Rangpur	158.64
Chowmuhani	228.03
Barishal	188.24
Rajshahi	104.03
Faridpur	110.33
Dinajpur	37.37
Total	**11,565.63**

Figure 15 Area-wise distribution of credit exposures in 2023

investment lessens the need for commercial loans by encouraging other agro-based businesses to use SME loans for operating capital.

Additionally, in order to speed up the economic rehabilitation of rural cottage, micro, and small-scale enterprises, IDLC has partnered with the SME Foundation. By means of this partnership, IDLC is able to utilize financial resources to offer lending options to companies operating in rural SME clusters and certain subsectors. IDLC intends to establish business centers, which will act as tiny distribution hubs around the nation to improve micro-level penetration and enable service delivery in geographically remote regions.

IDLC acknowledges the value of assisting SMEs, as they create jobs and boost regional economies, since a large fraction of these businesses are located outside of Dhaka. Outside of Dhaka, IDLC distributed 11,565.6 crore BDT to a variety of economic sectors, as per their 2023 annual report. IDLC Finance PLC has started digital lending procedures in order to increase loan disbursement in remote places.

Furthermore, a big step toward advancing financial inclusion is the partnership between IDLC Finance Limited and Delivery Tiger, which will start on January 1, 2023. In order to support the expansion of cottage, micro, small, and medium-sized businesses (CMSMEs), this alliance intends to offer small-ticket loans to retailers using Delivery Tiger's platform. IDLC Finance improves accessibility to finance opportunities by utilizing Delivery Tiger's platform to provide digital lending for enterprises in underprivileged areas.

III. Digital Financial Inclusion:

IDLC Finance PLC persists in giving priority to digital inclusion in order to assist SMEs and efficiently reach clients. IDLC seeks to improve disadvantaged communities and close the digital divide by use of strategic alliances and cutting-edge digital goods. Reaching important benchmarks, including breaking the 1 million mark in IDLC Digital DPS accounts thru bKash, has been made possible by the implementation of digital deposit schemes and cooperation with the bKash DPS network.

With banks and other financial institutions forming relationships with MFS providers, agent banking and Mobile Financial Services (MFS) are key components in bringing digital financial services to remote locations. Internet banking and MFS transactions have increased significantly as a result of the spread of digital financial services; in 2023, compared to 2022, the volumes of these transactions increased by 122% and 26%, respectively.

The country's first "Digital Savings Scheme" was introduced by IDLC Finance PLC, marking a groundbreaking achievement in the promotion of financial inclusion. This initiative enables previously underserved individuals to access IDLC Finance's term-deposit services using their bKash accounts, thus empowering more people to participate in the formal financial system. The goal of IDLC's digital projects is to increase financial services accessibility and promote financial empowerment for all societal groups. (IDLC Finance PLC, 2023)

IV. Enhancing Financial Literacy:

The Bangladesh Bank has undertaken initiatives to educate the public about various financial services, products, and activities, with a focus on students, women, rural and urban poor, and senior citizens. The launch of the Social Media Communication Gateway enables widespread access to Bangladesh Bank's activities through platforms like Facebook, YouTube, and Twitter. IDLC Securities Limited (IDLCSL) is actively pursuing the digital transformation of its brokerage company, with a primary focus on reorganizing services to better meet customer expectations and building a financial literacy platform. In a nation where the average literacy rate is roughly 74.66%, an institutionally coordinated effort to raise public financial literacy is urgently needed.

Using social media platforms are one of the most essential strategies to promote financial literacy. Individuals can enhance their knowledge also can make decisions about all financial activities like earning, spending, budgeting, saving, and managing cash by making the utmost utilization of these platforms, which enables them to achieve the financial goals and distinctive objectives. IDLC, the largest non-banking financial institution in Bangladesh, has a specific aim is to improve the abilities of young adults as well as to fortify their learnings further. For example, "Finance Olympiad" an event from 2019, through which IDLC provides financial education for the youth in collaboration with 10 Minutes School. IDLC appreciates importance of gaining financial knowledge, thus, offering valuable insights into essential money matters in order to foster both personal and professional growth. IDLC launched a youth-focused financial education program that has progressed significantly, with over 150,000 participants nationwide. By these initiatives, IDLC hopes to give young people the information and abilities they need to successfully negotiate the complexity of the financial world.

3.3.7 Impact of IDLC Purnota

Purnota Loan: Many attractive benefits, specifically designed for female entrepreneurs, are offered by the Purnota Loan. Borrowers can pick how long they want to repay their loans, with durations ranging from 13 to 60 months. The loan amount accommodates a range of business demands, starting at BDT 2 lacs. No collateral is required for loans up to BDT 35 lacs, which is a significant advantage. Repayment plans with flexibility are designed to correspond to with the cash flow of the company. Furthermore, the refinancing program offered by Bangladesh Bank allows loans up to BDT 50 lacs at an attractive 5% interest rate. To help women-owned businesses flourish, Purnota provides carefully chosen non-financial services in addition to financial support.

Purnota offerings: A whole range of financial and nonfinancial services are provided to women-led firms by Purnota, a financial solution designed specifically for female entrepreneurs and launched in 2015. With a customer base of about 5000 people, the Purnota loan portfolio has grown significantly since its founding, going from US $28 million to US $39 million. Purnota stands out among IDLC's varied business divisions for its strong portfolio quality, with an exceptionally low non-performing loan ratio of just 0.64%.

It provides women entrepreneurs with a range of options, including:

- Purnota offers special rates and perks on loan and deposit schemes designed exclusively for women-owned enterprises.
- Collaborating with the SME Foundation, capacity-building courses were held on subjects like cash flow management, basic accounting, and product marketing.
- A facility for business facilitation that supports female entrepreneurs with license applications, tax preparation, and regulatory documentation.
- A specialized helpline offering guidance on several business matters to female entrepreneurs.
- Discounts for female businesses from participating suppliers via the IDLC Advantage Card. The Purnota Club, providing a platform for female entrepreneurs to exchange knowledge, ideas, and experiences in a supportive environment.

Empowering Women through IDLC Purnota

Empowering Women through IDLC Purnota: IDLC's "Purnota" initiative offers a comprehensive loan solution tailored to CMSME women-owned businesses. In partnership with the SME Foundation, IDLC SME "Purnota" conducted extensive training programs for over 120 women entrepreneurs and transgender women entrepreneurs in Jassore, Myemensingh, Rangpur, and Dinajpur.

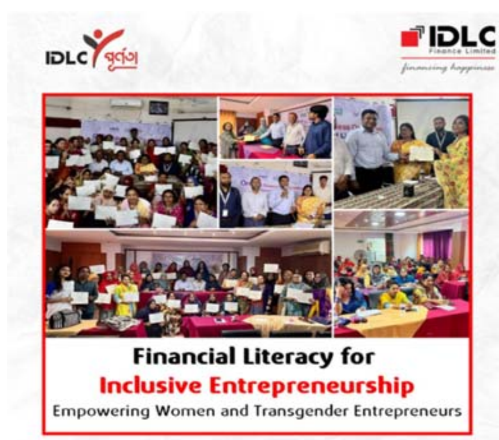


Figure 16 Financial Literacy Program by IDLC Purnota

These programs covered essential areas such as financial literacy, basic accounting, e-commerce business, and online operations. IDLC consistently organizes such training to educate women, indigenous, and marginalized groups about available funds and government facilities for women entrepreneurs.

The primary goal of IDLC Purnota is to provide financial support to women entrepreneurs, enabling them to grow their businesses and achieve their objectives. With flexible repayment options and low interest rates, women entrepreneurs can optimize their business operations using this low-cost fund. Direct Through Processing (STP) lead processing ensures that funds are released to clients fast. To further assist women entrepreneurs in reaching their goals, IDLC Purnota also hosts networking events, market linkage initiatives, and capacity-building training.

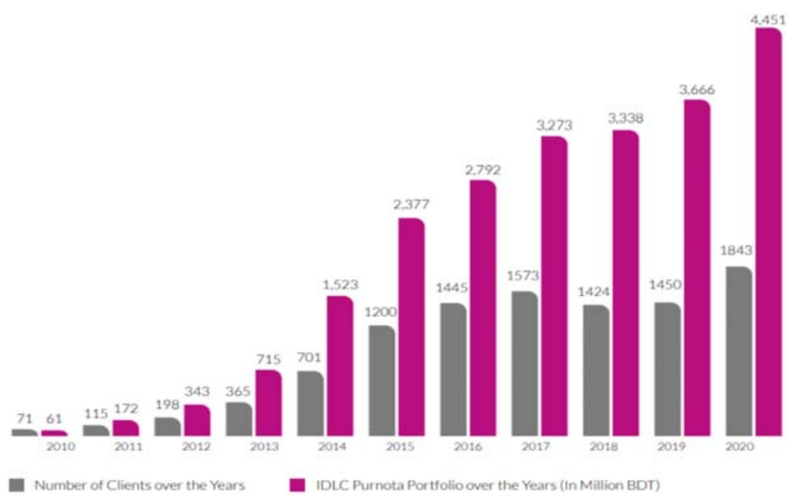


Figure 17 IDLC Purnota total Client and Disbursement

Serving 5,312 clients through December 2020, IDLC Purnota has been a prominent distributor of the Bangladesh Bank's Refinance Scheme and other affordable financing options for women entrepreneurs in Bangladesh since its founding in 2015. Up to 2023, IDLC has given BDT 36,719 million to women in the SME sector, assisting over 7,000 female entrepreneurs. (IDLC Finance PLC., 2021)

IDLC is dedicated to advancing the role of financial literacy in closing knowledge gaps and enabling entrepreneurs, especially those from underrepresented backgrounds. The goal is to establish a thriving, diverse business environment where each and every entrepreneur can succeed. Acknowledging the significance of financial inclusivity, endeavors have been expanded to cater to the requirements of the transgender population, guaranteeing equitable chances for all prospective entrepreneurs. By imparting critical financial information and skills, the goal is to dismantle obstacles and promote fair business. IDLC is committed to supporting entrepreneurs, promoting economic growth, and creating a better future for communities through partnership with the SME Foundation.

3.4 Summary and Conclusions

To summarize, CMSME sectors in Bangladesh consist of a significant portion of our economy and have a high contribution in our GDP indicating that to become a developing country and to mitigate financial inclusion gaps both the Banking and financial sector needs to step up and extend their hands to the ends of Bangladesh. Even if there are adequate funds available for businesses to use but lack of a proper distribution network to distribute funds to the remote areas is still a challenge. To overcome this challenge, constant awareness programs through digital and analog media, using NGO workers to educate about financial literacy, and bringing people under proper legal documentation is needed.

3.5 Recommendations/Implications

The advancement of Small and Medium Enterprises (SMEs) in Bangladesh is imperative for enhancing the living standards of its population. Bangladesh banks frequently revise their policies to incentivize banks and institutions to extend SME loans, addressing the myriad challenges faced by entrepreneurs. Notably, Bangladesh Bank is actively promoting financial literacy, particularly among rural women, to foster greater financial awareness. Several recommendations are proposed to confront these challenges effectively:

Implementation of stricter policies: Bangladesh Bank, in collaboration with the government, should enforce more rigorous regulations for banks, urging them to intensify efforts in SME financing. This entails breaking away from conventional banking practices and collaborating with Non-Bank Financial Institutions (NBFI) to meet SME loan disbursement targets.

Ensuring access for women entrepreneurs: Rules should be enforced to grant women entrepreneurs equitable access to debt financing, given their majority ownership in many businesses. Allocation of CMSME loan budgets should prioritize organizations fitting the CMSME criteria, particularly in rural areas.

Promotion of financial literacy: Bangladesh Bank, in partnership with financial institutions, should conduct annual programs, especially targeting rural entrepreneurs, to educate them on financial management, loan application processes, and the benefits of SME loan schemes, thereby enhancing their prospects for success.

Expansion to remote areas: Given the absence of bank branches in remote regions, NBFI can employ agent banking as a means to provide specially tailored financial products to underprivileged populations. Collaborations with NGOs can facilitate outreach efforts, particularly among agro and handicraft businesses, benefiting from financial literacy programs delivered by female agents, particularly in conservative communities.

Establishment of help desks in local government offices: In areas inaccessible to financial institutions, setting up small booths manned by agents can provide underprivileged individuals with information on financial products and assistance in preparing necessary business documents. Extending SME funds to these remote areas holds promise for enhancing financial stability, increasing employment opportunities, and augmenting contributions to GDP.

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Appendix

IDLC Finance PLC.					
Income Statement	**2022**	**2021**	**2020**	**2019**	**2018**
Interest income (REVENUE)	**11228561076.00**	**10541776398.00**	**12100085456.00**	**13183089035.00**	**11162932726.00**
Less: Interest expenses on deposits & borrowings(EXPENSE)	6120762212.00	5455230216.00	7607461883.00	8512176946.00	6940206955.00
Net interest income(GROSS PROFIT)	5107798864.00	5086546182.00	4492623573.00	4670912089.00	4222725771.00
Income from investments	319009005.00	1141313150.00	1337147180.00	96164996.00	559293312.00
Commission, exchange and brokerage	588491486.00	931447824.00	505274959.00	410459017.00	597129398.00
Other operating income	572885691.00	441112880.00	332477932.00	440562062.00	445097147.00
Total operating income	**6588185046.00**	**7600420036.00**	**6667523644.00**	**5618098164.00**	**5824245627.00**
Salaries, allowances and other benefits	1801415983.00	1744772489.00	1624327491.00	1431940133.00	1294517509.00
Rent, taxes, insurance, electricity etc.	57526099.00	55773838.00	50986243.00	58428798.00	224066909.00
Legal and professional fees	20774207.00	20741520.00	23894250.00	22539605.00	10102999.00
Postage, stamps, telecommunication etc.	61888562.00	47532802.00	46782578.00	43491044.00	38997409.00
Printing, stationary, advertising	214940733.00	153720361.00	111491619.00	161843179.00	165973660.00
Salary and allownaces paid to Managing director	12600004.00	9166670.00	12600004.00	12490004.00	11940004.00
Directors' fees and expenses	2376749.00	1918696.00	1854086.00	1990581.00	2144666.00
Audit fees	1835723.00	1236250.00	1236250.00	1228928.00	2841940.00
Depreciation, repair & maintenance expenses of FI's assets	277276090.00	280953473.00	319990227.00	328860566.00	170661980.00
Other operating expense	432821533.00	432643433.00	355999663.00	371286980.00	378707446.00
Total operating expenses	**2883455683.00**	**2748459532.00**	**2549162411.00**	**2434099818.00**	**2299954521.00**
Profit before provision against loans and advances(Net	3704729363.00	4851960504.00	4118361233.00	3183998346.00	3524291106.00
Provisions for loans, investments and other assets / Specific	655927996.00	999601837.00	361769595.00	357945424.00	83980521.00
General provision for other assets	147269142.00	110531875.00	17877257.00	70258720.00	91218921.00
Diminution of in value of investment	283947563.00	39570302.00	-64953435.00	-5310393.00	221812982.00
Total provision	1087144701.00	1149704014.00	314693417.00	422893751.00	397012424.00
Profit before tax and reserve(EBT)	2617584662.00	3702256490.00	3803667816.00	2761104595.00	3127278682.00
Current Tax	1253411259.00	1559426255.00	1321516473.00	1079041944.00	982835113.00
Deferred tax	4645363.00	26779017.00	-58419445.00	-17859563.00	-26556853.00
Income Tax adjustment from Previous Year	-555000000.00	0.00	0.00	0.00	0.00
Provision for tax	703056622.00	1586205272.00	1263097028.00	0.00	0.00
Net profit after tax for the year(PROFIT/ EAIT)	1914528040.00	2116051218.00	2540570788.00	1699922214.00	2171000422.00
EPS	4.61	5.09	6.42	4.51	5.76
Total Share Outstanding	415698485	415698485	415698485	415698485	415698485
Year end market price per share (BDT)	46.5	60.3	63.4	44.73	36.28

IDLC Finance PLC.

Balance Sheet	2022	2021	2020	2019	2018
Cash	**1,521,801,610.00**	**1,291,907,209.00**	**1,520,869,941.00**	**2,177,310,971.00**	**2565430058**
In hand (including foreign currencies)	440,000.00	435,000.00	430,000.00	340,000	330,000
Balances with Bangladesh Bank and/ or its agent banks/	1,521,361,610.00	1,291,472,209.00	1,520,439,941.00	2,176,870,971	2,564,995,968
Balance with other banks and financial institutions in	22,948,240,980.00	40,272,738,087.00	20,474,935,773.00	12,143,631,740	12,496,696,308
Money at call and short notice/Placement with banks	5,300,000,000.00	1,000,000,000.00	0.00	0	0
Investment in shares & securities	8,690,456,430.00	5,344,438,423.00	8,658,533,668.00	2,721,217,212	2,792,871,764
Government	3,753,452,934.00	396,498,302.00	3,044,775,043.00	956,582,294	0
Others investments	**4,937,003,496.00**	**4,947,940,121.00**	**5,613,758,625.00**	1,764,634,918	2,792,871,764
Loans and advances/Investment	106,437,667,218.00	91,756,368,707.00	93,073,616,160.00	91,448,447,902	82,409,607,473
Loans, cash credits, overdrafts etc./General	106,437,667,218.00	91,756,368,707.00	93,073,616,160.00	91,448,447,902	82,409,607,473
Fixed assets including land, building, furniture and fixtures	1,486,269,767.00	1,583,965,016.00	1,028,267,669.00	926,283,039	499,135,123
Other assets	1,800,303,310.00	1,663,351,309.00	2,117,376,104.00	5,238,018,539	4,418,113,871
Total assets	**148,184,739,315.00**	**142,912,768,751.00**	**126,873,599,315.00**	**114,654,809,403**	**105,181,750,507**
Borrowings from other banks, financial	37,027,721,208.00	36,674,079,415.00	20,790,990,945.00	14,027,773,689	12,246,240,919
Deposits and other accounts	80,246,036,581.00	75609287706	78,764,002,807.00	79,498,568,372.00	73,793,119,684
Term fixed deposits/Mudaraba Term	77,645,469,684.00	73,171,032,262.00	76,273,087,133.00	77,008,419,045	71,338,071,965
Other Deposits/ Mudarabba Deposits	2,600,566,897.00	2,438,255,444.00	2,490,915,674.00	2,490,149,327	2,455,047,719
Other liabilities:	12,801,368,924.00	13,840,462,090.00	12,080,141,073.00	9,897,359,976	8,113,798,073
Total liabilities	**130,075,126,713.00**	**126,123,829,211.00**	**111,635,134,825.00**	**103,423,702,037**	**94,153,158,676**
Shareholder's equity:	**18,109,612,601.00**	**16,788,939,539.00**	**15,238,464,490.00**	**11,231,107,366**	**11,028,591,831**
Paid up capital	4,156,984,840.00	3,959,033,190.00	3,770,507,800.00	3,770,507,800	3,770,507,800
Share Premium	1,260,585,930.00	1,260,585,930.00	1,260,585,930.00	1,260,585,930	1,260,585,930
Statutory Reserve	3,590,032,734.00	3,266,109,507.00	2,950,870,065.00	2,509,921,870	2,416,541,850
Retained Earnings/ Retained Surplus	**8,020,995,930.00**	**7,256,707,485.00**	6,209,997,420.00	2,643,591,766	2,534,456,251
General Reserve	1,000,000,000.00	1,000,000,000.00	1,000,000,000.00	1,000,000,000	1,000,000,000
Capital Reserve	34,509,627.00	0.00	0.00	0	0
Non Controlling Interest	3,540.00	3,427.00	3,275.00	3199	0
Dividend Equalization Fund	46,500,000.00	46,500,000.00	46,500,000.00	46,500,000	46,500,000
Minority Interest/ Non controlling Interest	**0.00**	**0.00**	**0.00**	0	0
Total liabilities and shareholders' equity	**148,184,739,314.00**	**142,912,768,750.00**	**126,873,599,315.00**	114,654,809,403	105,181,750,507
Book Value Per Share	43.56	40.39	38.49	37.18	36.17

Cash Flow Statement	2022	2021	2020	2019	2018
Interest received/Investment income in cash	11431498142.00	11324084901.00	10803787896.00	12,938,761,799	10949131152.00
Interest payments/Profit paid on deposits in cash	-3291104234.00	-3021582901.00	-4329066024.00	-4,557,675,271	-3,540,435,841
Dividend received/ Dividend receipts from investment in shares	160022871.00	176129283.00	90410952.00	123,091,573	151755893.00
Fees and commission receipts in cash	588491486.00	931447824.00	505274959.00	410,459,017	597129398.00
Cash payments to suppliers	-2643662390.00	-2496529418.00	-2263295953.00	-2,131,115,918	-2141228690.00
Income taxes paid	-1617655400.00	-1126883070.00	-1098008107.00	-1,041,679,057	-1007233668.00
Receipts from other operating activities	725238167.00	1396419649.00	1573663655.00	407,785,167	843946298.00
Cash generated from operating activities before changes in	5352828642.00	7183086268.00	5282767378.00	6,149,627,310	5853064541.00
Advance against Deposit	-271602243.00	48353047.00	271157373.00	0.00	0.00
Other assets	-93879504.00	448637406.00	-243046986.00	-752,254,284	-236768481.00
Other Deposit/ Margin Deposit/Term Deposit	4636748875.00	-3154715101.00	858420170.00	5,192,833,411	10620315314.00
Interest suspense	43332528.00	234743029.00	-125696744.00	157,605,188	-44779963.00
Lease Receivable	-887724022.00	73353832.00	458947478.00	780,482,277	351952217.00
Long term finance	-9097058909.00	2983152894.00	-1131384226.00	-6,912,577,883	-9397377217.00
Real estate finance	-2949768647.00	-537749702.00	1328284054.00	-3,031,251,200	-3669874683.00
Car loans	-778974953.00	-441706679.00	100291068.00	159,088,073	448720278.00
Personal loan	17629134.00	9957160.00	30725424.00	2,984,657	-55079042.00
Short term finance	-769887119.00	-261122732.00	-156273344.00	170,832,848	-127829509.00
Employee gratuity	-879723.00	6483486.00	10891370.00	15,233,359	4257123.00
Net drawdown of short term loan	-4400000000.00	10660000000.00	0.00	-1,600,000,000	3210000000.00
Payable and accrued expenses.	-3992832596.00	-2661456870.00	-2978161307.00	-4,310,491,404	-3214951788.00
Portfolio Investors' fund	-107825314.00	164869576.00	38079336.00	-368,455,004	228997522.00
Margin loan to portfolio investor fund	-189921315.00	-1273911481.00	-323342771.00	627,143,115	538591267.00
Advance/deffered payment of tax	-34813154.00	-41470489.00	-7634839.00	233,693,284	25573.00
Net increase / (decrease) in operating liabilities	-14123815170.00	11480505844.00	-1868743945.00	-9,587,736,663	-1686393395.00
Net cash from operating activities	**-8770986528.00**	**18663592112.00**	**3414023433.00**	**-3,438,109,353**	**4166671146.00**
Proceeds from sale of securities	-3346018007.00	3254095245.00	-1723265445.00	365,209,284	622271685.00
Proceeds from sale of property, plant & equipment	13129445.00	13.273,162.00	14573251.00	10,855,287	17237038.00
Purchase of property plant and equipment	96741665.00	777891268.00	56846163.00	90,204,071	56508623.00
Net cash used in investing activities	-3429630227.00	-2,489,477,139.00	-1765538357.00	285,860,500	583000100.00
Receipt of long term loan/Receipt of borrowings from other banks,	19195189892.00	6977746021.00	0.00	0.00	0.00
Repayment of longterm loan/Repayment of borrowings	0.00	0	-6,249,528,766.00	-6,785,695,099	-3,773,826,356.00
Net draw down/ (payment) of short term loan	0.00	0.00	5,835,000,000.00	10,117,227,869	1,659,707,940.00
Dividend paid	**593,985,951.00**	**584,229,672.00**	**1,315,877,663.00**	**1,314,917,412**	**1,127,828,973.00**
Net Cash used in financing activ	593,985,951.00	18,610,960,220.00	5,247,339,592.00	2,016,615,358	-3,241,947,389.00
Net increase/(decrease) in cash	**-12,794,602,706**	**39,764,029,471**	**6,895,824,668**	**-1,135,633,495**	**1,507,723,857**
Add: Cash & Cash Equivalents at b	0	0	15,099,981,046	16,235,614,541	14,727,890,684
Cash and cash equivalents at end o	-12,794,602,706	39,764,029,471	21995805714	15,099,981,046	16,235,614,541
Net operating cash flow per share	**-21.1**	**3.75**	**6.97**	**9.12**	**11.05**