



Inspiring Excellence

**Internship Report on  
'Descriptive Analysis of Consumer Division and Credit Risk Management of  
IDLC Finance Limited'**

**Submitted To**

Ms. Adiba Naoshin

Lecturer

BRAC Business School

BRAC University

**Submitted By**

Nuzhat Naomi

ID: 13304111

BRAC Business School

BRAC University

Date of Submission: August 7, 2017



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*financing happiness*

**Consumer Division and Credit Risk Management of IDLC Finance Limited**

## Letter of Transmittal

August 7, 2017

Ms. Adiba Naoshin  
Lecturer  
BRAC Business School  
BRAC University

### **Subject: Submission of Internship Report**

Dear Miss,

With due respect, I beg to state that it is a great privilege for me to submit to my internship report named “ Descriptive analysis of the Consumer Division and Credit Risk Management of IDLC” as per the supervisor’s instruction. I tried my best to make this report informative and comprehensive. I believe that my report will give you a brief picture of the topic and also about my valuable experience at IDLC.

Working in IDLC was a great experience for me and the vast knowledge that I gathered from there will surely help me in my near future.

Your appreciation and support through the whole time of internship has helped me a lot. Kindly accept my report and oblige me thereby.

Yours obediently,

Nuzhat Naomi  
ID: 13304111  
BRAC Business School  
BRAC University

## Acknowledgements

Firstly, I want to thank Almighty Allah for everything. With the help of Almighty and parents' blessings finally I have successfully completed my three months long internship at IDLC Finance Limited. And now the final report of the internship has been prepared as a part of BUS400 course.

I am highly indebted to my internship supervisor, Ms. Adiba Naoshin for her endless support, inspiration and guidance during this internship. This report has been prepared and presented to her for the assessment and final evaluation of this course.

I must not forget to mention my appreciation to Mr.Saidul Bari, Senior Executive Officer and Mr. Sarowar Hossain, Assistant Officer of the Credit Risk Management of Consumer Division of IDLC, for their kind support and most importantly for providing the learning opportunity during the internship tenure.

The whole team of IDLC with whom I have got the opportunity to work was very supportive .At the same time, I would like to thank my other colleagues of IDLC who provided me with enormous insights and helped me to learn the situation of the real business world. Last but not the least, I am grateful to BRAC University which is the reason I am standing here on the precipice of earning my bachelor degree successfully.

## Executive Summary

This internship report was made to give a brief picture of the Consumer Division and Credit Risk Management of IDLC Finance Limited. IDLC Finance Limited is one of the most successful financial institutions of Bangladesh right now. It was a great opportunity for me to work in this amazing corporate work environment. The report starts with an overview of IDLC, its' history and description of different departments of their operations. Among all their divisions the Consumer Division started as one of the preliminary divisions and now this has become the most profitable divisions with number of branches, skilled and talented employees. In my internship period I have got the opportunity to work with the Credit Risk Management-Consumer Division in short CRM-CD. My core responsibility was to sending and receiving the Customer Point Verification forms. These verifications are required for sanction and disburse a loan of a client. This report will give a short picture of how Credit Risk Department approves a credit to a client and also will focus on the credit default part. This means how IDLC approves a credit to a client and how they manage their credit risk when there is a case of credit default both are discussed in this report. Observing different information, facts about IDLC and from my internship experience, this report has come up with a SWOT analysis on IDLC Finance Limited.

I believe that my report would give an in-depth understanding about the IDLC finance limited and also about the Credit Risk Management-Consumer division. With constrained access to information because of classification, I have attempted to give as much data as being conceivable about the works including Consumer Division in IDLC Finance Limited.

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## Objectives of the Report

The main objective of this report is to get a definite idea how the Credit Risk Management department of Consumer Division works. The CRM-CD department plays a significant role in credit approval. However, the credit default part is mainly monitored by Special Asset Management Department of Consumer Division. As I have got the opportunity to work with the CRM department this report mainly focuses on the functions of CRM department. Therefore, the main objectives of the report are:

- The importance of CRM-CD department.
- To get a brief idea about the whole CRM procedure
- What are the requirements to approve a credit to a client
- How Credit Default is managed by Special Asset Management as part of CRM.

## Methodology of the Report

The report has been made on the objectives which are mentioned before. The report has been written on the basis of information collected from both primary and secondary data.

1. **Primary Data:** Discussion with the senior executive officers of CRM department and with the interns of Special Asset Management department.
2. **Secondary Data:** Annual Report of IDLC, Main website of IDLC, Different journals, reports and news on IDLC.



## Company Overview

IDLC Finance Limited is a renowned leasing company of Bangladesh which was established in 1985. Full form of IDLC is Industrial Development Leasing Company. The company started with a single product lease back in 1985 with only 4 members, but now it is one of the largest non-banking financial institutions in our country. IDLC holds a strong position and diversified service in Corporate, Retail, SME and capital market segments.

IDLC starts its journey as the first leasing company of Bangladesh with multinational collaborations. The lead sponsorships were given from the International Finance Corporation (IFC) of the World Bank Group. Korean Development Leasing Company provided the technical assistance to IDLC which is the most popular leasing company of South Korea.

If we look at the journey of IDLC Finance Limited some major establishments were made for the last 32 years. A little glimpse of their journey would be look like below:

- **1985:** Starting of IDLC as a Leasing company.
- **1993:** Became a listed company of the Dhaka Stock Exchange.
- **1995:** Licensed as a Financial Institution under the Financial Institutions ACT 1993.
- **1997:** IDLC starts its business as Home Finance and Short Term Finance Operations.
- **1998:** IDLC got the license as a Merchant Banker by the Security Exchange Commission of Bangladesh.
- **2004:** They opened their retail focused branch in Gulshan and also launched Investment Management service “CAP Invest”.
- **2005:** IDLC issued securitized Zero Coupon bonds.
- **2006:** Starting of ILC Securities Limited a wholly owned subsidiary of IDLC.
- **2011:** Starting of IDLC Investments.
- **2016:** Establishment of IDLC Asset Management Limited.

Through this time, DLC opened different branches all over Bangladesh like Chittagong, Kushtia, Khulna, Jessore, Tongi , Narshingdi, Gazipur and many more places.

## **Vision**

We will be the best financial brand in the country.

## **Mission**

We will focus on quality growth, superior customer experience and sustainable business practices.

## **Values**

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

## Business Overview

IDLC has come up with different subsidiary wings throughout its journey. They have diversified their business services into different categories.

### Asset Management Limited

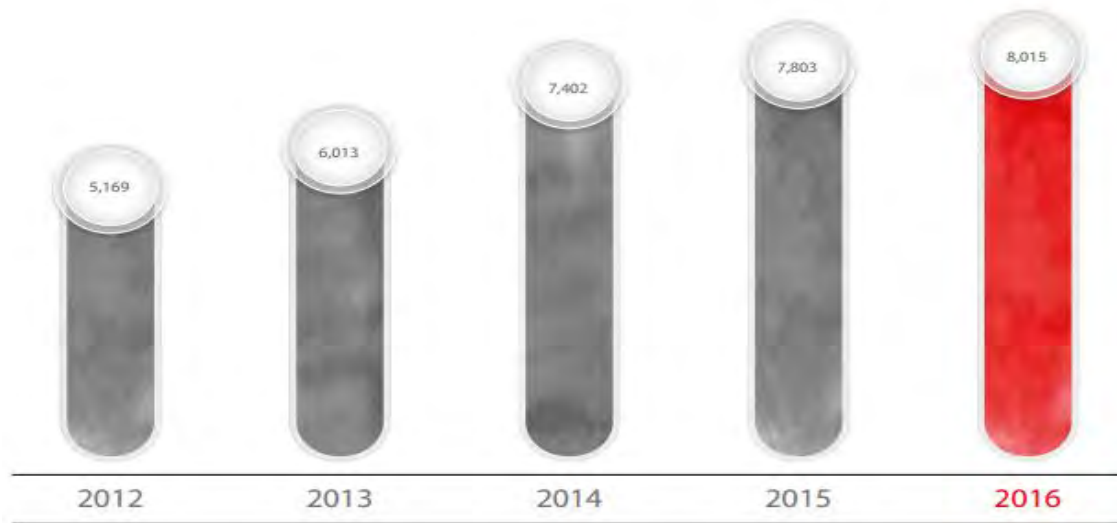
In 2016 IDLC got the license and launched their new Asset Management Service. An Asset Management company will pull fund from their customers and then invest in securities. The main objective of IDLC Asset Management Limited is to manage mutual funds so that it can meet with the diverse needs of investors. Moreover, this division of IDLC will also aim to create more alternatives of investment.

### Consumer Division

The consumer division is mainly focused in providing retail services of IDLC. The main products of Consumer Division are Car loan, Home Loan, Personal Loan and Loans against Deposits.

This division of IDLC has the largest portfolio size and currently the main profit generating division. In later chapters of this report there is a descriptive analysis of Consumer Division.

**Number of Consumer Loan Customers over the 5 years is given below:**



## Corporate Division

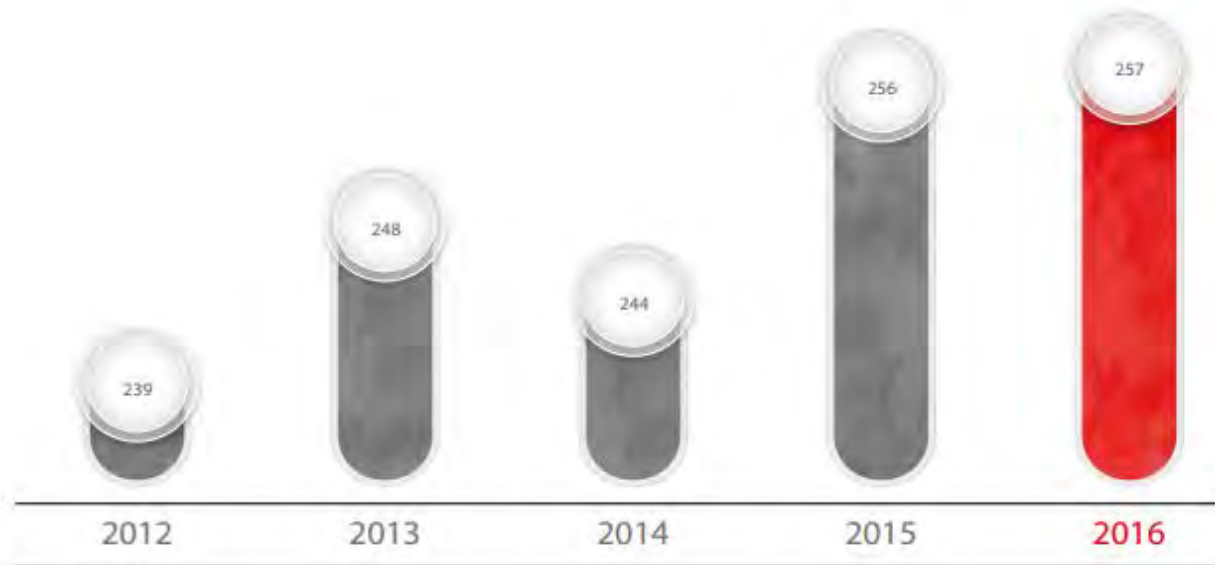
Corporate Division of IDLC has made significant inroads in terms of multinationals, local corporates and large corporate houses. Over the time, this division has expanded their services outside the country and also extended its product basket.

The Corporate Division has the full expertise and ability to provide effective and innovative solutions to the corporate persons which are supported by:

- Getting customized solutions
- Achieving competitive rates
- Transparency in service
- Trust and credibility
- Fastest service

Under Corporate Division they also have Structured Finance Division and the Green Banking Division.

**Number of Corporate Loan Clients is given below:**



## Capital Market

IDLC Finance has accomplished its' major capital market operations by its 2 wholly owned subsidiaries

### 1. IDLC Securities Limited

#### Products

- Cash Account
- Margin Account
- Easy IPO
- Premium Brokerage for High Net worth Individuals and for foreign investors.

Services: IDLC Securities trades through the Dhaka Stock Exchange and Chittagong Stock Exchange. They have a Custodial and separate CDBL service. They give their investors research and advisory services.

## **2. IDLC Investment Limited**

### Products

- Margin Loan
- Discretionary Portfolio Management

Services: Underwriting, Corporate Advisory, Issue Management, Research all these kinds of services are provide to clients.

## SME

IDLC is dedicated to provide a board range of SME loans, lending to small, medium and supplier finance. Under this subsidiary they have more customize services. For example as a small business one can get the service of Purnota ( Women Entrepreneur Loan), Seasonal loan, Startup Loan, Commercial Vehicle Financing and many more.

For medium business, there is Term Loan financing, Project financing, Working Capital Financing and etc.

Supplier Finance involves large companies to get an efficient supply chain finance solutions. This is a significant source that can give complete advantage to a business to grow fast, steady and conveniently. It improves balance sheet performance, helps to reduce the working capital needs and enhances risk management of a business.

## Descriptive Analysis of Consumer Division

Among all the divisions, IDLC's consumer division is the key driver division for their sustainability. This division has achieved the highest transparency, dedicated service, robust customer service and always followed good service standards. The Consumer division of IDLC is not only been a successful consumer market but also it contributes a lot in Bangladesh's consumer finance industry.

At a glance the portfolio size of Consumer Division: (according to the annual report of 2016)

**Asset Portfolio: BDT 21,515 Milion**  
**Percentage of Overall asset portfolio: 34.39%**

- Asset Portfolio growth over 2015 : 3.79 %

**Number of Loan Customers: 8,015**  
**Number of Deposit Customers: 6620**

- Deposit Portfolio growth over 2015 : 3.01%

The consumer division offers consumer loans according to the customer segments and term deposit products to meet the needs of individuals.

### Products under Consumer Division

In short, the Consumer Division has 4 types of service to provide to the consumer market. The services or products of CD (Consumer Division) are given below:

- Car Loan
- Home Loan
- Personal Loan
- Loan Against Deposit



## Categories of Consumers

Before we talk about the different loan services of Consumer Division, let's first look into the different categories of consumers according to IDLC.

### Segment A & B

Consumers are considered under segment A and B if they are paid executives for large corporations, multinationals, NGOs, embassies, UN organizations and of financial institutions. Moreover, officers who are working in governmental or semi-governmental organization, physicians, local corporate, faculty members, NRB, businessman all fall under this segment.

### Segment C & D

Apart from the salaried executives mentioned in segment A and B, salaried executives who have 10 years' experience of NGOs operating in local, fall under this segment. Non-executives, landlords, small/ mid-level businessman, NRB businessman also falls under segment C and D.

As there are different categories among the consumers, there are obviously different interest rates for different category of consumers'.

Segment A → 13 %

Segment B → 13.25 %

Segment C → 13.75%

Segment D → 14 %

## Home Loan

It's everyone's dream to have his own home. To fulfill this dream IDLC has introduced different types of home loans.

Under Home Loan, there are:

- **Apartment Purchase Loan:** Loan service to buy an apartment.
- **Home Equity Loan:** Home loan services to help in home renovations.
- **Registra Loan:** Loan to secure the ownership of the purchase of apartment, land or home.
- **Construction Loan:** Loan service is provided for a new or existing construction project.
- **Land Purchase Loan:** Loan that helps people to purchase a land.

Each service has slightly different loan terms and terms to be eligible.

For example the terms of loan for the Apartment Purchase Loan are:

<b>Category</b>	<b>Maximum Term</b>	<b>Maximum Age</b>
Professional	20 years	65 years
Businessman	15 years	60 years
Nonresident Bangladeshi	10 years	60 years
Service Holders	20 years	60 years

Among all the other loan facilities, Home Loan is the most popular and successful services of the Consumer Division of IDLC. Home loan services takes size of 80-85% of the entire Consumer Division loan portfolio.

The main reasons for which this loan service is so popular among consumers are,

- It treats equal all the applicants, no matter whatever their profession is.
- It gives full dedication and support to the consumers before the loan sanction and also after the disbursement.
- Getting loan disbursement in the fastest time possible.
- The Home Loan service gives the pre-payment option.
- The income tax rebate on the interest of the loan is up to 20lacs.

The payment method for the Home Loan is Equal Monthly Installments. (EMI)

## Car Loan

After Home Loan, the Car Loan service is one of the successful financial services. Because of the flexible terms and conditions many people are now more interested to take a car loan and eventually improve their quality of life.

Among the total consumer division portfolio Car Loan has the size of around 12-15%.

**Key benefits** one will get from this loan service:

- One can get the maximum loan payment as car loan.
- Loan bearer has the option for both partial and full payment.
- There are no hidden charges.
- One can get loan amount up to the 80% of the total cost.
- IDLC also provides technical advisory services to their consumers.



The maximum loan tenure is 5 years.

<b>Category</b>	<b>Minimum Monthly Income</b>
Service holders or Professionals	40,000 BDT
Landlords	50,000 BDT
Business Person	50,000 BDT
Business Person (Corporate)	75,000 BDT
NRB Service Holders	75,000 BDT
NRB Businessman	100,000 BDT

### Eligibility for Car Loan

To avail the car loan facility of IDLC the age should be between 22 to 60 years. For service holders they should have minimum 2 years work experience and for business persons it is 3-5 years' experience.

## Personal Loan

There are so many kinds of necessities in our life; it can be to launch a new business, marriage, medical treatment, for pursuing higher education or for simply a holiday vacation. For the different kind of needs IDLC has their Personal Loan service where one can get the money as quick as possible without facing any hassle.

### Features

The main Features of this loan facility are:

- Loan amount given from 50,000 to 10 lacs according to the need.
- Loan term for Personal Loan is minimum 1 year to maximum of 5 years.
- Just like their other services it is super-fast.
- Has the opportunity to set individual interest rate which is set by the customer's financial status.

Under Personal Loan one can enjoy two kinds of loan facility:

1. **Secured Personal Loan:** When the loan is backed with proper Security like cash security, immovable Property in Dhaka, Savar, Gazipur, Chittagong, Bogra, Sylhet and Comilla.
2. **Unsecured Personal Loan:** When the loan amount has not have any proper security back or guarantee. This is given under some specific conditions.

### Eligibility for Personal Loan

Minimum 2 years of work experience with current employment and age between 20 to 60 years.

## Credit Risk

Credit risk means the possibility of a loan borrower will fail to meet the term and conditions established by the organization. Basically this is the chance of default that can be arising from a borrower. It is not possible for any company to ensure that their loan borrowers will surely pay their debt at right time with all conditions.

When a lender offers a borrower loans there is a chance that the borrower may not be able to repay that amount. Credit risk is the risk which is associated with the credit that offers by the borrower.

To minimize the risk or to control the risk therefore every financial institution now have Credit Risk Management department. If they found there is higher credit risk of a borrower they will demand a higher interest rate from the borrower. If the borrower has a steady income flow or good security backup then he/she is likely to bear a lower interest rate.

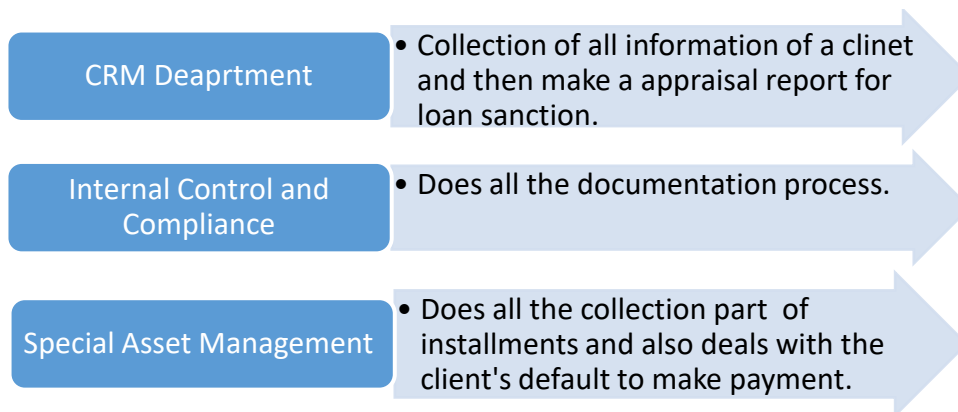
Like most of the popular financial institutions IDLC also has an efficient and strong credit risk department for consumer division. In short it is called CRM-CD.



## Credit Risk Management -Consumer Division (CRM-CD) of IDLC

At IDLC to perform and monitor all the activities of CRM they have divided the CRM process into 3 departments.

Basic overview of these three departments will be look like below:





In my internship period I have got the opportunity to work with the CRM department. Therefore, in the next chapters of this report I will basically focus on the work of CRM-CD department.

## Credit Risk Management Processing of IDLC

The whole process is divided into several steps of CRM-CD.

- Credit Appraisal
- Credit Sanction
- Credit Documentation
- Credit Administration
- Disbursement

### Credit Evaluation

This is the initial stage of a loan sanction or rejection. In this step IDLC gather all require information of a client and then screen those very carefully. For example,

- Address Verification
- Bank Statement Verification
- NID/Passport/Certificates Verification
- Rent Verification in case of landlords
- Salary Certificates
- Verification of Co-applicant, Personal Guarantor

And some few more steps to crosscheck that all the information gathered about the client is correct.

## CPV (Customer Point Verification)

IN CRM-CD this verification part is done by two other third party companies, they are

1. Brisk
2. CBC

These two third party companies basically do the Customer Verification Point (CPV) and then send the verification reports to IDLC.

After all kind of verifications is done analysts go for the credit appraisal where they ensure that the client has the ability to meet the obligations of IDLC. It requires collateral or guarantees from a client in order to minimize the risk. The appraisal is not only made on collateral, it also depends on the amount of loan, the source of repayment, the specific industry from where the client has come.

Moreover, CRM department also check the previous records of the client if he/she has taken any loan from another financial institution or not. If there is any previous credit record, analysts will also look onto the records.

In case of businessman and corporate people CRM needs to check the business expertise, background information of the shareholders and company.

## Credit Sanction and Disbursement

After verifying all the documents the analysts either sanction or reject the file for loan. Most of the cases if the client's bank statement is not properly maintained or income source is not secure then the loan is rejected or backed. In some cases, even the client's attitude and behavior also can be a reason for rejection.

After the sanction the file will be sent to the **Customer Service Department** and from there the client will be informed about all the terms and conditions about the loan. If the client is okay with all the term and conditions then he will sign the sanction letter and also fill the fees.

Then the file is submitted to the Head of sales and marketing team. After the final verification the file goes for the loan disbursement department.

## Special Asset Management

Overdue management is one of the most fundamental tasks of IDLC as a corporation. As the company sanctions loans and requisitions on a daily basis, it had to make sure that proper asset management is there so that there is no overdue situation at the minimum level.

These are the departments and the assigned tasks that IDLC follows.

### **Overdue Monitoring**

The task of this department is to monitor the overdue situations. The unit takes care of both corporate, SME and syndication level overdue monitoring system. This is the pillar that held the department together.

### **Overdue Follow Up**

Following up is as important and at times more important than the initial stage. Therefore, this department plays a key role in making sure that the follow up process is there. Again, from corporation to SME to syndication, the follow up division can take care of it all.

Following up can happen in many ways. However, the most popular forms are phone calls, physical visits and letters.

## SAM Client Follow Up

- (Regular, Difficult, Block, Litigated) - Phone, Visit, Letter, Negotiation

### **Termination, Block & Litigation-**

#### **Appointment of Lawyers**

For different Legal Procedures

#### **Rescheduling-**

Negotiation, Approval, Follow up<sup>8</sup>.

#### **Routine works:**

Receivable Calculation, Closure, Waiver Approval, Adjustments, Reconciliation.<sup>9</sup>

#### **Letter Issue**

- Overdue Clients

## SAM Department Target

If the client does not respond to any initial or follow up calls within 7 business days, there are methods that SAM follows to take the initiative further.

The first task is to call the client again to make sure that whether there is a valid reason for him or her to not contact back the company. This is the time when SAM can set up another specific date for payment if both party agrees.

In case if that does not work out, SAM sends a reminder via letter and then that is followed by a physical visit to the client's office. According to IDLC, the best way to positively pressurize

client is to bring him or her to the IDLC office as the environment help in the discussion phase and bringing in a complete solution.

#### Age of Overdue: Four to Five Months

The job of SAM can be hectic and therefore, there are certain rules on what one should do after four to five months have passed.

It is time to get a specific payment date and appointment from the client either via phone call, email or via repeated visit. The SAM will do anything to make sure that they have a direct contact with the client.

It is advised to get a written commitment from the client so that things do not become confused later on. If possible, an instrument based written commitment will serve well. If possible, SAM should send reminder letters within the three working days of the installment payment dates to keep the client informed.

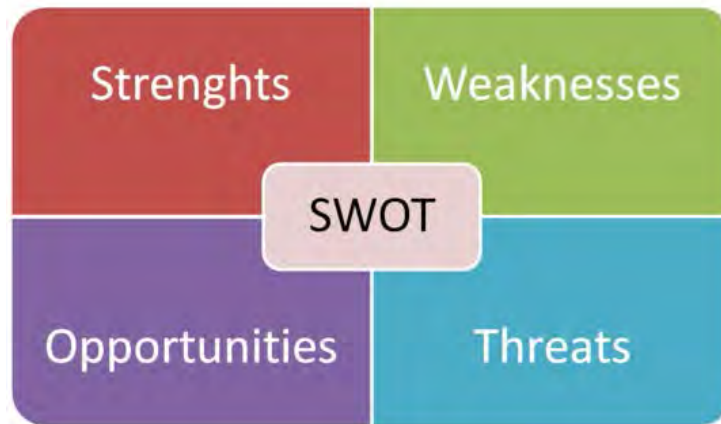
#### Age of Overdue: Above Five Months

It is time to check security status and the nature of the default as it has been a long time. It is also time to send a final reminder to the defaulting client where the corporation will allow them up to 15 days of notice so that they can pay the overdue.

If nothing (no improvements) happens even after the final letter, it is time to take legal action as per the merit of the security of the defaulting client. The company will file suit under the negotiable instrument which can be Artha Rine Aine (ARA) or the bankruptcy act.



## SWOT Analysis of IDLC



Whether it is a big company or a small company it is important to identify the strengths and weakness of every company, so that we can get an idea of the company's opportunities and threats.

### Strength

IDLC has many strength points which have made IDLC as one of the most successful financial institutions. IDLC has been considered as number one company among all the non-banking institutions. They have gradually improving their records. There are certainly some key strong points that have been working efficiently and effectively for IDLC. Some of the strong points of IDLC will be:

➤ **Best Customer Service**

People have a misconception that taking a loan from a bank or a leasing company is a complicated task. However, IDLC has removed this misconception from people very successfully. Their amazing customer service before and after loan approval is praised by all their customers.

➤ **Work Force**

Back in 1985 IDLC was started with only 5 members, but now they have a huge number of work forces. Branches all over Bangladesh and their employees are very well trained,



monitored and managed by the management. The working environment is not suffocated and employees work here with full satisfaction and with great salary.

➤ **Modern Equipment and Improved IT Department**

With all the modern facilities and technology including internal servers, terminal PCs and a separated wholly owned IT department is also works as a strong point for IDLC. This means, for technical support and IT support IDLC does not need to

➤ **Environmentally Responsible**

All over the world every big organization now focuses on global demand and therefore tries their best to be environment friendly. IDLC also believes in this trend and for this they have rules and regulations for going green. One of the actives that I have noticed in my internship period that was, always reusing same paper, using less paper for work.

➤ **Goodwill**

Goodwill means a company's brand name, having a stable customer base, good employee relations basically the intangible asset of a company. In terms of goodwill IDLC has achieved tremendous goodwill in the finance industry. Their goodwill has helped them to make the company more competitive in this sector.

## Weakness

➤ **Limited Packages**

Though IDLC provides many options for their customers, but most of them are introduced for a long time. It's time that IDLC should introduce new services or modifies their existing services.

➤ **Not Providing Islamic Banking Services**

As a Muslim majority country, now many people want banking services, leasing services that will follow Islamic rules and terms. However, IDLC has not introduced any Islamic Banking services yet, therefore they are losing a number of clients.

➤ **Focus More on Customer Point Verification**

For doing the disbursement of a loan all the customers point verifications need to be done properly. However, it takes a lot of time for verification which results in delay for disbursement of a loan.

## Opportunities

### ➤ **Wide-range Of Network**

Though the number of branches is not that much, IDLC has maintained a good network among all the branches. It shows that if IDLC comes up with more branches by using their good network they can increase their profitability.

### ➤ **Increasing Growth**

The finance market of Bangladesh is growing day by day. People are now more interested to take financial services than before. If IDLC maintains their current position they have a huge potential to grow more in the future.

## Threats

### ➤ **Similar Services**

There are many other private banks like EBL, BRAC bank, which are offering loan services almost with the same interest. This has made the market very competitive which may result in declining of profit.

### ➤ **Economic and Political Instability**

We all know how unstable our political situation is. A major political disturbance occurs and the whole economic situation goes downwards. Due to this political and economic instability there is a huge chance of getting losses for IDLC.

## Findings and Recommendations

It was a great opportunity for me to work in such comfortable working environment. The whole CRM department is divided into several segments and but they all work together as a team. Although I was an intern, they always made me realize that I'm also an important part of IDLC. This shows that IDLC has maintained a very friendly and comfortable working environment among all employees. Focusing on their IT facilities, IDLC uses their own server, by their own IT facility all the branches are connected all the time.

However, if we talk about recommendations I will mainly focus on the CRM department. As I have worked with loan sanction/rejection segment of CRM department. My main job was to send Customer Verification request forms and then receiving them. These verification were requires for sanctioning a loan to client. But many times it required longer time for verification and as the verification needed more time ultimately it resulted in late disbursements of a loan. Therefore, I think IDLC needs to focus more on the Customer Verification side. They can hire more third parties to verify all the documents of a client or can also go for internal verification. This will help them to disburse a loan more quickly.

## Conclusion

To conclude the report, firstly I want to say, the default clients is always been as one of the major issues of IDLC, though the number of credit default clients are decreasing. However, the overall business operations of IDLC are going through a smooth way. Today the Consumer Division of IDLC has become as a leading sector in terms of home loan, car loan and personal loan services. Every year IDLC's earnings per share and share market prices are increasing. This shows that this financial institution is expanding gradually and improving their performance every year. IDLC has maintained their efficiency and transparency while providing their service to their customers. In short, I can say that working with such a large company has surely helped me to gain more potential skill and to get knowledge about the financial institution.

## References

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