



“Exploration on Special Asset Management and Loan defaulter of IDLC Finance Limited”

Prepared For:

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Lecturer;

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Date: 12th April, 2018

Internship report on



financing happiness

**“Exploration on Special Asset Management and
Loan defaulter of IDLC Finance Limited”**

Letter of Transmittal:

January 11, 2018

To

Mr. N M Baki Billah

Lecturer, BRAC Business School

BRAC University

66 Mohakhali, Dhaka -1212

Subject: Submission of internship report on IDLC Finance Limited (SAM)

Dear Sir,

With due respect, it is my great pleasure to submit the internship report of **“Exploration on Special Asset Management and Loan defaulter of IDLC Finance Limited”**. I have completed my internship from IDLC finance limited, a well-known Non-Banking Financial Institution in Bangladesh.

My main inducement was to prepare this term paper according to your instructions while considering the guidelines of the Program. I made sincere efforts to study related materials, documents, observe operations performed in Special Asset Management of IDLC and tried my best to enrich this report by providing what I have learned throughout the internship program and compiled this report as per the requirements. I hope that I have been able to relate the fundamental things with realistic applications considering my level of experience and competency.

Hence, I am submitting my internship report, hoping that you will appreciate my instructive and comprehensive approach. Thank you for encouraging me for working on this interesting topic. Kindly accept my report and oblige thereby.

Sincerely yours,

MD. Jahidul Islam

ID: 14104085

BRAC Business School.

Letter of Endorsements:

This is to certify that MD. Jahidul Islam, ID: 14104085, BBA Program, BRAC Business School, BRAC University has done this report on “Exploration on Special Asset Management and Loan defaulter of IDLC Finance Limited” for the purpose of completing BBA internship program. I accept this report as a final internship report.

I wish every success and prosperity of his career and life.

N.M. Baki Billah

Lecturer

BRAC Business School

BRAC University

Acknowledgement:

I would like to start this report by acknowledging my gratefulness to the Almighty Allah. I would like to express heartfelt gratitude to every single person who has assisted me in the preparation of this internship report. I wish to thank them for their support, guidance and belief in every step.

First, I would like to take the opportunity to say my gratitude towards Mr. N M Baki Billah, Lecturer, BRAC Business School, for his endless support, inspiration and guidance during this internship. I am grateful to him for his endless support and proper guidance without which the completion of the report would not be possible. I am also thankful to him for contributing his valuable time while viewing my report and making all the necessary corrections. Secondly, I must remember to express my heartiest gratitude to my direct supervisor Mr. Dewan Ishtiaq Ahmed, Senior Manager, Special Asset Management and Sultana Razia, Assistant Manager, Special Asset Management. I would also like to thank Tanjeel Islam Khan, Officer, Special Asset Management for his kind support as well as his guidance and valuable feedback to write my report. Very special thanks go to the whole Special Asset Management department for helping me in all stage of the internship process. Simultaneously, 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 current business world.

Finally, I am grateful to BRAC University, which is the reason I am standing here on the peak of earning my bachelors degree successfully.

Executive summary:

In the perspective of Non-banking, financial history of Bangladesh IDLC Finance is the largest financial institution. Special Asset Management and Consumer Division of IDLC Finance established as one of the beginning divisions and play a vital role apart from the all departments. SAM became one of the pioneer department of the institution with its branches and departments along with skilled and experienced employees.

Main role of Special asset management (SAM) team is to handle the assets of Consumer Division strongly. SAM and credit risk management (CRM) department of IDLC finance limited works together always. Sustaining the reward above the risk is the main purpose of these two departments of IDLC. The main role of SAM is to ensure the collection of the money where the money is overdue or normal with a very efficiently and effectively. SAM is responsible to build a cost effective Collection process, which is risk free, pro-active, and information based monthly amount of collection.

This report contains a descriptive study of Special Asset Management of IDLC Finance and some major issues of Non-Performing Loan. In addition, report also tries to find out how Special Asset Management works relatively with the Consumer Division of IDLC Finance Limited. Moreover, report also shows the challenges, recovery plan, and observed present development of the Special Asset Management. Some statistical illustration of the performance of SAM also elaborates on the report. The main rationale of this report is to find out effectiveness and efficiency of the policy and strategy of SAM through analyzing the NPL growth relating with the financial industry in Bangladesh.

During the internship program, I got the opportunity to work closely at SAM and assigned to prepare a report. While preparing the report lots of challenges I faced and tried to construct this report with the amount of resources I had. The report contains a comprehensive explanation about Special Asset Management of IDLC Finance. It also explores to explain the overall guiding principles and course of actions of SAM and its competence descriptively and figuratively. I have built-in some findings, regarding on the issue of NPL. Lastly, some recommendations also given for any further research regarding this topic.

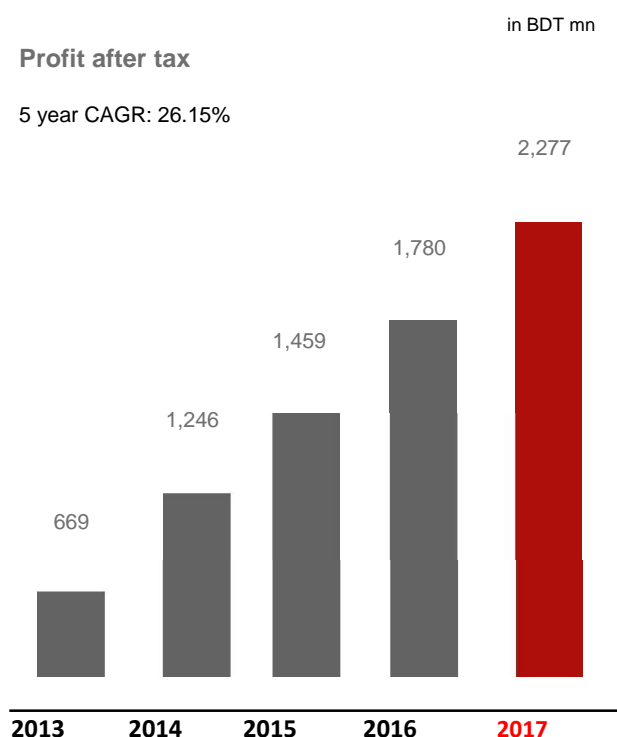
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Organization overview:

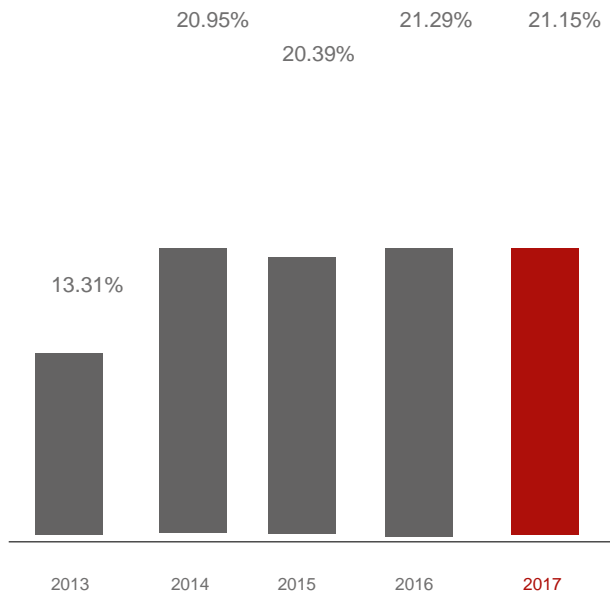
IDLC Finance Limited started its journey at 1985 and the largest NON-Banking Financial Institution in the country that houses three other fully owned subsidiaries within the group. IDLC is present itself 24 cities of the country. However, IDLC has reviewed the year that has gone by and try to measure what IDLC achieved. IDLC believe to realize that its story is not only about the performance and the financial but also about the impact that IDLC want to create. Here some updated core highlights of IDLC Finance Limited.

Core Highlights, 2017 (Annual report 2017, page: 04)

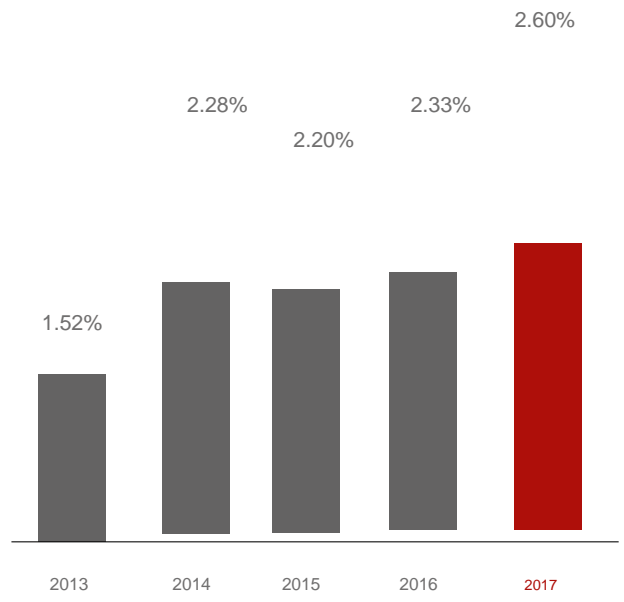


Creditworthiness of IDLC finance is pretty much highly standard as we can see up on the graph of profit after tax from 2013 to 2017. The Compound annual growth rate of 5 years is enormously a good figure, which is 26.15%. As we can see the year of 2013, profit after tax was below thousand, which is 669 million in BDT. However, consecutively the amount of profit after deducting the tax is continuously becomes increase and the latest update of profit after tax in 2017 is 2,277 million in BDT. Therefore, that can say creditworthiness of IDLC Finance Limited and availability of leasing finance is strong enough.

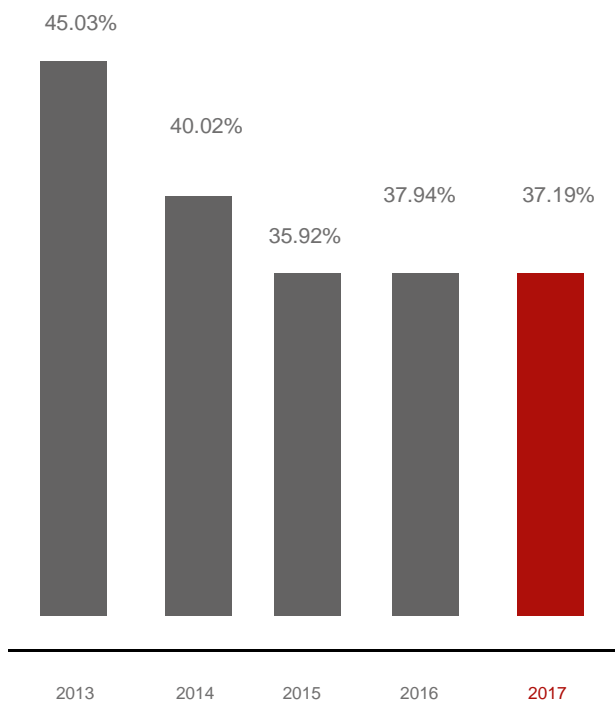
Return on Equity



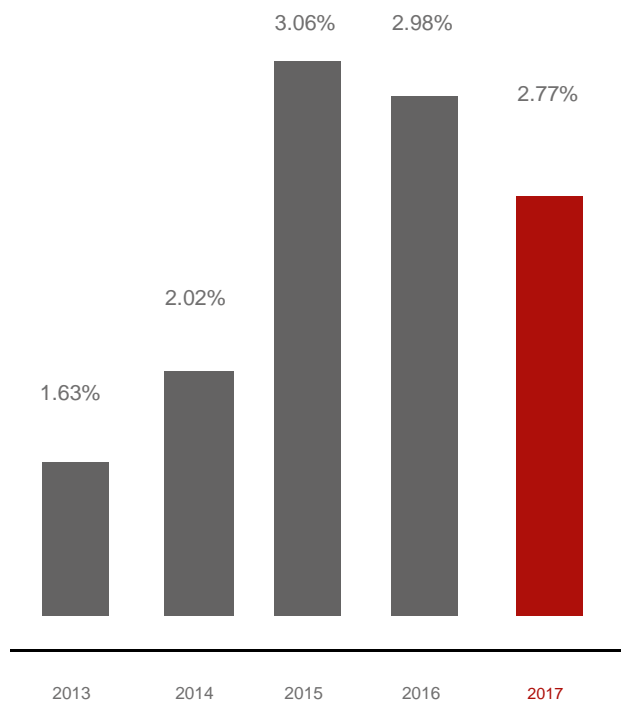
Return on Assets



Cost to Income Ratio



Non-performing Loans



Analysis of Non-performing loan (Last 5 years)

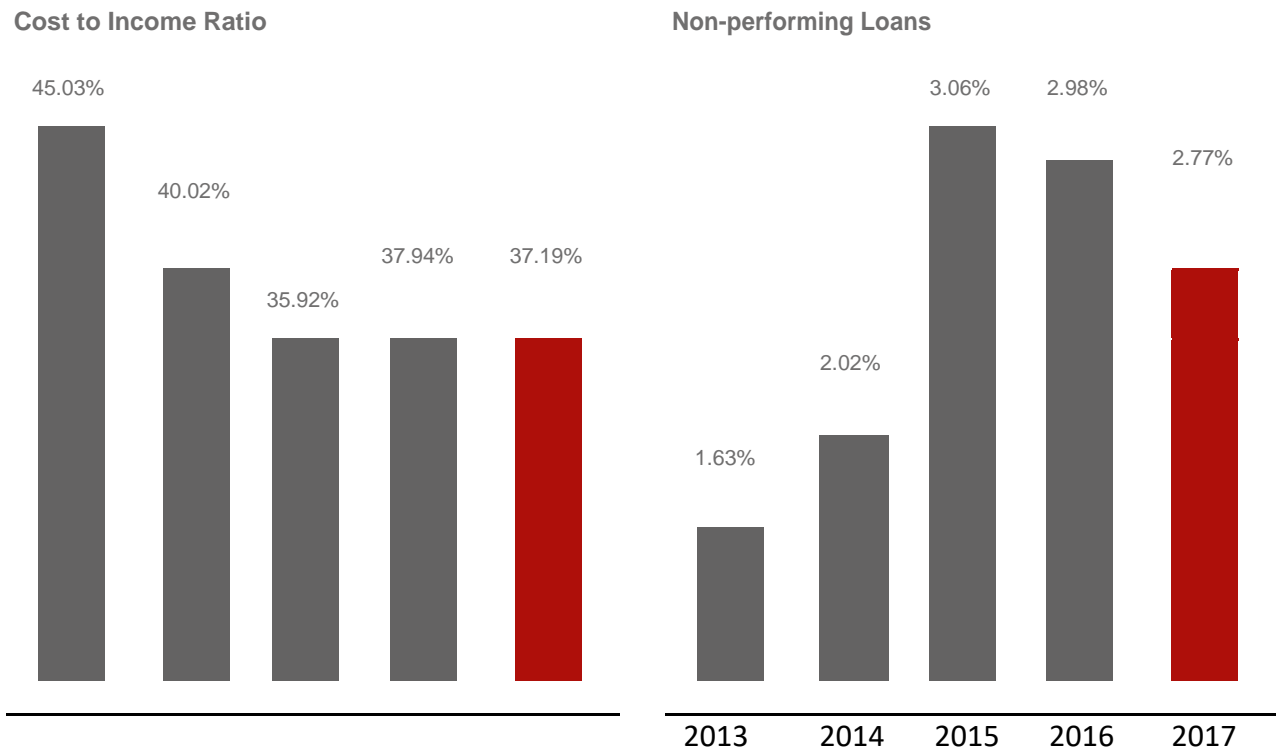


Figure: Analysis of 5 years NPL rate (Annual report 2017, page: 04)

IDLC Finance Limited is able to bring down the NPL ratio to 2.77% by the end of 2017 from 2.98% in the previous year. Following an increase in NPL in 2015 as demonstrated in the chart above, department of Special Asset Management of IDLC Finance took up programs for different customer segments to arrest the rise of NPLs further. Apart from this collection effort, SAM also further strengthened the credit appraisal process and introduced a credit scoring model, developed in collaboration with International Finance Corporation (IFC), to assist the credit decision-making process. These initiatives have enabled us to control the NPLs since and IDLC Finance aim to maintain their efforts through 2018.

Institutions that own IDLC:

Name	Shares Held	% Shares Out	Change in Shares	% of Assets	As of Date
Norges Bank Investment Management	11,301,227	3.00%	+7,236,296	0.00%	12/31/17
ICB Asset Management Co. Ltd.	8,040,750	2.13%	+8,040,750	9.80%	12/31/16
Driehaus Capital Management LLC	922,859	0.25%	-16,597	0.02%	2/31/17
Coeli Asset Management AB	2,300,000	0.61%	0	0.51%	09/29/17

Average Growth Rates IDLC Finance Ltd:

Revenue+12.39%	Net Income+48.03%	Earnings Per Share+39.35%
Capital Spending+37.24%	Gross Margin+89.94%	Cash Flow-37.30%

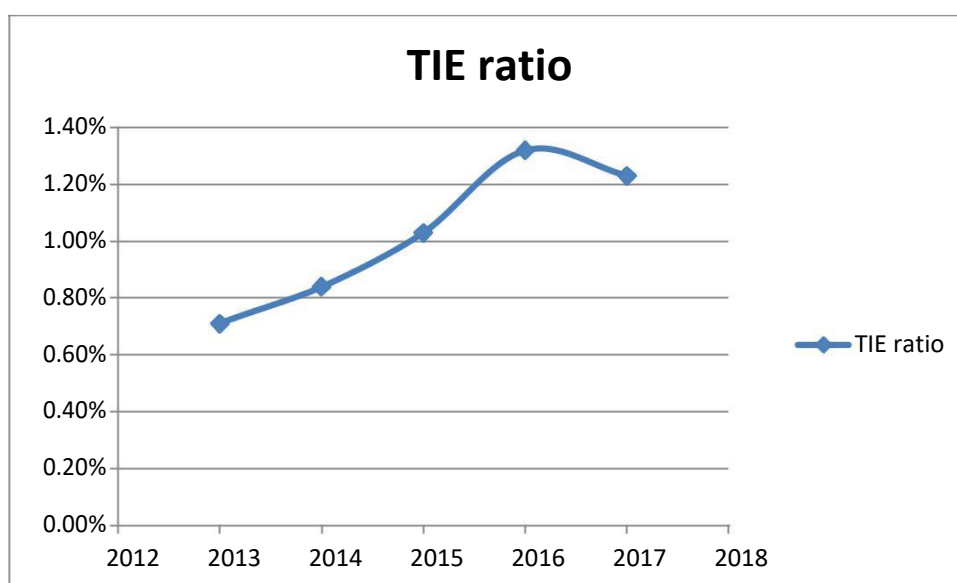
The total organization overview shows us the overall performance of last five years of IDLC Finance Limited. Profit after tax and total loan portfolio both has increased in 2017 comparing with the last five years. Return on equity has decreased that is 21.15% comparing with the year of 2014 to 2016. However, the return of asset has been increased again in 2017 which is 2.60% ant that last long in 2016 is 1.52%. Cost of income ratio and non-performing loan also get decreased which is good for IDLC Finance. Cost of income ratio became 37.19% the most concerning Non-performing loan decreased from 2.98 % to 2.77%.

The shareholders of 30% cash dividend of the return on equity 21.15%. In 2017, regulations of IDLC Finance Limited the spend BDT 1,008 million on vat and tax against their total income. Total employee of IDLC Finance holding is 3,172 and the number of training 188 in total. In recent of IDLC's community work, more than 1700 students of 12 schools support different types of CSR activities. Moreover, 3500 underprivileged individuals received healthcare support form IDLC. Some strategic objectives that IDLC Finance Limited recently under covered- grow and develop their talent pools, fully leverage the core-banking platform, optimize distribution points, grow and diversify funding sources, grow sales and service capabilities in the consumer division.

TIE ratio of IDLC Finance (Last 5 years):

Year	EBIT/ Interest expense	Ratio
2017	2,638,921,355/ 2,150,454,094	1.23%
2016	2,580,855,599/ 1,959,633,926	1.32%
2015	2,275,519,333/ 2,206,091,976	1.03%
2014	2,029,131,303/ 2,406,254,085	0.84%
2013	1,406,115,047/ 1,977,114,715	0.71%

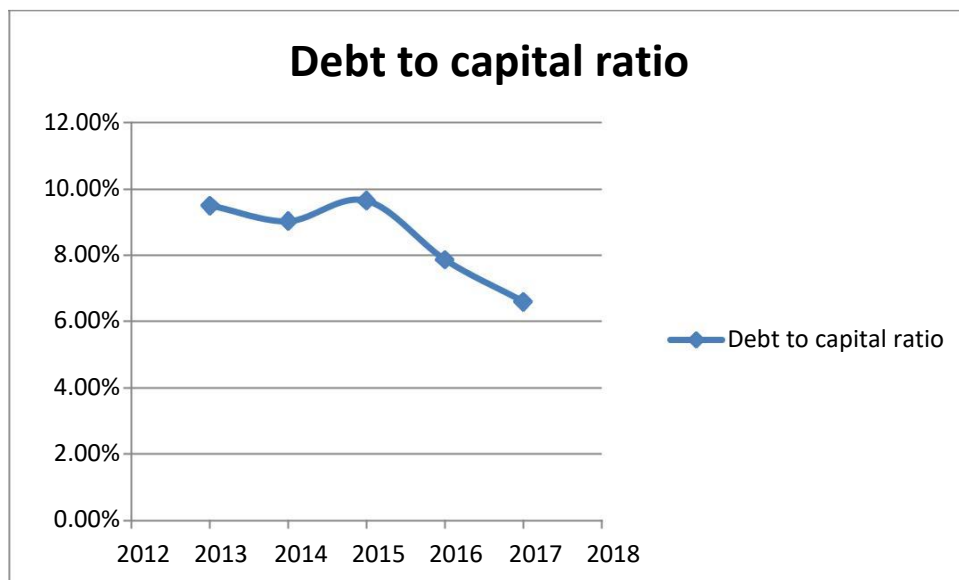
TIE ratio of IDLC Finance is above 1 in last 3 years which is good and shows the enough credibility to financing to the personal, home and car loan. Though TIE ratio, year of 2017 is bit downward than year of 2013 but still can give a fruitful result.



Debt to Capital ratio of IDLC Finance Limited:

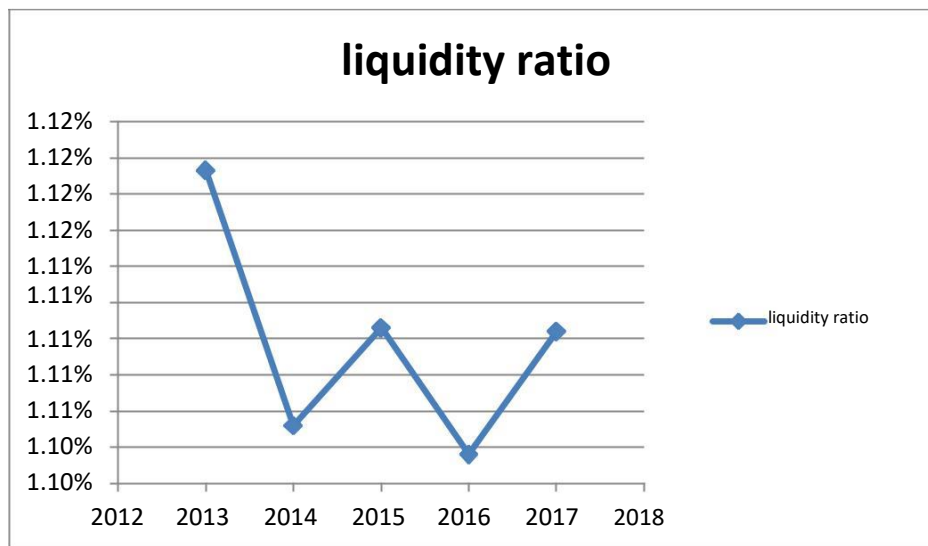
Year	Total debt/ total capital	Ratio
2017	83089464224/ 12597475866	6.60%
2016	70373243128/ 8937837171	7.87%
2015	65032164132/6736546722	9.65%
2014	51465694676/5693820351	9.03%
2013	43914119911/4620722835	9.50%

Here, Debt to capital ratio of IDLC Finance reduced from the year of 2013 to 2017 that stands only 6.60 %. Total amount of liability comparing with the capital used in financing is shrinking and IDLC is predicting on the year of 2018-it will down to the stage of 5% approximate.



Liquidity ratio of last 5 years to analysis the creditworthiness of IDLC Finance Limited:

Year	Total Asset	Total Liability	Liquidity ratio
2017	76,505,145,476	68,900,608,326	1.1104%
2016	71,768,710,854	65,032,164,132	1.1036%
2015	57,159,515,027	51,465,694,676	1.1106%
2014	48,534,842,746	43,914,119,911	1.1052%
2013	35,748,171,782	31,938,455,939	1.1193%



As we can see liquidity ratio of IDLC Finance Limited, total current asset divided by the total current liability is surrounding between 1.10 to 1.12% approximate. From 2013 to 2017, the liquidity ratio of IDLC Finance is above 1% and which is good comparing with the industry analysis. So overall, IDLC Finance Limited has the strong availability to perform lease and show the creditworthiness

Analysis of total selling loan provision of IDLC Finance Limited:

Year	Selling loan provision (BD in millions)
2013	40,941
2014	47,069
2015	55,212
2016	62,217
2017	71,499

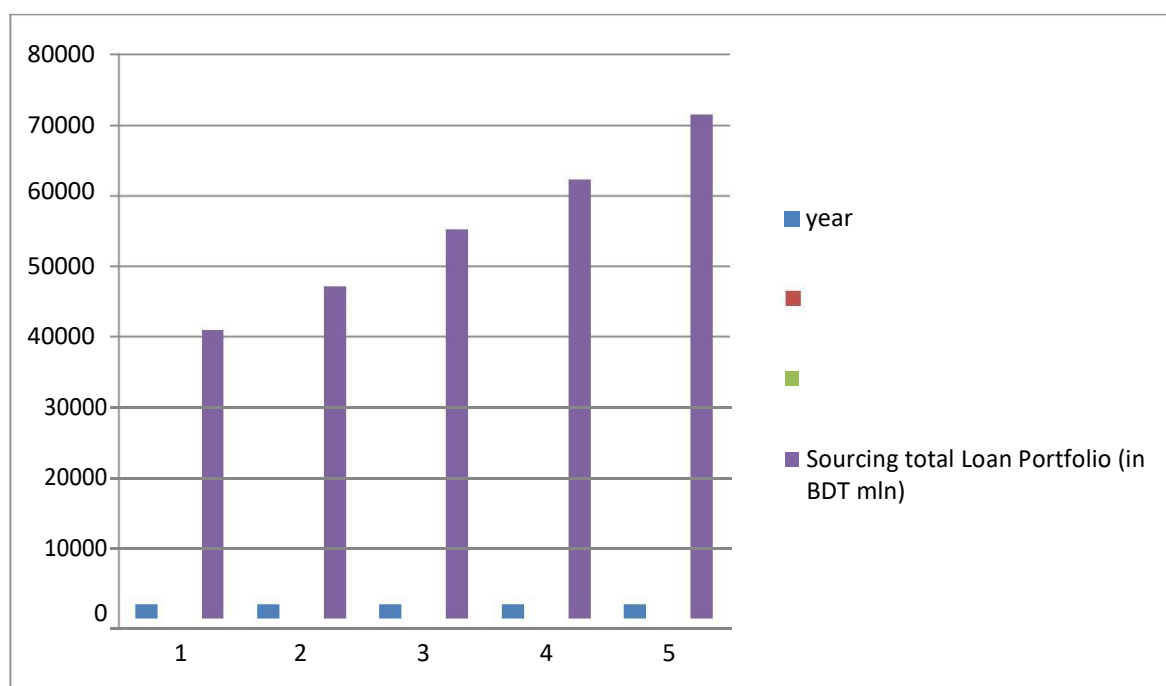


Figure: Trend analysis of total loan provision (Last 5 years)

According to the trend analysis, consecutively selling of loan amount is gradually increasing in IDLC Finance Limited. As we can see, during the period of 2013 the total sell of loan was 40,941 million BDT, which stood in last year 2017, is 71,499 million in BDT. The future prediction of 2018 is the total selling loan will hit to the Eighty thousand approximate.

Mission:

IDLC Finance Limited focuses on quality growth, superior customer experience and sustainable business practices.

Vision:

IDLC Finance Limited believe the will be the best financial brand in the country.

Core values:

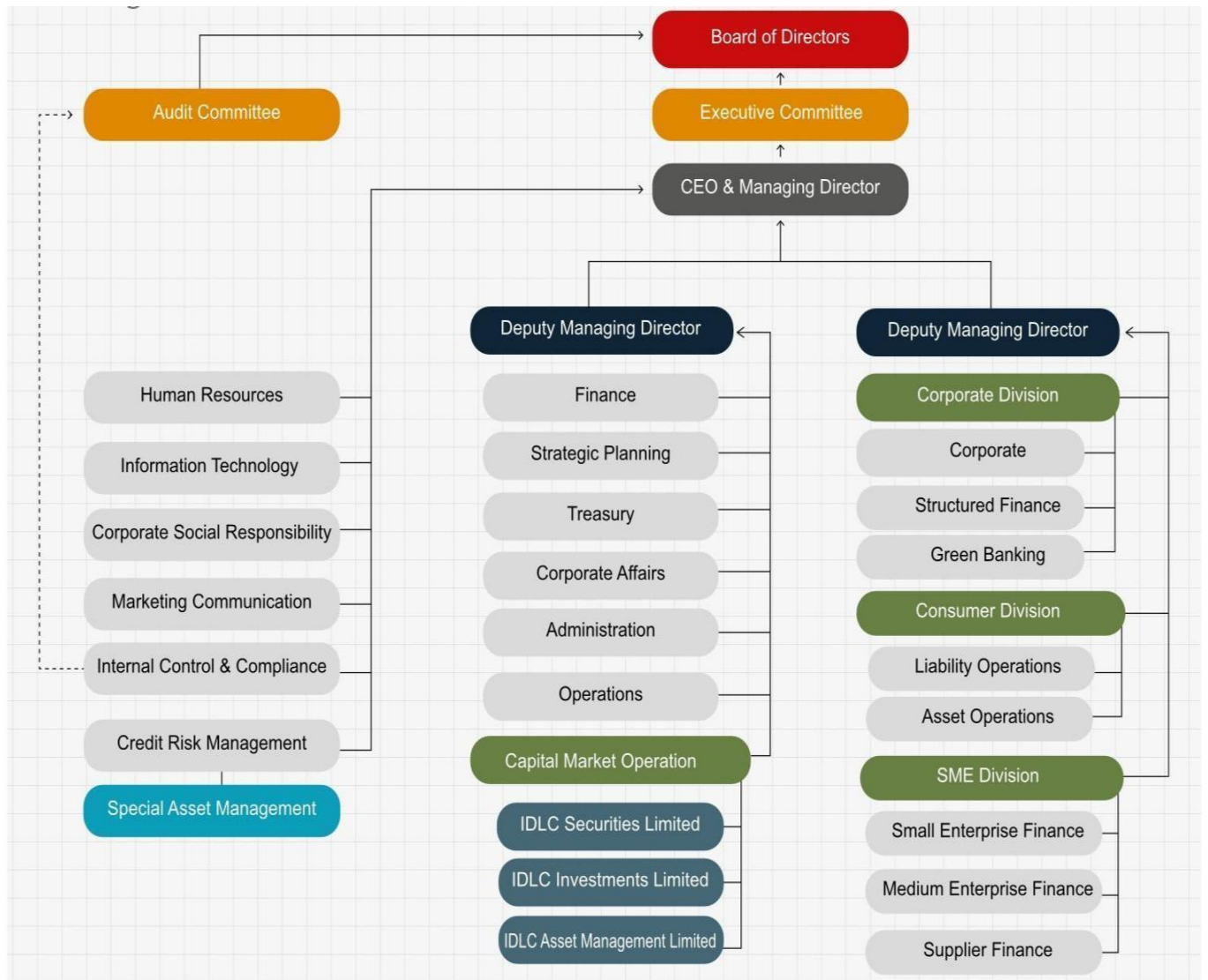
- Integrity
- Customer focus
- Equal opportunity
- Trust and respect
- Passion
- Simplicity
- Eco friendly

Key information:

- Credit rating- AAA
- Net profit after tax: 2.28 billion (BDT) 28% increase
- Customer advances: BDT 71.5 billion (BDT) 15% increase
- Nonperforming loans (NPL): down to 2.77%
- Total branches: 39
- Total employee: over 1400
- EPS (Earning per share): 7.08 BDT
- Return on Asset: 2.60%
- Return on equity: 21.15%

(Source: IDLC website, idlc.com)

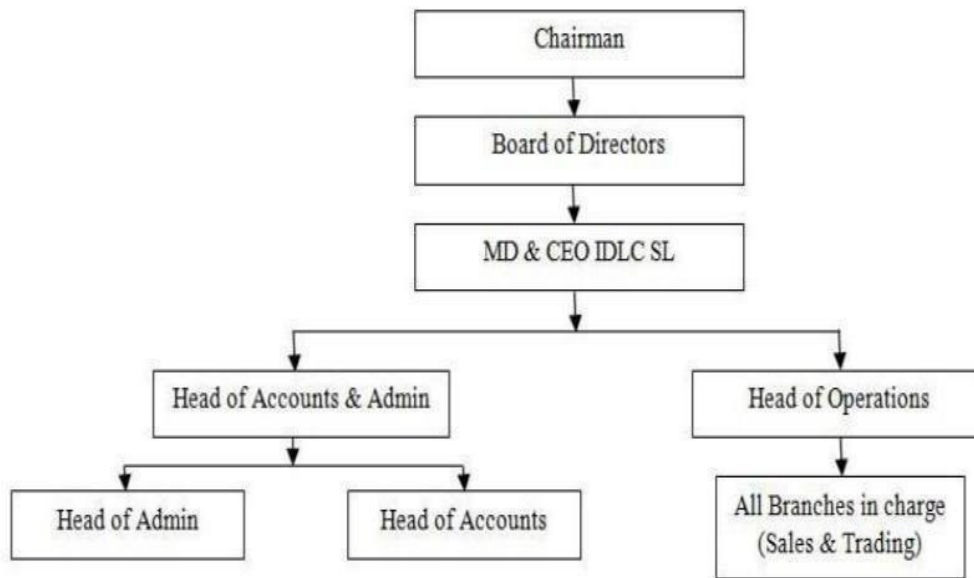
Management structure of IDLC Finance Limited:



IDLC Finance Limited Organ gram (Source: Annual report 2017 of IDLC Finance Limited)

Main Board of director split the IDLC Finance in two categories one is Audit committee and the other one is Executive committee. The audit committee mainly focused on the assessment programs, interior control frameworks and techniques, bookkeeping strategies and other money related issue. On the other hand Executive committee surely concentrate on run the business smoothly and the command accordingly through the chain to compete in the market strategically.

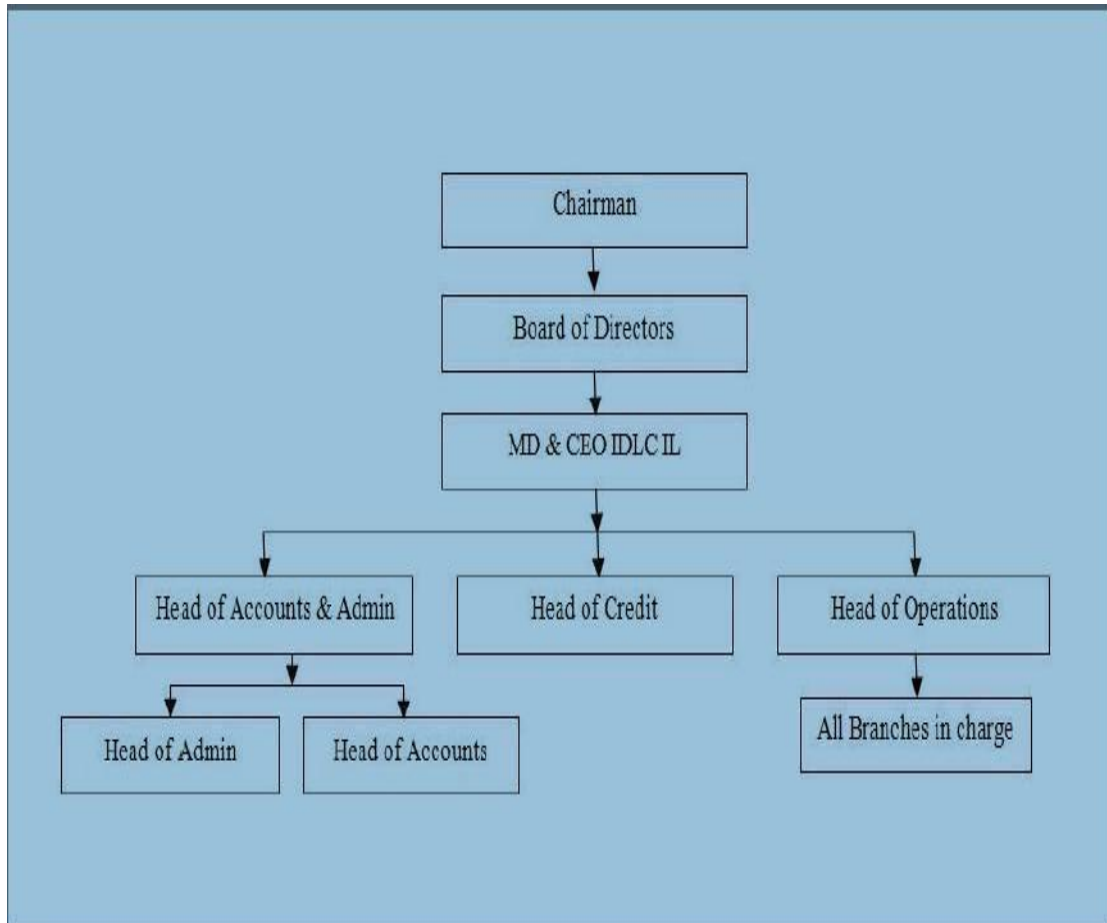
IDLC Securities Limited:



IDLC Securities Limited Organ gram (IDLC Annual report 2017, page: 300)

IDLC securities offer standard international brokerage services to local individual, institutions and foreign investors. It trade execute in Dhaka and Chittagong Stock Exchange Limited. IDLC securities believe they exclusively arrange for the clients to keep their shares in safe custody of their vaults. IDLC securities charge nominal brokerage fees up to 0.40%, CDBL charge at actual, research service upon subscription and custodial service at actual.

IDLC Investment Limited:



IDLC Investment Limited Organ gram (IDLC Annual report 2017, page: 325)

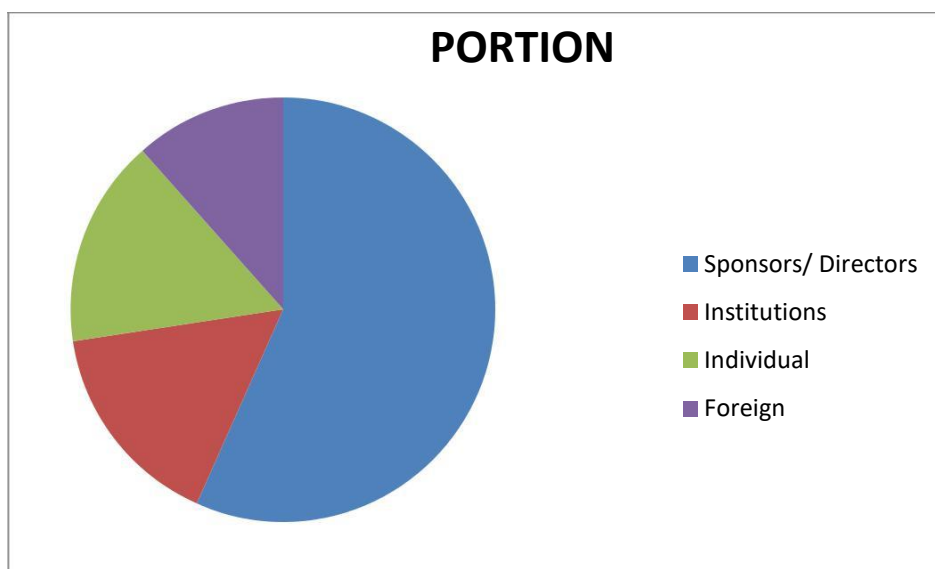
IDLC Investments assist their clients of their best throughout the IPO process along with the sustain market support. IDLC Investment team tries their best to enable fast and easy portfolio management for individuals to ease them into the capital market. Under the IDLC Investment, **Easy invest** is a discretionary portfolio management product that will build the investor's portfolio overtime with small investments at regular intervals. As fund manager, IDLC will follow a disciplined and structured investment process and reduce the risk of market volatility

IDLC Investment core activities:

- Correctly positioning the company in the financial market to procure the right profile of institutional and retail investors
- Valuations of the enterprise
- Showcasing the enterprise to the right investors
- Optimum pricing of the companies
- Devising the best financial structure and
- Completing the entire the process smoothly and efficiently, leveraging the strong the strong co-ordination with regulatory authorities.

Shareholders portion:

SHAREHOLDING COMPOSITION	PORTION
Sponsors/ Directors	56.66%
Institutions	15.99%
Individual	15.83%
Foreign	11.52%



IDLC Finance Total Shareholders portion

Branches of IDLC Finance Ltd:

Name of the Branches	Locations
Dilkhusha Branch	Puranapaltan, Dhaka-1000
Gulshan Branch	57 Gulshan avenue, Dhaka-1212
Dhanmondi Branch	Dhanmondi 14/A, Dhaka- 1209
Uttara Branch	Paradise tower, sector 3, Dhaka-1230
Mirpur Branch	Sector 10, Dhaka- 1216
Chittagong Branch	Agrabad commercial area, chitt-4100
Nandankanon Branch	Guha road, chitt-4100
Narayangonj Branch	Sattar tower, Tanbazar
Narsingdi Branch	382 kalibari road, Narsingdi
Savar Branch	Savar new market, holding no-3
Keranigonj Branch	South keranigonj, Dhaka-1310
Bogra Branch	Sairul complex, Bogra-5800
Sylhet Branch	982 Sylhetdarga gate, Sylhet-3100
Comilla Branch	437 Nazrul avenue, Comilla-3500
Gazipur Branch	Rahmat tower, joydepur, Gazipur-1700
Imamgonj Branch	57-58 Mitford road, Dhaka-1100
Tongi Branch	Banesa complex, Tongi gazipur-1710
Jessore Branch	Rashid center, jessore-7400
Khulna Branch	Syed alihossain tower, Khulna-9100
Natore Branch	Lily plaza, Natore-6400
Bhulta Branch	Hazi A aziz supermarket, Nar-1460
Habigonj Branch	Sanker city, Habigonj-3300
Kushtia Branch	Momtaz tower, Kushtia-7000
Mymensingh Branch	Swapnaneer tower, Mymensingh-2200
Rangpur Branch	Paper palace tower, Rangpur-5400
Chowmuhani Branch	N S Sbhaban, Noakhali-3821
Elephant road Branch	Elephant road 1205, Dhaka Bangladesh
Rajshahi Branch	Shaidullah tower, Rajshahi-6100

Barishal Branch	LL tower, Barishalsadar road
Faridpur Branch	Hafeez building, Faridpur-7800

Source: IDLC Annual report 2017

At present IDLC, have in total 39 branches along with the IDLC investment and IDLC securities. IDLC Finance has 30 branches. Recently IDLC open their new branches at Barishal district. Gulshan Branch is considering as the head office of IDLC Finance Limited. All the branches work collaborate to make IDLC number one non-banking financial institution in Bangladesh.

Introduction:

Rationale:

Finance refers to source of money for a business. To active a nation, country, organization each and everywhere need finance. As I have done my undergrad in major of Finance that is why I preferred a financial institution, IDLC Finance Limited. Now days, along with government leasing, banking and financial institution some private financial companies are supporting the country's financial situation a lot where IDLC Finance Limited is one of them. IDLC Finance Limited is one of the largest financial institution in Bangladesh and it continuously supporting the government a lot giving taxes and other allowances. Last year, IDLC Finance Limited gave 200 crore (BDT) to the Bangladesh government, one-third straight goes to government fund. IDLC Finance is one of the largest broker house in Bangladesh, which is committed to sustainable practices and strong financial performance. As I have done my under graduation on finance background so it sounds pretty much okay to work in a financial booming company IDLC finance limited and that will also help me to take my future career next to the brighten step by understanding practical world relating with the theoretical. By formatting, the internship report and if I got any chance to publish it through BRAC University next of the ICBM that will add value to Business School of BRAC and others will have the chance to get the idea. I have assigned to work in the Special Asset Management of IDLC Finance where I used to follow up the mainly default client. In this

Report, I have tried to reflect the daily operations and challenges of Special Asset Man of Special Asset Management (SAM) in short. Special Asset Management is also known as the collection department.

Background:

To imply academic knowledge in real world, Internship period gives us the opportunity of practical work to link with academic learning of four years of BBA program. The title of my internship report is “Exploration on Special Asset Management and defaulter clients of IDLC Finance Limited”. To make this report I use my internship experience, academic knowledge and my supervisor directions those help me to complete this report with the best informative and efficient way.

Objectives:

Primarily, the report I have worked on is to complete my four years long Bachelor’s of Business Administration (BBA) program of BRAC University successfully. Based on the primary objectives I have tried to get the idea of IDLC Finance’s collection criteria and procedure and after long actions. Along with the exact activities of Special Asset Management, the report will also reflect the responsibility of an intern at SAM.

Along with primary objectives, the report also contains some secondary objectives, which are covered:

- Explore the core activities and get the deep idea of Special Asset Management
- Main concern of reduce the NPL (Non performing loan) rate
- A proper glimpse of different types of loan
- Different types of strategy during the collection period

Literature review:

Nonperforming loan (NPL) is the money that borrower borrows from the bank or any financial institution but after leasing the money from the bank could not pay back within the time. There is a time schedule that can be called someone defaulter or listed under non-performing clients. The time schedule of a non-performing loan is 90 days.

For the very smooth economic sustainability of a country productive and efficiency of cash, flow needed. As a developing country like Bangladesh, to make the economy sustain there is a big role of commercial bank. Along with the commercial bank and financial industry, other industry also affects the country's economy. If we do a survey from the last few years of non-performing loan, we can see it is a big burden for us to pull up the economy enlarges. As developing country from the perspective of economy in South Asia, during the recent years Bangladesh started to grow of its economic rate. Moreover, NBFIs and commercial banks both the industry do their job very close and the risk management is very close. NBFIs normally offer the big term tradition loans where Bank used to offer short-term pay loan.

According to Salehuddin Ahmed, a former governor of Bangladesh Bank (Dhaka Tribune, December, 2017), Often Financial institution such as Banks has to take legal actions against the defaulter clients. Day by day, the rate of non-performing loan is gradually increasing, as there is no proper concern from the Government.

According to Bangladesh Bank (2003-2017, quarterly), In 2016 the NPL ratio of Bangladesh was 10.1% on average where in Sep 2017 the ratio of Non Performing Loans became 10.7% in Sep 2017, in quarter. Since 2003 to 2017, Quarterly Non Performing Loans Ratio of Bangladesh updated quarterly. The highest ratio data reached 28.0% in Mar 2003 and a record low of 6.1% in Dec 2011.

According to Bangladesh Bank (2017) from the latest reports, 10.1% YoY of Money Supply M2 in Bangladesh increase in Jan 2018. In total reservation of Foreign Exchange of Bangladesh is measure at 31.4 USD bln in Feb 2018. Estimated, in Dec 2017 majority of

Foreign Exchange Reserves equaled 7.5 months of import in Dec 2017. Finally, countries domestic credit reached 114.8 USD bn in Jan 2018, in previous it was an increase of 14.3% YoY.

According to Uddin (November 22, 2017), There has some legitimate reasons for being as a defaulter client. Recently the export earning did not grow up that much high so the private sector became slow, where the clients became affected and being default while the only biggest concern of inward payment that has registered only on moderate growth.”

Activities Undertaken:

Job Description:

The assignment that I have undertaken is the exploration on Special Asset Management of defaulter clients of IDLC Finance Limited. I mainly focused to cover the whole procedure of sanctioning loans until the settlement process that will also helps me to get the idea of leasing procedure. However, often it seems quite difficult to find the accurate system of the procedure of all process as it might risky for the company to share it all. All the office staff is very helpful to share the ideas and information, which are available. The objectives will try to convince through the reports mainly to review the main activities of Special Asset Management Department and describe the loan disbursement process. Focus of SAM department is to collect the regular payment by lot cheques or cash. Lastly, I face few problems related to my work, as I never get these types of experiences directly on my under graduation period. I never directly faced with any default clients those are listed on non-performing loan file. Theory related knowledge is almost very different on the practical work of financial activities. The job/ responsibility that I have to handle some description of it is highlighted in down below.

- **Team skills:** I have learnt team skills as all the tasks are separate from different divisions. Each had different team of employees and managers as well as different target to achieve. Such experience has sharpened my ability to work in a team environment.
- **Communication skill:** As an intern, I have successfully dealt with people from various backgrounds and class. It has enhanced my communication skill largely. I had to communicate not just with the customer, but also with my coworkers and superior executives. They all were supportive and flexible with my work.
- **Practical knowledge:** Until my internship, I have only learnt about banking and financing through different academic courses, however from such internship program, I got the opportunity to experience all these academic theories practically.
- **Modern scheme:** The financing system of the 21st century is highly technology based. As IDLC Finance Ltd. also maintains pace with the competitive business environment, its advanced banking software, activities, culture, and philosophy

helped me as an intern to be best at any field of work to fit. The regular most user-friendly software that uses IDLC Finance is **ORACLE BL Publisher**.

- **Attention to detail:** Data entry is all about proper documentation and handling many important documents which I got to acknowledge at the very first stage. A single mistake can result in a serious crime. Thus, my internship has taught me how to work efficiently as well as carefully. It has improved my skill to work with concentration for long hour of time as agreement papers to do it flawlessly.
- **Ability to work under pressure:** There was a time when I had to handle multiple tasks at one particular time under severe pressure and strict deadlines. That has taught me how to prioritize my workload and work effectively and efficiently.
- **Following policy:** Like all banks and NBFIs, IDLC Finance Ltd. is also a strict follower of Bangladesh Bank rules and regulations. Thus, before conducting any task I remained alert so that each action was following the policy. Such policy also enriched my knowledge about the banking sector.
- **Personal development:** During the period of my internship, I had to interact with different people from the diversified customers to the support staff and superior authority. While doing this, it helped me to grow professionalism inside me like-formal dress up, punctuality; maintain confidentiality, importance of work and responsibility. Moreover, it helped me to know various rules and regulation of corporate world and how to cope up with it.

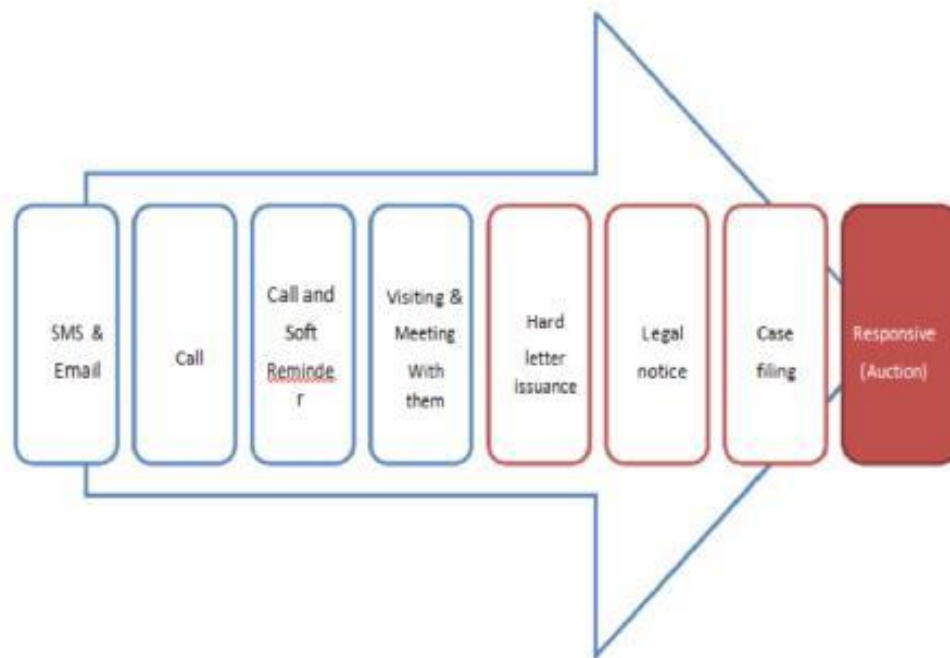
As an intern in Special Asset Management department of IDLC Finance Limited, there has some fix works that every intern have to do. Besides these core works of intern there are some side daily works as well which are undertaken almost in every company. The main core works of SAM are-

- Opening Oracle BL publisher software where keep updated of every clients profile
- Maintaining PDC general which shows the clients monthly EMI/payment is up to date or they are being listed on overdue
- Find customer role of their current status and collect their phone calls for further contact

- Checking settlement account balance to have a look of their available current balance, if the current balance exceeds the regular EMI then the monthly payment will take from his account. Moreover, if the clients give monthly EMI/lot cheques, the extra amount will add on his available current balance
- Furthermore, we have to maintain the client's amortization schedule of their monthly fix installment. If the client wants to know of his liquidation time of sanctioned loan, by observing the amortization schedule we can confirm his monthly installment
- Regular payment also changes because of the fluctuations of interest rate which is not constant and we also make confirm about the installment to the clients by observing the amortization schedule
- There is also overdue statistics where defaulter clients are listed. If we see any default clients those are listed on overdue we keep forwarding them to Junior officer and they take care of them of giving them reminder.
- Finally, we have to follow the PDC General where shows the client cheque is available or not, where they are cash payer or deposit payer. On which bank they are dealing with, activation date of EMI, expiration date etc.

These are the most core activities as an intern we have to do at Special Asset Management.

Core activities of SAM (Special Asset Management):



Regular loan collection process of Special Asset Management:

The main goal of Special Asset Management Department of IDLC is to collect the regular installment/ payment on time where mostly focus on the bad debt. Its purpose is to exploit profitability and support the business expansion and by sustaining stability between risk and reward over the life cycle of services and portfolios of IDLC. The whole process of SAM is a kind of chain that all the member of staffs are working together as team which is the main hold up of SAM. They support the team members with the solution of professional troubles and convey the optimistic prospect concerning the team and company's performance. The different teams are look forward for different assigned work according to different branches and assets. In Special Asset Management, one group of people handle car loan sections, the other group handle the real estate loan sections and some officers look forward all over the

personal, real estate and car loan section on some serious issue and one group of people handle the SME (Small to medium enterprise) sections along with the SME department.

Daily operations strategy of Special Asset Management:

There has some daily-required operation strategy for department of SAM that must be follow by the team to decline the overdue payments and to collect the regular installment.

- Explore the clients profile, collect the number and to call them
- If that does not work or respond is negative then give them text via phone or email
- Thirdly, if the distance contact fail officers go to the visit to meet with them to know the overdue issue
- Hard letter notice of Overdue
- Legal notice
- Case filing
- Repossession of their mortgage through auction process

Basic indeed activities of Special Asset Management of IDLC Finance Limited:

- Following up customers through call or email
- Physically meet with the clients if the personnel is high profile to collect the lot cheques
- Give them best information related with the collection procedure to have an idea
- Issuing overdue letter
- Meet with the overdue customers (by appointment or sudden, depends on the situation and profile)
- As an intern, we let the officers know if any changes came to the client's addresses, contact number etc as first follow up done from us.

- Resolving or reallocating inquiries or concerns arising from communication with clients in focused approach
- Need to keep two to three or even more residual cheques depends on the loan amount
- Writing correspondence with overdue customers
- Reschedule of accounts in Software.
- Second notifying to customers of dishonoring cheques and other updated issues
- Rechecking sum unpaid outstanding, bearing in mind the significant information to determine the execution to be taken
- Internal branch and department decisions
- Sending legal notice, Final reminder, Termination letter to overdue customers.
- Process all the activities of suing under the law of selected customers
- During the day of legal correspondence need to be attend least one or two officers on the behalf of IDLC Finance Limited
- Legal teams need to be cooperative with the lawyer demand
- Preparing the auction process
- All activities must be undertaken with the rules assigned by Bangladesh Bank

Recovery of loans by SAM:

There have some specific practices of SAM to recover the bad debt loans depend on the period of time, client, and portfolio status. Recovery plan of loans diversified between some stages.

I. New-inclusion and early bucket account (one-three months):

- These types of clients have actually a good profile of status of loan payment. Those normally do not late to pay their regular EMI on time but sometimes for some personal issue they used to get default to pay on time. So, in the next immediate working day SAM used to call or text them to let them know about the issue. No hard complains at all.

- SAM used to give them to pay on time with in the 7 working days
- In case if the client still fail to pay the regular EMI, SAM officers try to contact with the personal grantor to let the client know of payment
- Finally if the client do not know about the payment issue still, first reminder letter sent to the client's address

II. Mid bucket default account (four-five months):

- If the clients still not in touch via phone calls or email then need a short visit to the client's address which is available on the account
- Try to get the written commitment from the overdue client
- After having the written commitment sending the reminder letter of fourth installment
- If still the client fails to pay on time finally legal notice will be sent
- If the current process still fails to get the money back, IDLC offer for counseling over solution of actual default situation
- The higher management team also can seated for the discussion depends on the client profile and status if required to

III. Hardcore account (six months and above):

- Sending final reminder letter, which allows the defaulting customer time to pay the overdue within 15 days containing various measures that would be taken if deadline for payment expire, as per the law of the land or regulatory authorities.
- If still do not seen any progress legal notice would be sent by contacting with the Regional manager
- Based on the nature of the default may need to appoint recovery, repossession agents with manager approval
- Still no improvement is visible, legal actions take place as per the merit of the security of the defaulting clients. File suit under the **Negotiable Instrument (NI)** act

- File suit under the **Artha Rin Aine (ARA)** or Bankruptcy act
- Selective names of default clients with relevant persons and organizations among banks and financial institutions of Bangladesh.
- Finally, if the client seems to be guilty he/she has to remain in jail for some days depend on the situation and status.

These are the process of perfecting the collateral system of Special Asset Management of IDLC Finance. And how they take actions and procedure to recover the loans and activities.

Challenges and actions for improvement:

Observation in the organization:

IDLC Finance represents an excellent and friendly environment not only the specific interns but also for all of the employees. They treat interns as a regular employee of IDLC. They often leave the work decision of interns on themselves. Often we have to work under pressure and have to handle loads as an intern. Advisor assign important responsibilities and regular work, which make interns more responsible and dedicate toward their work. To prepare this report I have to collect many information and insider data, which is impossible to get without their help. Without their support, it would be quite difficult for me to submit this report on time.

Finally, I can say is that whatever I have achieved so far here in IDLC is possible just because I have been groom up well in BRAC University. I salute to my university because after working here in IDLC I feel that BRAC University has given me many things, which eventually helped me to work as an efficient intern. On the last day, my colleagues expressed their gratitude toward me for all the efforts I had given to them. They also wished me good luck for my future. I never hoped that my internship experience would be anything extraordinary. However, this internship experience in IDLC Finance Ltd. will always be special for me.

Moreover, I want to add something in which stage, I felt a bit of lacking on me to the real practice of working world. As I have done my internship on a financial institution IDLC

Finance, so the total concept of the company is surrounding the idea of financial world. Though, as a Finance major we have done five to six major courses those helped us a lot to understand the root of finance. However, if some courses add further to teach us or as a finance major if we got the chance to visit some financial institutions such as Bangladesh Bank, Dhaka Stock Exchange to understand their common practices and work. In addition, if University teachers could offer us some additional classes to understand the knowhow of relating the theory link with the practical world that would be very helpful for us. Microsoft Excel is also very important for the Finance major students and I strongly believe that BRAC University is offering those extra sessions on that.

Lessons learned from the Internship program:

Internship at IDLC Finance Limited was a very productive experience, as I believe. It has provided me an opportunity to accumulate knowledge about an industry that I was not familiar with it. I was able to learn about the process of financing with the clients and small to medium scale of organization different types of loan as car, real estate and personal loan mostly. I also get idea of the strategies of non-banking to provide the services and the personnel involved in carrying out the operations. The work environment of IDLC Finance, Special Asset Management department was excellent and everyone at the office was very welcoming towards me. Over the course of the program, I met some experts of this financing field they can manage the assets so smoothly. Moreover, they are extremely knowledgeable and experienced in their field. Simply communicating and working with them has instilled great confidence in me. Every working day there was something new to learn from them whether it is their punctuality, skills, experience, knowledge, attire and even their thought processes related with the leasing and other activities can add value to my life. This three months long experience has been invaluable for me and I am much more confident than before that whatever I have learned from this Internship program will definitely help me to grow as a person and will help me succeed in both my personal and professional life.

I also thankful to the University that initiates a great attempt of every business students have to go through the three months long internship program. After completing the 90 days

of internship program, we have to submit an affiliation or research report based on the internship program to our honorable selected faculty. We also have to give presentation in front of the panel where different faculties of different faculties will be present and will ask questions. Through the process as a intern what we have done to this internship period and how we can relate to our under graduation study that will be justify.

Lastly, I can say with the help of IDLC Finance and BRAC University through this internship program I will be able to research my goal and ability more strongly and confidently.

Concluding Statements:

Summary:

As IDLC Finance nominates the leading Non-banking, financial institution and it also have an enormous positive impact in the economic development of the country. Main job responsibility of IDLC Finance is lease with the clients and small to medium enterprise with various types of loan such as car, real estate, personal loan etc and it expanding every year by experiencing with a fantastic growth rate.

During selling loan though IDLC follow and implement so many rules and policy standards of loan classification and provisioning, the NPL rate is 2.77% in 2017 still insignificantly higher that compare to the industry average. Legal teams and Special asset management teams try as much hard as possible to recover the NPL rate with different tactics followed at the different phases through which a credit facility passes. Three months due clients enlisted under overdue clients and seems the first phase of NPL and these clients need extra care to collect the regular installment. To minimize these types of preventive actions, importance needs to be place on credit screening, loan surveillance and loan review functionalities. Finally, if still fail the SAM team to collect the regular amount legal action will take against the particular client or enterprise.

IDLC actively pursuing for their funds from these defaults and are confident of reducing the NPL to a much lower level by the end of 2018. IDLC is working hard to reduce their NPL level

below 2.5% within 2018 by maintaining their growth. Comparing with other financial institution IDLC continuously improving debt recovery environment and reducing NPL to keep their outstanding position constant in the financial industry. Among of all the department, SAM have to handle the most of the pressure as the collection procedure need to handle and also have to ensure the quick and proper way to fulfill the level of NPL target of IDLC in this matter.

Among all the financial industry of Bangladesh IDLC Finance Limited is doing a great job by overall of their performance. As a business graduates,I would say IDLC is an excellent place for learning and do the internship. Those have pursue their major in Finance will get prized opportunity to real life issues dealt by a financial institution by doing internship here. I also get a very good networking opportunity, which I believe will help me in the future of my career.

Findings:

The core findings that I have found of NPL rate and being default of the clients because of the political instability of the country and for the inflation rate of Bangladesh. Day by day, number of clients increasing and enlisted to the consumer division and NPL rate is getting fat. Often trained employees have the high retention rate while they get better offer and newly joined employee could not handle the track of default customers wisely.

Fluctuate of interest rate also one of the major reason of instability of the regular payment. Where Bangladesh Bank increase the installment and IDLC cross the set installment rate for the profitability issue, some clients and organization set themselves back to pay the regular payment. Not only fluctuate rate of interest is drawback for the regular clients but also some customers also do not happy to pay the loan within the fixed interest rate during the time of lower market interest rate. Uncertainty is a big issue for not paying the regular payment as often major client died, unstable of business practices, family drawback etc. I have found these common and most concentrated findings by studying the whole report and during the time of internship.

Recommendations:

Annual Report of IDLC 2017 and during quarter performance CEO declared the overall NPL fewer than 2.5% in 2018 and below even as they go forward. For the collection and operation strategies, there can be used different tactics for the default client. Here some recommendation based on the findings of the report that have explored whole areas where solution and recovery needed to enable the services to a greater efficiency level and hence smoothing the operations.

- The default clients where they found on PDC General, this update of PDC should have synchronized among all of the branches of SAM that can easily found of each branch's default clients.
- As SAM team only present on Dilkhusa Branch, I would say SAM department should engage in each branches all over the country.

- During the pick hour often server of Oracle BL publisher and the system became down, which do not give the highest efficiency level. That should be change and need to speed up the server.
- Not only give concentration to the overdue customers of three month. There should also give the immediate focus of one-month default clients.
- Apart from the SAM officers a monitoring team also need to require to follow up the client after the disbursement process to investigate what they are doing with the disbursement amount
- Before financing with the client give lend there should be a proper pre investigation of the client whether they are able to fulfill the loan or not in time.
- Apart from having, the regular installment and interest amount from the client and enterprise there should be also a compensation reward for them while they will fulfill the total loan amount. It will reduce the retention rate enormously.
- There should open a short training program for the borrowers about the company policy and regulations.
- Need to identify the customers past record of loan where he/ she is transparent enough or not to close the loan amount.
- Those clients suddenly fall in a bad situation; often clients died so in this case there should take some proper extra care for them.
- University also can open some sessions where we can learn practically of dealing with different people of finance related and have the idea of real financing and leasing.

These recommendations can follow SAM department of IDLC Finance Limited to enhance their collection process and reduce the NPL rate.

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Appendix:

SPONSORS/DIRECTORS

The City Bank Limited (CBL) and its subsidiaries	87,510,575	23.21
The City Bank Limited (CBL)	33,935,329	9.00
City Bank Capital Resources Limited (CBCRL)	37,328,028	9.90
City Brokerage Limited	16,247,218	4.31
Transcom Group	50,273,164	13.33
Eskayef Pharmaceuticals Limited	30,164,062	8.00
Transcraft Limited	15,132,033	4.01
Bangladesh Lamps Limited	4,977,069	1.32
SadharanBima Corporation (SBC)	28,727,494	7.62
Reliance Insurance Limited	26,393,553	7.00
Mercantile Bank Limited	20,737,791	5.50
Sub-Total	213,642,577	56.66
2 GENERAL		
Institutions:		
Bangladesh Fund	6,330,000	1.68
Investment Corporation of Bangladesh (ICB)	5,251,913	1.39
Marina Apparels Limited	3,770,506	1.00
Other Institutions	44,930,605	11.92
Sub-Total	60,283,024	15.99
Individuals:		
General Public (Individuals)		
Sub-Total	59,688,255	15.83
3 FOREIGN		
Institutions & Individuals	43,436,924	11.52
Sub-Total	43,436,924	11.52
Total Holdings		

