Report On

Organizational Analysis and ESG Disclosure Assessment of a Non-Banking Financial Institution: **A Study on IDLC Finance PLC**

By
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ID: 20204003

An internship report submitted to the BRAC School of Business in partial fulfillment of the requirements for the degree of
BBA, Finance

BRAC School of Business
Brac University
February, 2026

Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:
Muttaqi Mashrur Ahnaf ________________________________ **Student Full Name** Student ID

Supervisor's Full Name & Signature:

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Supervisor Full Name

Designation, Department

Institutio

Letter of Transmittal

Md. Mahmudul Alam

PhD (UKM, Malaysia), AFFP Fellow (Frankfort School, Germany)

Professor of Finance, BRAC Business School, BRAC University, Bangladesh,

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report on IDLC Finance PLC.

Dear Sir,

This is my pleasure to submit my internship report titled **"An Internship Report on IDLC Finance PLC: Organizational Practices, Financial Performance, and ESG Disclosure Assessment"**, which has been prepared as a partial fulfillment of the requirements for the Bachelor of Business Administration (BBA) program at BRAC University, under your guidance.

I've tried my best to make this report be completely comprehensive, attached relevant information and discussed my experiences in as clear a manner as I can. This report has been written based on my short, but insightful experience as an intern working in IDLC Finance PLC's finance department. The contents of this report are backed up by secondary datasets, internal and external organizational documents, and the reporting & analytical frameworks as required by academic guidelines presented to me.

I wholeheartedly hope that this report will live up to the academic standards set by BRAC and fulfill its academic purpose. I will be grateful for your kind consideration and any feedbacks you may provide.

Sincerely yours,

Muttaqi Mashrur Ahnaf

20204003

BRAC Business School

BRAC University

Date: February, 1, 2026

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 [Name of Company] and the undersigned student at Brac University…………………………………….

Acknowledgement

I would like to take this opportunity to express how grateful I am to Dr. Md. Mahmudul Alam for his never-ending patience, valuable guidance, considerate spirit and continuous support for me throughout the preparation of this internship report. Dr. Alam’s valuable feedbacks has shown me the way and helped me construct this report so that it meets the structure and analytical depth BRAC requires it to.

Ms. Nastarin Tasnim, FCA, who is the Head of Finance of IDLC Finance PLC, deserves special thanks for the guidance and mentorship she provided me during my period as an intern. She helped me a great deal through her valuable knowledge sharing and mentoring, which ultimately helped me prepare this report.

I also extend my sincere thanks to the faculty members and administrative staff of BRAC Business School, BRAC University, for providing the necessary academic support and learning environment throughout the internship period.

Furthermore, I would like to express my appreciation to my colleagues at IDLC Finance PLC for their cooperation, assistance, and support whenever needed during the internship.

Finally, I owe my deepest gratitude to my family members for their constant encouragement, patience, and support throughout the internship period.

Executive Summary

This report provides an evaluation of the Environmental, Social, and Governance (ESG) disclosure of the IDLC Finance PLC which is a top non-banking financial institution in Bangladesh. The paper assesses the form, uniformity, and efficiency of ESG-related reporting through a qualitative analysis of annual report releases in 2020-24 with benchmarking of the results against selected financial institutions.

The results suggest that although IDLC shows a high level of governance practices and increasing awareness of sustainability issues, ESG reporting is mainly narrative and is not based on standardized quantitative indicators, at least in the environmental and social aspects. The lack of a single reporting system, data fragmentation, and manual processes also curtail the reliability and comparability of ESG information.

The report suggests a staged and realistic solution to enhancing ESG reporting, such as incorporating ESG data in management information systems, introducing quantitative indicators gradually, and reporting based on the established frameworks of sustainability reporting, including TCFD and IFRS S1/S2.

With the sustainable regulation trend worldwide, the initial steps of IDLC in ESG integration place the organization in a good position, as long as the company persists in investing in information systems, reporting frameworks, and governance systems.

Keywords:
IDLC Finance PLC; Non-Banking Financial Institution; Financial Performance; ESG Disclosure; Governance; Bangladesh

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List of Acronyms

Acronyms	Full Form
ESG	Environmental, Social & Governance
NBFI	Non-Banking Financial Institution
IDLC	Industrial Development Leasing Company of Bangladesh Limited — IDLC Finance PLC
MIS	Management Information Systems
CSR	Corporate Social Responsibility
TFCD	Task Force on Climate-related Financial Disclosures
IFRS	International Financial Reporting Standards
IFRS S1	International Financial Reporting Standards – General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2	International Financial Reporting Standards – Climate-related Disclosures
GRI	Global Reporting Initiative
MD&A	Management Discussion & Analysis
HR	Human Resources
PLC	Public Limited Company

Chapter 1

Overview of Internship

1.1 Student Information

Name: Muttaqi Mashrur Ahnaf
Student ID: 20204003
Program: Bachelor of Business Administration (BBA)
Major: Finance
Institution: BRAC University

The following internship report is written as part of a partial assignment of the Bachelor of Business Administration (BBA) degree in BRAC University. The program internship aspect aims to complement their academic studies with professional practice by allowing students to practice the theoretical concepts in the actual organizational context. This chapter describes my internship placement, job duties, learning outcomes, and challenges encountered, and recommendations in relation to my experience at IDLC Finance PLC

1.2 Internship Information

1.2.1 Internship Details

Organization: IDLC Finance PLC
Department: Finance Department
Office Address: Bay's Galleria, 57 Gulshan Avenue, Dhaka–1212
Internship Period: July 2024 – September 2024

IDLC Finance PLC is among the most successful non-banking financial institutions (NBFIs) in Bangladesh and it provides a diversified portfolio of financial services such as corporate finance, SME finance, consumer finance, treasury operations, merchant banking services, and brokerage services. My placement in the Finance Department gave me a first-hand experience of financial reporting and regulatory compliance at an institutional level as well as strategic analysis in the NBFI sector.

1.2.2 Organizational Supervisor

Name: Ms. Nastarin Tasnim
Designation: Head of Finance
Organization: IDLC Finance PLC

Ms. Nastaran Tasnim has guided me during my time at IDLC Finance PLC as an intern and oversaw my activities during that time. She mentored me and provided guidance on how IDLC's financial reporting practices involving its ESG disclosure trends, and work that varied department-to-department.

1.2.3 Job Scope and Responsibilities

For my internship at IDLC Finance PLC, I was made to join the Finance Department in line with my academic major. I was tasked with the restructuring & changes that were made to IDLC's FY2025 annual report. I was given the directive to make sure IDLC had a better Bloomberg score (had a previous score of 3.15). I was to do this by making sure the AR aligned with the Bloomberg Environmental, Social & Governance (ESG) disclosure standards, which are a series of standards companies worldwide adopt to have universal proof of transparency and international oversight.

My overarching responsibilities included going through the FY 2025 AR to first sort the ESG disclosures IDLC already provided, and then sorting those disclosures in relation to Bloomberg ESG data fields. I had to do this to identify data fields that were either missing, shown in an incomplete manner or were underreported in IDLC's AR. I was then involved in drafting & editing the narrative sections related to ESG initiatives & framework, risk mitigation practices & social impact activities.

I also worked in tandem with my counterpart (intern) in the Corporate division and mapped the data presented in the AR with existing documents to make sure the disclosures were consistent and were aligned with regulatory standards set by the Bangladeshi government and simultaneously, ESG standards set by Bloomberg. I also made internal reports that showcased existing ESG disclosure gaps and provided possible solutions that could help improve the structure, presentation & overall accuracy for future reporting.

Apart from ESG disclosure work, I was tasked with drafting comparative analyses of IDLC's FY2025 AR with those of its peers in the (Non-Banking Financial Institution) NBFI and banking sector. My comparative analysis was first to showcase what other institutions did better in their ARs (i.e:- structure of their ESG and Corporate Governance sections), but also on performance indicators like profitability & operational efficiency. Moreover, I also helped in drafting initial templates that were aligned with the Task Force on Climate-related Financial Disclosures (TFCD) to support upcoming IFRS S1 & S2 sustainability disclosure goals.

1.3 Internship Outcomes

1.3.1 Contribution to the Organization

My work added to IDLC Finance PLC’s continuous efforts in ensuring that the level of ESG disclosure quality and ESG reporting capability of the company would be made more complete & efficient. ESG mapping allowed the Finance Department of the company to see where IDLC stands in terms of its current ESG disclosures compared to Bloomberg ESG Standards.

Meanwhile, the analysis of IDLC’s FY 2025 financial statements in the competitive NBFIs industry made it clear what advantages IDLC Finance PLC had compared to its competitors in terms of operational and governance efficiency, as well as portfolio composition. It also showed IDLC’s weaknesses compared to its peers and laid the groundwork for improvements. Finally, drafting of TCFD-aligned templates was an important step in preparation of future disclosures on the part of IDLC.

1.3.2 Benefits to the Student

This internship program allowed me to add to my theoretical information on financial reporting, sustainability disclosures, and adherence to regulatory requirements largely. I had a chance to use practical skills in the field of financial analysis, evaluation of ESG disclosures, and report preparation in a regulated financial organization.

Communicating with other departments in the organization has helped me improve on my communication skills and ability to work in an organized corporate setting. Academically, the internship has given me a better understanding of corporate finance by changing the emphasis on the traditional profitability analysis to the quality of governance, environmental risks, and responsibility of the stakeholders in financial planning.

The internship also helped me reinforce a number of lessons taught in BBA Finance program. The processes involved in analyzing the ESG disclosures and the process of financial reporting required direct application of knowledge gained in courses like FIN421: Principles of Finance. At the same time, the process of governance and risk involved in the internship relates to knowledge I acquired in FIN425: International Financial Management. The practice of accounting carried out at the organization is in line with lessons learned at ACT301: Intermediate Accounting, especially when it comes to reporting the depreciation of the company’s assets.

1.3.3 Problems and Difficulties

Among the most significant challenges that have been encountered during this internship, the unavailability of detailed and standardized information on ESG criteria, particularly regarding indicators concerning environmental sustainability and climate risks, should be mentioned. IDLC Finance has carried out many activities in its sustainability. Nevertheless, certain indicators, such as greenhouse gas emissions and consumption patterns, volume of water utilized in operations, and exposure to climate risk, are not yet gathered and consolidated and, as a result, some of the disclosures have been made primarily by stories and not by facts.

The other significant problem was that all data associated with sustainability were disjointed. The data pertaining to the ESG reporting was spread across Finance, Corporate Affairs, Human Resources, Operations and Compliance departments. The process required coordination to make all these pieces of information to coincide with each other and be incorporated into a single document; the Annual Report.

The dynamic international standards of ESG reporting also posed challenges in accomplishing the assignment. Frameworks like Bloomberg ESG, TCFD, and IFRS sustainability standards develop constantly, requiring considerable professional judgement. Adapting them to an NBFI operating in Bangladesh required careful consideration.

As a non-banking financial institution, IDLC also comes with a few structural challenges that might impact the adoption of ESG. The cost of funding for a NBFI is relatively higher compared to commercial banks, and therefore, liquidity issues also arise. The high cost of funding would make it difficult to adopt advanced ESG measurement tools, conduct third-party assurance, and analyze climate risks.

The time constraint in formulating the annual report did not give room for much innovation in terms of adopting ESG initiatives. There were several regulatory timelines that did not allow for ample data collection and testing of new forms of reporting. It is also quite difficult to compare and benchmark with other firms as most of the reporting formats were different.

1.3.4 Recommendations

Taking into consideration the challenges identified during the internship as well as the operating practices of the NBFI IDLC Finance PLC, there are several ways to recommend improving ESG reportings and internship experience.

First, it is necessary to create a centralized system for the management of ESG-related data that will involve the Finance department, the Corporate Affairs department, and the Compliance department. The creation of one common storage place for the relevant data with data ownership and reporting periods defined will contribute greatly to reporting and auditing procedures.

Second, the firm may want to consider creating standardized key performance indicators (KPIs) based on Bloombergs' ESG, TCFD, and IFRS S1/S2, while giving priority to the material KPIs that would fit the business of NBFI. In this way, the organization will be able to achieve the desired result without increasing its expenses too much.

Third, the adoption of the ESG measurement framework should be phased into the existing Management Information System (MIS). Incorporation of the ESG measurements into the MIS will eliminate the use of manual processes in collecting ESG data.

Fourth, capacity-building measures need to be undertaken to increase the internal expertise of sustainability accounting and reporting requirements. The training process can benefit finance and compliance officers, thus building internal competence and lowering compliance expenses in the future.

Fifth, IDLC can implement a phase-wise approach to the ESG assurance process by providing limited assurance to select ESG indicators like green finance investments or corporate governance disclosures.

Finally, if IDLC wants to make its internships in the future successful, it can give the interns the onboarding documents associated with financial and ESG reporting.

Chapter 2

2.1 Introduction

An overview of the institutional history, structure, functioning departments, management style and challenges of IDLC Finance PLC are discussed in detail in this chapter in order to get a clear idea about the internal workings of the organization as well as the impact of the organizational characteristics on their functionality. It is expected to have a clear idea about the functioning of the organization along with the impact of the organizational characteristics through this chapter.

The NBFI is regulated by a certain regulatory and operational framework which is quite different from that of any other commercial bank. There are several issues which regulate the activities of the organization like restrictions on funding sources, high cost of fund, liquidity management requirement, among others. Thus, all these factors have significant impact on organizational activities and functioning in many ways.

Therefore, it is important to have an understanding of the organizational set up, management of the organization, financial performances of IDLC, marketing strategy, business systems and competition scenario of the organization in order to understand both internship and ESG project proposed in chapter three.

2.2 Overview of the company

2.2.1 Background and History of IDLC Finance PLC

IDLC Finance PLC has been around since 1985 when it was incorporated as Industrial Development Leasing Company of Bangladesh Ltd. The firm had been created for the purpose of facilitating the country's industrial and economic development with its focus on lease financing. From the outset, the organization was owned jointly by some international agencies and local organizations, which led to IDLC's particular interest in governance and financial stability.

As the needs and conditions of the financial industry changed, IDLC transformed from its initial business model centered on leases to a diverse range of services including listing on both the Dhaka and Chittagong Stock Exchanges. IDLC brought forth and developed its departments like SME finance, consumer finance, treasury, and capital market services (IDLC Investments and IDLC Securities LTD) as a response to changing market needs and new challenges.

As a result, IDLC Finance PLC now stands as one of the most prominent financial institutions in Bangladesh; primarily due to its reputation and reliability in a industry filled with turncoats and defaulters.

2.2.2 Nature of Business and Role as a Non-Banking Financial Institution

IDLC, being an NBFI, comes under the provisions of the Financial Institutions Act, 1993, and Bangladesh Bank governs the institution. There are huge differences between commercial banks and N.B.F.Is regarding their authorized operations, sources of finance, and operational license requirements.

Demand deposit account acceptance such as saving accounts and current accounts is not allowed for IDLC. In fact, IDLC relies largely upon term deposits, borrowing from institutions, refinancing, and capital market. Due to this difference, the NBFI incurs a relatively high cost of funds, and hence a high cost of lending becomes difficult to attain, as well as maintaining the margin and earning profit.

Nonetheless, despite restrictions faced, non-bank financial institutions including IDLC offer considerable contribution to the country's financial system through rendering services to unprivileged sectors like SMEs, financing long-term investments, and consumer finance. IDLC uses this kind of approach in its business operations that aims at prudent credit appraisal and profitability.

2.2.3 Vision, Mission, and Core Values

Vision Statement

The vision of IDLC Finance PLC is to become "the most respected and admired financial institution" in Bangladesh by delivering sustainable value to all of its stakeholders. It is clear from the vision that the vision for the organization is not only about doing well in the commercial sense but it also includes doing well in terms of governance, services, and reputation. As a non-banking financial institution, the vision of IDLC revolves around sustainability and accountability.

Mission Statement

The purpose of IDLC lies in the delivery of innovation-driven and customer-oriented solutions in the field of finances along with the preservation of the highest level of integrity, transparency, and risk management. The organization strives to promote economic development by fulfilling the financial requirements of individuals, SMEs, and large corporations with the help of effective services. In addition, the mission statement includes the principle of sustainability as well as responsibility to regulators and all stakeholders.

Core Values

IDLC Finance PLC has core values that remain instrumental to the operational core of the organization itself. It dictates how the business is being run and how it deals with it stakeholders. As such, these values shape IDLC's corporate culture and its governance policies.

- **Integrity:**
  IDLC places a lot of emphasis on its workforce practicing integrity, and its governance and operations reflect that aspect. This means that honesty and moral/ethical values when performing one's responsibilities is encouraged; if not made mandatory. The financial industry rewards honesty when dealing with operations and expects ethical behavior across the board.

- **Good Governance:**
  Good corporate governance is one of IDLC's key values. The company promotes transparency and compliance with regulations in its business dealings in order to foster responsible management.

- **Customer Focus:**
  At IDLC Finance PLC, customer satisfaction is paramount. Understanding the changing requirements of the client base and providing customized products and services are some

of the goals of IDLC in this regard.

- **Excellence and Professionalism:**
  IDLC fosters a culture of excellence, professionalism, and continuous improvement among employees. It is anticipated that employees will perform at an outstanding level in their job descriptions while adjusting to changes in the business environment.

- **Teamwork and Respect:**
  IDLC promotes teamwork and respect for one another in its work environment. A team approach is highly favored in solving problems and making decisions.

2.2.4 Organizational Structure

IDLC Finance PLC adopts an organizational structure of function type that is based on central governance and decentralization of operations. Such a design of the company's organizational structure allows efficient oversight, regulation, and specialized operations in different areas of activity. At the top level of the organizational hierarchy, there is a Board of Directors that defines the strategy, makes important decisions, and defines risk appetite.

The Board performs its functions in accordance with governance arrangements and entrusts management of operations to the executive management. The latter performs the task of developing and implementing strategies within the framework of various functions. As a result, the company's structure can be viewed as centralized in terms of decision-making and decentralized in terms of operations.

The structure of IDLC comprises both business divisions as well as support and control areas, thus enabling specialization but at the same time ensuring coordination within the organization. These comprise of the following:

- **Finance and Accounts:** Responsible for financial reporting, budgeting, regulatory reporting, and ensuring compliance with accounting standards and disclosure requirements.

- **Corporate Finance:** Provides structured financing solutions, term loans, and lease facilities to large and medium-sized enterprises, focusing on relationship-based corporate lending.

- **SME Finance:** Serves small and medium enterprises through tailored financing products, supporting entrepreneurship and business growth.

- **Consumer Finance:** Offers retail financial products such as home loans, car loans, and personal loans, catering to individual customers.

- **Treasury:** Manages funding sources, liquidity, asset-liability matching, and interest rate risk, which are critical functions given the funding constraints of an NBFI.

- **Capital Markets (Merchant Banking and Brokerage):** Engages in investment banking, portfolio management, and brokerage services, generating fee-based income and supporting capital market activities.

IDLC apart from its divisions also has standalone support and control functions, which include:

- **Risk Management and Compliance:** Oversees credit risk, market risk, operational risk, and regulatory compliance, ensuring alignment with internal policies and regulatory requirements.

- **Corporate Affairs:** Manages corporate communication, stakeholder engagement, and regulatory liaison functions.

- **Human Resources:** Handles recruitment, training, performance management, and employee development initiatives.

- **Information Technology:** Supports core banking systems, data management, cybersecurity, and digital service delivery.

Through this organizational structure, it is possible for IDLC Finance PLC to achieve its goals of being efficient, having good governance, risk management, and compliance with regulations. The division of business generation from control allows the institution to make sound decisions.

2.3 Management Practices

The management style practiced by IDLC Finance PLC has been shaped by the nature of the organization being a leading non-banking finance company in a highly competitive and strictly regulated business environment in the country of Bangladesh. The management style in such an organization is marked by proper governance, accountability, and risk management.

2.3.1 Leadership Style

There is a systematic and hierarchical leadership approach in IDLC Finance PLC, whereby strategies are planned but implemented in operations. The strategies for the organization will be planned at the central level among executive managers and the board while operations are composed of the delegated activities to be carried out by managers at the organizational levels.

The responsibilities of the upper management, including the senior executives, include strategizing the plans, ensuring that all plans are authorized through policies, and matching the strategies to the legal and regulatory standards. In contrast, the operations involve making decisions on day-to-day basis, such as client management, portfolios management, and implementation of processes.

IDLC is an organization that makes decisions based on its policies and available information. Therefore, any proposal made about credit, investments, and operations must be well justified and backed up with appropriate documentation and organizational policies in terms of seeking authorization from the relevant authority. The decision-making process may take much time, thereby creating problems.

2.3.2 Human Resource Management & Planning

Human resource planning for IDLC will require adding qualified, ethical, and regulation-savvy professionals who can operate effectively in challenging environments. The strategies employed in managing human resources in IDLC include proper recruitment, remuneration, training, and evaluation.

Recruitment and Selection

IDLC Finance PLC's recruitment and selection strategy is fairly formal because the organization is primarily concerned with recruiting competent individuals that match all criteria set by the company in terms of their qualifications and expertise. The recruitment and selection strategy entails advertising job vacancies through the most appropriate medium available. The applicants for those jobs will then be evaluated based on the job description and other criteria.

The selection process includes evaluating the shortlisted applicants during various phases of the process, including the writing test phase and the interview phase. The successful applicants will go through all these phases successfully. Interviews to select suitable candidates are usually conducted by senior management officials or board members of the organization. Suitable candidates are awarded appointment letters and recruited by IDLC Finance PLC to start working.

Compensation System

IDLC Finance PLC has a sophisticated and complex remuneration policy intended to recruit, motivate, and retain qualified staff members from both professional and academic points of view. The remuneration policy operates under the concept of a hierarchical structure of salaries, where the employee is classified into different family jobs based on his or her level, responsibilities, skills, and influence in the organization.

In this regard, the remuneration package will include the basic salary of the employee, performance-based rewards, and incentives. The base salary is computed on the basis of the job grade and regularly evaluated to ensure that it remains competitive within the industry. Remuneration increases can be made based on an assessment of individual performance, organizational performance, and external conditions. High performers may also qualify for merit increments.

Alongside the fixed salary structure, IDLC also offers a wide range of monetary as well as non-monetary benefits that are designed to increase the welfare of its employees as well as their satisfaction. Such benefits include bonuses for festivals, performance, and various allowances associated with housing, travel, and other issues relevant to the employment of the individuals. Long-term benefits offered by IDLC include the provident fund, gratuity depending on the period of service, encashment of leaves, and medical benefits.

Training and Development

There is a heavy focus on training and development in IDLC Finance PLC because it is an essential part of human resource management. Employees are considered vital assets by the company and are trained and developed professionally and personally so that they can operate efficiently and provide quality services while adhering to regulations. The training is carried out internally or externally based on the needs of the institution and the individual employees. IDLC provides extensive training to its employees in diverse aspects, such as training about systems, software, and operational tools, job-related skills, and soft skills, including communication, customer relations, professionalism, and workplace conduct.

The training program also targets managers and administrative employees, and IDLC offers them lectures, discussion forums, role plays, simulation sessions, and developmental programs, including management games, sensitivity training, and improved communication. In addition, IDLC organizes international training programs for managers and middle-level employees, where trainees acquire international experiences and bring their new knowledge back to work once the program ends.

Besides using external training programs, IDLC also makes use of internal training programs which are cost effective in addressing the training needs of the organizations. The internal training programs are carried out using experienced people, whereas the external training programs are chosen depending on training needs analysis and offered by known institutions. There are digital learning programs as well as software-based training programs used in the organization. Evaluation methods are put in place to measure the success of these training programs.

Performance Appraisal System

The primary approach for performance appraisal used by IDLC Finance PLC is that of a comprehensive and multidimensional one, with the aim of not only performance measurement but also employee development. The characteristics of IDLC Finance PLC's performance appraisal include the following: one of them is the use of 360-degree feedback or performance evaluations from multiple sources including superiors, co-workers, employees themselves, subordinates, and, where applicable, clients or consultants. This helps achieve more objective outcomes, eliminate biases related to single-rater approach, and conduct a well-rounded evaluation of the employee's behavior and performance.

Apart from 360-degree feedback, IDLC Finance PLC uses a variety of performance assessment methods that can be used for different purposes and organizational contexts. They comprise graphic rating scales for evaluating employee behavior with respect to certain job-specific criteria, such as reliability, initiative, productivity, punctuality, and attitude toward work; forced distribution and alternative ranking approaches to distinguish among employees' achievements; critical incident technique, which is centered around job behaviors and accomplishments; behaviorally anchored rating scales (BARS) that reduce errors related to ratings; paired comparison methods when priorities are not clear; and management by objectives (MBO).

2.3.3 Internal Communication and Coordination

Internal communication plays a vital role when it comes to managing the diversified operations of various business segments. Communication within IDLC follows an official reporting procedure through management meetings and internal documentation.

Coordination meetings and performance reviews play an important role in ensuring that the activities of different business segments remain in line with the organizational goals. Nevertheless, as the organization expands its activities, communication between different segments of the business will become harder to achieve, especially with information becoming siloed within business units and supporting departments. This will become evident during busy times like regulation reviews or when the company has to prepare financial reports.

2.3.4 Risk Awareness and Compliance Culture

IDLC is an organization that exhibits a high level of risk awareness and compliance in its management philosophy. It ensures that all employees abide by the rules and regulations within the company and outside of it. The compliance and risk management departments function separately from other departments in order to maintain independence.

Internal audits, compliance checks, and policy changes contribute towards maintaining such a corporate culture. Strict compliance may improve the reputation of the institution; however, it increases work for management.

2.3.5 Leadership Challenges in the Bangladeshi Financial Context

There are a variety of leadership challenges for the management of IDLC due to the current financial situation in Bangladesh. These are macroeconomic instability, greater regulations, stress in the financial sector as a whole, and intense competition by rival banks and financial technology companies.

All of this poses challenges for the leaders, who must balance their need to grow and manage risks along with complying with regulations, among other issues.

2.3.6 Summary of Management Practices

On the whole, the management of IDLC Finance PLC seems to adopt an approach that is highly cautious and controlled. This type of management, which suits IDLC being a non-bank financial company in Bangladesh, has some implications such as difficulties in terms of flexibility, coordination, and cost management. Managing these aspects becomes very crucial for the success of IDLC.

2.4 Marketing Practices of IDLC Finance PLC

IDLC Finance PLC marketing strategy depends on the product lines offered by IDLC Finance PLC rather than on centralizing the marketing process through the mass market approach. Being a NBFI, IDLC Finance PLC has a more relationship-based, compliance-focused, and product-based marketing process due to the characteristics of financial services marketing in Bangladesh.

IDLC Finance PLC’s major business divisions of Corporate Finance, SME Finance, Consumer Finance, and Capital Markets Services have their own dedicated marketing departments that handle the marketing requirements of their respective products.

2.4.1 Marketing Strategy and Target Customers

IDLC has adopted a marketing strategy that concentrates on targeted market segments rather than mass marketing. The marketing of corporate and SME finance involves the use of relationship marketing, networking, and referral strategies. The marketing of consumer finance concentrates on salaried employees and professionals through the provision of financial products such as mortgages and car loans.

IDLC has created a reputation of being a trustworthy, reliable institution that enjoys success from good governance policies and provides transparency.

2.4.2 Marketing Channels

Marketing channels at IDLC include:

- Relationship managers and sales teams
- Branch and service locations
- Digital platforms such as the corporate website and official social media pages
- Partner and institutional referral networks

Digital channels are primarily used for **product information dissemination and brand communication**, rather than direct sales promotion.

2.4.3 Product Development and Competitive Practices

The process of designing new products for IDLC is guided by market needs, feasibility with regard to regulations, and risk analysis. Market insights from the marketing department of IDLC aid in designing customized products, particularly in the small and medium enterprises and consumer finance areas.

Competitive strategy in IDLC revolves around quality service delivery, quick response times, and quality business relations as opposed to competitive pricing.

2.4.4 Critical Marketing Issues and Gaps

There are limitations placed on the marketing of IDLC because of the responsibilities imposed on the organization and the risks associated with aggressive promotions and advertisements.

Additionally, the stiff competition among other banks and fintech organizations increases pressure on visibility and interaction with customers, particularly on the digital platform.

Each individual section of the company has its established responsibilities, and each is responsible for handling them as per the company's policies and regulations. Therefore, IDLC is able to deal with different types of financial tools in one entity.

2.5 Financial Performance & Accounting Practices

2.5.1 Financial Performance

This chapter examines the financial performance of IDLC Finance PLC based on secondary information available in the annual reports of the company for multiple years. Being a NBFI, the structure of IDLC Finance faces certain limitations due to funding, liquidity, and capital structure. Accordingly, financial performance will be examined based on ratio analysis.

2.5.1.1 Profitability Analysis

The profitability ratios indicate how effectively IDLC can make profits out of its assets, capital, and operating activities. Profitability ratios are especially significant for NBFIs, since their funding costs are relatively high compared to other financial institutions.

Table 2.5.1.1: Profitability Ratios of IDLC Finance PLC

RATIOS	FY2021 (%)	FY2022 (%)	FY2023 (%)	FY2024 (%)	FY2025 (Q3) (%)
ROE	12.60%	10.57%	8.09%	9.98%	8.31%
ROA	1.48%	1.29%	1.03%	1.35%	1.04%
NPM	27.84%	29.06%	23.83%	27.60%	28.41%

Analysis:
IDLC's performance regarding profitability is relatively volatile throughout the period under review. The return on equity ratio has fallen up to FY2023 and then improved during FY2024, while showing a marginal decrease during FY2025 (Q3). The return on assets is low but stable. This is normal for a NBFI having many assets. Net profit margin is high and increasing from FY2024 to FY2025 (Q3), showcasing proper cost management & pricing practices even though IDLC faces a turbulent operating environment

2.5.1.2 Liquidity Analysis

The liquidity ratios measure how well the company is able to pay its short-term liabilities. Management of liquidity is very important for NBFIs like IDLC, because they cannot use retail deposits as a source of funding and instead have to depend on borrowing from the market and institutional funding.

Table 2.5.1.2: Liquidity Ratios of IDLC Finance PLC

Liquidity Ratios	FY2021	FY2022	FY2023	FY2024	FY2025 (Q3)
Cash-to-Assets Ratio	29.78%	20.09%	12.42%	8.23%	6.59%

Analysis:
The cash-to-total assets ratio reflects the magnitude of cash in the form of liquid assets as compared to total assets. With the constant reduction in the ratio, we can see that the company is keeping less amount of cash in the form of liquid assets compared to total assets, indicating that cash is being used more effectively to earn. Although this is a positive sign from the income generation point of view, but it makes the company a little less liquid. This is quite typical behavior of a seasoned NBFI.

Alternatively, managing liquidity along with doing business is not an easy task for IDLC. Especially during time frames where there is regulatory stress or credit markets are confining themselves.

2.5.1.3 Efficiency Analysis

The efficiency ratios assess the extent to which IDLC operates efficiently in terms of operational costs and asset utilization in generating income. Operational efficiency is of the utmost importance when it comes to maintaining profitability, especially in a competitive financial services landscape in Bangladesh.

Table 2.5.3: Efficiency Ratios of IDLC Finance PLC

Efficiency Ratios	FY2021	FY2022	FY2023	FY2024	FY2025 (Q3)
Cash-To-Income Ratio	36.16%	43.77%	46.53%	42.00%	40.02%
Asset Turnover Ratio	0.053	0.044	0.043	0.049	0.037

Analysis:
Cost-income ratio is used to measure the efficiency of operations through the comparison of costs against income. The smaller the ratio, the more efficient the cost management. Asset turnover ratio reveals the efficiency with which assets are used in generating income. There could be several reasons for changes in efficiency ratios.

2.5.1.4 Leverage and Solvency Analysis

Leverage ratios and solvency ratios provide measures of the financial health of IDLC over the long term. Capital adequacy is crucial for ensuring that the company stays compliant and can withstand any financial shock.

Table 2.5.1.4: Leverage and Solvency Ratios of IDLC Finance PLC

Year	Liabilities (BDT)	Equity (BDT)	D/E
FY2021	126,123,829,211	16,788,936,112	7.51
FY2022	130,075,126,713	18,109,609,061	7.18
FY2023	128,397,935,422	18,718,324,151	6.86
FY2024	128,835,567,856	20,061,076,571	6.42
FY2025 (Q3)	14,827,982,460,600	21,200,289,235	6.99

Analysis:
The debt-to-equity ratio calculates the extent to which the company uses loans compared to its ownership capital. IDLC continues to have a very high leverage ratio, a feature of Non-Banking Financial Institutions (NBFIs). The decreasing trend signifies a positive change in equity and solvency, while the slightly upward trend in the quarter under consideration indicates higher liabilities.

2.5.1.5 Trend and Overall Financial Assessment

In general, it may be argued that IDLC is financially stable, though having cautiously positive financial performance. First, the liquidity ratio reveals that the firm is utilizing money resources effectively by generating profits rather than keeping cash balances. Efficiency is also relatively high, which means that the cost-cutting actions implemented by the company have started bearing fruit after some time. Leverage is quite high for a NBFIs entity, but a steady decline in the debt to equity ratio reveals growing solvency, except for a brief period during FY2025 Q3.

Considering the company's profitability, it can be noted that there were slight fluctuations around FY2022 and FY2023 but then became consistent. It can also be observed that the profit margin ratios are consistent and high, which further implies financial stability and growth for IDLC.

2.5.2 Accounting Practices

In this section, we will discuss the accounting practices of IDLC Finance PLC according to the guideline of the BBA internship report. It is required to discuss the basic concepts of accounting, basis of accounting, accounting cycle, methods of depreciation, external auditing, and the practices of disclosures. IDLC is a non-banking finance company, and its accounting practices have much importance because of this reason.

2.5.2.1 Basis of Accounting and Accounting Standards

The financial statements of IDLC Finance PLC have been prepared under the accrual basis of accounting. According to this basis of accounting, income or loss and expenses are recorded when they are realized or incurred, as opposed to being recorded when actual cash transactions take place. Accrual accounting is very important for banks & NBFIs since there may be differences between recording events and cash transactions.

The company uses International Financial Reporting Standards (IFRS) in the preparation of its financial statements. The use of IFRS makes financial reporting more comparable and consistent, thus increasing the credibility of the accounting policies used by the entity. This is especially important for banks since their operations tend to be complicated.

2.5.2.2 Accounting Cycle and Financial Reporting Process

In relation to the accounting cycle of IDLC, there are processes of recording, classification, summarization, and preparation of accounting reports. In light of the nature of business operations of financial service firms, it is important that the accounting process is sensitive to interest revenue, interest expenses, charges, provision making, and valuation of financial assets and liabilities.

As far as the financial reporting process at IDLC is concerned, it follows a systematic approach using transaction recording, reconciliation, review, adjustment, and financial statement preparation.

2.5.2.3 Depreciation and Fixed Asset Accounting

IDLC uses the straight-line depreciation method for its fixed assets. This method is characterized by even distribution of the cost of the asset over its estimated useful life. It is commonly applied due to its simplicity, consistency, and stability.

Consistency in applying depreciation policies improves comparability between different accounting periods and helps to avoid volatility in the financial performance of IDLC. Changes to the depreciation policy or estimates of useful life should be justified.

2.5.2.4 External Audit and Assurance

Annual external audits are carried out on the financial statements of IDLC Finance PLC by an independent auditing company. External audit ensures that financial statements are accurate and reliable, thus increasing stakeholder trust in the financial information presented.

Audits must be conducted according to established accounting practices and regulations, and appropriate documentation should be maintained. For companies in a regulated environment like those in the financial sector, external audits are vital governance tools.

2.5.2.5 Regulatory Compliance and Reporting Requirements

As an institution under the regulation of Bangladesh Bank and the Bangladesh Securities and Exchange Commission (BSEC), IDLC is bound by the reporting and disclosure norms stipulated by these two organizations. The compliance with these norms impacts upon accounting practices, depth of disclosure and periodicity.

Some of the aspects that get affected by regulatory compliance include provisions, capital adequacy reporting and risk disclosures. Regulatory compliance imposes some challenges to accounting processes due to their increased complexities.

2.5.2.6 Accounting Disclosures and Transparency

Financial statement disclosures offer clear descriptions of the measurement, recognition, and presentation of financial numbers. For financial firms, disclosures become significant because besides profits, asset quality, risk profile, liquidity status, and corporate governance are considered when assessing performance.

The annual report and financial statements of IDLC contain footnotes and disclosure notes that help achieve transparency and interpret financial numbers correctly. It is critical for there to be consistency between disclosed numbers and the narratives contained in the annual report.

2.5.2.7 Commentary and Link to Organizational Context

All the accounting policies that have been put in place by IDLC are a result of the structured approach adopted in reporting financial information. These include the use of accrual accounting, application of the International Financial Reporting Standards (IFRS), implementation of depreciation policies, external auditing, among others. These practices help IDLC be reliable and provide support for comparative analysis.

However since the scope of financial reporting is expanding beyond the domain of accounting to incorporate non-financial and sustainable reporting, there is a need for further coordination between different functional departments.

2.6 Operations Management and Information System Practices

IDLC Finance PLC operations are arranged in a systematic way of operations to ensure efficient operations in different financial transactions without neglecting the regulatory requirements and risks management. Being a non-banking financial company that functions in Bangladesh, IDLC is informed by matters concerning finances, regulations and risks, which relate to its development. In the next chapter, the operations of IDLC Finance PLC will be examined in terms of its services, the operation processes, the internal controls, and information systems.

2.6.1 Core Business Operations

IDLC Finance PLC operates its core businesses under the diversified business divisions that are aimed at balancing the growth, risk and sustainability within the environment of the non-banking financial institution sector. The individual business areas have a different client base and are associated with particular operation procedures, risk management, and regulations. These divisions combined are the core of revenue creation and strategic positioning of IDLC in the Bangladeshi financial market.

Corporate Finance Operations

Corporate Finance division is among the core revenue-generating departments of IDLC Finance PLC. The division offers organized financial products including term loans, leasing financing, and tailor-made financing to large and medium-sized corporate members who operate in different sectors of the Bangladeshi economy.

Corporate finance activities start with client acquisition and relationship management whereby relationship managers meet corporate clients to know their financing requirements, business models and long term growth strategies. This is then succeeded by thorough credit appraisal which constitutes financial statement analysis, cash flow analysis, sectoral risk analysis and collateral valuation.

Since, the ticket sizes and their tenures are relatively high in case of corporate lending, the approval process includes several levels of participation. The risk management teams evaluate credit proposals and are approved by specific credit committees according to authorized limits. Once approved, the facilities will be subject to regulation with regard to their repayment schedule and covenants.

The corporate finance function in Bangladesh operates in a setting characterized by economic volatility, industry concentration risks, and political instability. The changing interest rates, the import/export regime, and the foreign exchange situation may affect the company's cash flows, hence increasing credit risk. Therefore, to maintain asset quality in this industry, asset appraisal and risk assessment should be constantly conducted.

SME Finance Operations

It should be noted that the SME Finance division carries significant strategic value in relation to the IDLC business model, because it provides finance to SMEs in Bangladesh. Thus, SME Finance provides finance for SMEs in the manufacturing, trading, and service sectors using various instruments such as working capital finance, term finance, and leasing.

In comparison with corporate finance, SME finance can be considered more operational than strategic. For example, SMEs in Bangladesh do not have any financial documents or financial statements to conduct credit analysis due to significant problems of information asymmetry.

IDLC follows various tools in order to cope with such problems, which include credit evaluation models, exposure limits on sectors, and relationship management. Field surveys, customer engagements, and portfolio reviews are integral parts of SME operations. Even with all these controls in place, SMEs are vulnerable to economic recessions, inflationary trends, and disruptions within the supply chain.

It is difficult to balance growth and credit quality in SME lending. Despite providing substantial opportunities for growth and financial inclusion, SMEs require considerable administrative efforts and efficient risk management mechanisms.

Consumer Finance Operations

The Consumer finance department provides retail financial products like mortgages, automobile financing, and personal loans to individual clients. The department aids portfolio diversification and yields fairly stable cash flows if operated efficiently.

Consumer finance operations have standardization in terms of financial products offered, eligibility for customers and repayment periods. Credit analysis in the consumer finance department centers around the income stability of the borrower, employment status, credit rating, and ability to pay off debts.

Consumer finance operations are extremely susceptible to the effects of high inflation rates, interest rate variations, and income variations in households in Bangladesh. This is because increased cost of living and uncertain economic conditions impact the repayment process of customers, thereby posing risks to the operation.

Treasury Operations

Activities in the Treasury department play an important role in ensuring financial stability and sustainability of IDLC as a whole.

The Treasury department oversees liquidity management, sources of funding, interest rate risk management, and asset and liability mismatch management.

Since NBFIs do not take demand deposits, treasury activities at IDLC include term deposit mobilization, institutional borrowing management, and funding cost optimization. Constant monitoring of maturity positions of both assets and liabilities helps to keep liquidity levels high even during stress conditions.

Treasury activities also include adhering to regulatory and internal liquidity constraints and risk limits. Treasury management proves to be tough during times of liquidity squeeze or increase in interest rates.

Capital Market Operations

The capital market activities of IDLC include merchant banking, issue management, portfolio management, and brokerage services. This will generate income through fees and also diversify the sources of earnings away from interest earnings.

Merchant banking activities entail managing initial public offerings, rights issues, and other capital market transactions. The portfolio management and brokerage services are targeted at institutional and individual clients.

The capital market activities are intrinsically vulnerable to volatility in the market and the behavior of investors. For Bangladesh, any variations in the performance of the stock market have an impact on the transaction volume and, hence, the fee earnings. This makes the earnings from this business activity cyclical in nature.

Operational Interdependence Across Business Divisions

While each business unit acts autonomously, the operations between the various units are highly dependent on each other. Finance, risk management, compliance, and IT are responsible for all business units, which provide them with necessary reports and IT infrastructure. Cooperation is important since it will make risk assessment and accounting consistent throughout the organization. However, when segments are interdependent, issues start to arise, making their interaction complex.

Operational Challenges in Core Business Activities

There are many strategic challenges IDLC needs to address within its core activities. First, financing costs are higher compared to those of commercial banks, while at the same time it should meet strict regulations and supervision. It is also competing not only with commercial banks but also with fintech organizations, adding new dimensions of risks related to macroeconomic factors.

It is obvious that effective operations are a necessity in order to decrease margin pressure and keep expenses related to compliance under control. Nevertheless, IDLC's efforts aimed at achieving high efficiency have to go hand in hand with proper credit policies.

2.6.2 Operational Processes

The operational process at IDLC Finance PLC aims at enhancing service efficiency by having a sound risk management process that adheres to regulatory requirements. As a financial firm that operates in Bangladesh but is not classified as a bank, IDLC is mandated to have a disciplined operational workflow process in order to manage credit risks, liquidity risks, operational risks, and compliance risks.

Credit Origination and Approval Processes

The credit origination and appraisal process is among the most important activities at IDLC. The process starts with the identification and initial screening of clients done by the relationship manager. The next step in the credit appraisal process is the detailed appraisal exercise.

During the credit appraisal process, the financial statements, cash flows, repayment capability, security cover, and sectoral risk analysis are done. In addition, for small and medium enterprises (SMEs) and consumer finance clients, there is greater focus on field checking, income reliability, business sustainability, and repayment record. Credit proposals are all captured in standard forms.

Approvals for transactions are made through several layers according to the amount and nature of the transaction. Transactions that are large in amount or carry high risks need approval from top management or credit committees. Such an approval mechanism minimizes the element of subjectivity in decision making but could lead to delays in the process.

Risk Management and Monitoring Processes

Risk management is an integral part of the operating model at IDLC. The Risk Management unit works autonomously of the various business units and is tasked with assessing credit risk and monitoring the quality of portfolios in line with risk policies and regulations.

The post-disbursement monitoring process entails regular assessment of the performance of clients and their adherence to loan covenants. Early warning signals are employed in identifying problem accounts, which can then be corrected through restructuring, among others.

In a dynamic Bangladeshi banking environment where economic situation changes and regulations need to be complied with, constant risk management becomes inevitable. But in order to effectively manage risks, accurate and up-to-date information is required. Disjointed database and manually prepared reports might hinder that process making work more cumbersome.

2.6.3 Accounting, Reporting, and Documentation Processes

It is essential to mention that the accounting process and reporting have an important part in the operation system of the IDLC Finance PLC Company. The Department of Finance and Accounting is responsible for keeping records of all financial activities performed by the company and preparing financial reports in due time.

The financial activities performed in the context of loaning activities, investing activities, treasury activities, and capital market activities are documented appropriately. The preparation of financial reports needs to be done regularly and can then be used for decision-making and controlling purposes.

Documentation plays a very important role in the functioning of IDLC. Records need to be kept in regards to the documentation of loans, documentation of credit approval, documentation of disbursement, documentation of compliance, and documentation of audit to enable inspections and audit internally. Documentation ensures increased levels of transparency, accountability, and governance across the different departments of the organization.

However, the problem with documentation is that it involves increased paperwork for the company. This leads to increased pressure for employees during busy times such as at the end of the year when reports need to be prepared.

2.6.4 Internal Controls and Governance Mechanisms

Internal controls at IDLC Finance PLC are designed to ensure accuracy in operations, eliminate any fraudulent activities, and adhere to internal policies and external laws. Internal controls play a major role in the governance system of IDLC Finance PLC.

A few internal controls employed by IDLC Finance PLC include segregation of duties, approvals, access control in computers, and reconciliations. Under segregation of duties, no single employee is responsible for carrying out the entire process in any transaction, such as credit authorization, payment, and accounting entries.

2.6.5 Internal Audit and Compliance Functions

IDLC Finance PLC's Internal Audit department is responsible for ensuring the efficiency of the operational processes, control systems, and governance frameworks. Internal audits are performed on a periodic basis to determine whether there are any non-conformances in relation to internal policies, regulatory standards, and best practices.

The results of the internal audits and the suggestions made by internal auditors are recorded in official reports. Senior management is updated on such issues and corrective measures are monitored in order to ensure that all identified non-conformances are corrected within the set time periods..

The Compliance Department works along with Internal Audit to assure that the organization is complying with regulations and ethical principles. Activities within the Compliance Department may include regulatory reporting, policy analysis and updates, and tracking regulatory changes and coordinating with regulatory bodies. Within a regulatory framework where regulatory supervision has increased in the financial industry of Bangladesh, the importance of the compliance department has grown over time.

Even though the Internal Audit Department and Compliance Department help promote organizational integrity and regulatory integrity, there is additional pressure on the organization in terms of administrative burdens.

2.6.6 Information Systems and Technology Support

The information system and technology are playing a vital role in IDLC Finance PLC operations. Technology has been used for conducting transactions, monitoring portfolios, assessing risks, and generating management reports from different departments.

Management Information System (MIS) has been used to produce regular reports on the portfolio status, liquidity status, credit status, and compliance status. These reports are useful in decision making by managers and monitoring of performance. Information systems also help in maintaining consistency of data across the board and & helps regulatory reporting.

Despite the numerous initiatives taken towards digitalization, certain processes are carried out manually and through the use of spreadsheets. This results in problems relating to accuracy, speed, and integration of information since both the traditional and digital systems must be used simultaneously.

System integration and digitalization will play a significant role in creating better processes. These processes can be developed by implementing proper IT systems along with training of employees for scalability.

2.6.7 Operational Challenges in the Bangladeshi Context

IDLC Finance PLC is subject to a number of challenges that arise from the general business environment of Bangladesh. They include constant change of regulations, lots of documentation required for compliance purposes, and some other challenges that are related to the general issue of asset and liquidity management within the financial sector.

Considering that IDLC is NBFI, higher costs of accessing funds in comparison with commercial banks and inefficiency in operations of IDLC are the challenges that the company has to face.

In addition to that, economic instability, high levels of inflation, and change of interest rates affect the ability of debtors to settle their liabilities. Although internal control helps with risk management and compliance, it can be slow at times and may lead to higher overhead expenses.

2.6.8 Summary of Operations and Information System Practices

In summary, IDLC Finance PLC operates on an extensive system of processes, control mechanisms, and information systems suitable for a financial non-bank organization that operates in the country of Bangladesh. Business operations in all areas including corporate banking, small and medium enterprises financing, consumer finance, treasury operations, and capital market activities are facilitated through established business processes and risk management..

The processes and controls associated with operations will help ensure financial stability and compliance. However, an emphasis on document-oriented processes, partial system integration, and manual processing will create additional complexity in terms of operations. It is important to continue improving efficiency, technology use, and cooperation between different departments to remain competitive.

2.7 Industry and Competitive Analysis

This section examines the business environment in which IDLC Finance PLC is operating. The industry environment in question is analyzed using the Porter's Five Forces model for competition, as well as through a SWOT analysis. This includes an examination of the competitive environment, as well as the strengths and weaknesses of IDLC as a company in this environment.

2.7.1 Porter's Five Forces Analysis

Porter's Five Forces model is a useful tool for assessing the competitive environment of any industry through five major forces which affect profit potential and positioning. In applying the above model in analyzing the IDLC Finance PLC, the following observations can be drawn about the competitive environment prevailing in the non-banking financial institution industry in Bangladesh.

Threat of New Entrants

The threat of new entrants in the non-banking financial institutions industry in Bangladesh can be categorized as medium to high. For entry into the industry, permission is required from the Bangladesh Bank. In addition, the company must meet the capital adequacy requirements and follow strict corporate governance.

Furthermore, building credibility, gaining trust, and diversifying sources of funds is a challenging process that requires much time. Therefore, incumbent organizations like IDLC possess an advantage on this front due to their brand reputation and long-standing relationships with funding institutions.

Nonetheless, while entry barriers for traditional NBFI institutions are relatively high, the entry of fintech institutions into the industry creates indirect competition. Fintech institutions may not be working within the same regulatory requirements as traditional financial institutions but can specialize in offering credit in particular market segments.

Bargaining Power of Suppliers

In the case of NBFI's, suppliers usually imply the suppliers of funds such as depositors, lending institutions, development organizations, and those who invest in the capital markets. The supplier power of the NBFI's is rather high as compared to the supplier power of commercial banks.

Since the NBFI's do not take demand deposits, the NBFI's have to depend upon term deposits and institutional borrowings which cost more and are sensitive to market situations. The suppliers of funds can always ask for a higher interest rate, especially when there are economic instabilities in the environment.

Thus, the supplier power influences the cost of funds and net interest margin directly, making treasury and relationship management very important for NBFI's.

Bargaining Power of Customers

The bargaining power of customers in the Bangladeshi financial services industry is average to high. Large corporates and small and medium enterprises (SMEs) usually have a variety of financing choices, ranging from commercial banks, non-bank financial institutions (NBFIs), and even informal lending channels. Growing competition has helped customers bargain on prices and other factors.

Consumer finance customers have relatively low bargaining power since the products and services offered are more standardized, along with strict eligibility requirements. Nevertheless, technological advancements and rising competition from banks and fintech firms have slightly boosted customers' negotiating power.

IDLC has focused on building customer relationships and delivering top-notch customer service to cope with customer bargaining power.

Threat of Substitute Products or Services

The risk associated with substitutes in the NBFI industry of Bangladesh is fairly high. Some forms of substitution would be through commercial loans from banks, informal loans, trade credit, and sometimes even financing through the capital markets.

However, commercial banks constitute the most formidable substitute since they provide very similar services at a lower interest rate owing to their more economical means of sourcing funds. The other two alternatives are possible substitutes for small business financing.

Despite the existence of substitutes, the importance of NBFIs comes from the fact that they serve customers who do not satisfy the conditions of obtaining loans from banks.

Rivalry Among Existing Competitors

The degree of rivalry among players in the NBFIs industry is very high. Bangladesh has more than one NBFI that targets the same client group for their services, especially corporates, small and medium enterprises (SMEs), and individuals.

Price, quality of service, speed of transaction, tailor-made products, and relationship management characterize the competition among NBFIs in the industry.

Though there is high rivalry in the NBFIs industry, differentiation in terms of good governance, effective risk management, and long-term client relationships still constitutes a vital competitive element.

Overall Industry Attractiveness

In general, the NBFI segment of Bangladesh displays characteristics of high competition, high cost of financing, and stringent regulations. Although there is potential for growth, especially in areas such as SME and consumer lending, the profit levels are restricted because of structural issues and competitiveness.

IDLC Finance PLC should be concerned more about managing risks and effective operations than growth.

2.7.2 SWOT Analysis of IDLC Finance PLC

The SWOT analysis is a technique that facilitates the identification of both the firm's strengths and weaknesses and its opportunities and threats, respectively. The SWOT analysis of IDLC Finance PLC can assist in portraying an integrated view of the interaction of organizational capabilities and the external environment in the case of Bangladesh. Also, the SWOT analysis is essential for the interpretation of the ESG reporting efforts undertaken by me as described in chapter three.

Strengths

A key strength of IDLC lies in its efficient governance structure. IDLC is one of the oldest NBFIs in the country. Hence, it enjoys a positive reputation due to its credibility in being transparent and compliant with all rules and regulations. Consequently, IDLC gains a competitive advantage due to the trust of its investors and the relationship with its stakeholders that has been sustained over a long period of time.

IDLC also exhibits strong diversification of its business activities, including the following domains such as corporate finance, SME lending, consumer finance, treasury management, capital markets, and others. Therefore, IDLC ensures that its revenues do not come from only one business segment.

Experience and expertise are another strong point of IDLC. As the organization stresses professional development, understanding regulatory frameworks, and internal controls, this attribute becomes increasingly crucial at a time when poor governance practices have shaken public confidence.

Last but not least, the company's comprehensive risk management and internal control procedures contribute to high asset quality and compliance with regulations. Cautious lending practices & its constant monitoring increase the organizational durability during times of financial crisis.

Weaknesses

An important limitation that can be seen in the case of IDLC includes the high cost of funds due to the very nature of the NBFI sector. The inability to accept demand deposits means not being able to use inexpensive sources of financing.

Another limitation is linked to the complexity of operations due to diversified businesses. Operating diversified businesses requires handling the risks, regulations, and operational procedures of several business lines.

Moreover, lack of integration of ESG data in the reporting system is another limitation. Financial data might be systematically collected and reported through formal channels, but ESG data may have to be manually coordinated.

Lastly, human resource limitations can be identified, as there is stiff competition for highly qualified personnel, along with the need to train employees in the fields of risk management and sustainability reporting, among others.

Opportunities

IDLC has the potential to grow in the current business environment by tapping into new opportunities in the SME and consumer finance segments, as there is an increased demand for structured financial products due to the rising number of middle-class citizens, urbanization, and entrepreneurship in Bangladesh.

Another opportunity that may arise is in enhancing the quality of ESG and governance reporting, as investors have become more focused on environmental and social sustainability and corporate transparency, which will enable better communication with stakeholders, regulatory bodies, and investors.

Additionally, technology innovation will provide opportunities in terms of efficient operations, information management, and customer satisfaction. On top of that, financial stability and governance regulations may give a competitive edge to IDLC due to their governance practices and management policies.

Threats

There are numerous threats to IDLC, which can potentially affect its future business performance. Competition is a threat, especially since banks are able to leverage cheaper funding sources, broad geographical distribution, and pricing flexibility.

The emergence of fintech firms or other online lenders in the market is another possible threat to IDLC. They can be a competitor to IDLC because of their speed and technological efficiency.

Macroeconomic risks in terms of fluctuating economic conditions, inflation, and policies in Bangladesh also present risks to the company. This would include issues regarding loan repayments, access to funds, and asset quality.

Lastly, reputation risk could also impact the company's stakeholders since other NBFIs may face liquidity problems or have poor governance practices.

Summary of SWOT Analysis

To conclude, there are several advantages of the IDLC Finance PLC, namely those connected with effective governance, diversification, and risk management that may prove invaluable when facing a tough economic situation. On the other hand, there are issues regarding the cost of capital and structural complexity that should be managed efficiently. Possible ways of improvement are connected with opportunities in certain markets, digitization, and ESG.

This SWOT analysis demonstrates how relevant the ESG Disclosure Assessment Project is in terms of the company’s longterm, sustainable development as it showcases the importance of transparency, governance & risk mitigation protocols.

2.8 Summary and Conclusions

This chapter has offered a detailed discussion on the organizational structure, management, operations, financial performance, and environment of IDLC Finance PLC. IDLC Finance PLC, a financial institution that is not a bank, operates in Bangladesh. Therefore, IDLC Finance PLC works under certain unique characteristics of regulations and operations, which have an influence on the company’s strategy, risk management, and financial performance.

The organizational structure and management practices of the organization have been analyzed to show the importance that the organization gives to good governance, decision making, and compliance. IDLC Finance PLC has an effective system for recruiting employees, paying salaries, training, and evaluating the performance of workers. The presence of such systems contributes to the stability of the operations of IDLC Finance PLC, but it also increases administrative costs.

Through operational analysis, IDLC's diversified nature of doing business through corporate finance, SME finance, consumer finance, treasury and capital market operations allows it to diversify revenues while mitigating risks at the same time. Nevertheless, the diversification results into increased complexities in operation. The effective internal control, risk management measures and proper documentation facilitate regulatory compliance and good governance but require more processing times and make operational workloads difficult. IDLC partially relies on manual systems in its operations and limited use of other information not financial in nature shows the need for further investment in information systems.

IDLC's financial performance analysis has shown that it follows a conservative and careful financial management approach in its operations as an NBFI. Its financial performance in terms of profitability, liquidity, efficiency and leverage is highly influenced by high costs of funds, capital regulations and competition by banks and fintech companies. IDLC has potential growth areas like SME and consumer finance.

Porter's Five Forces Analysis and SWOT Analysis reveal that the operating environment of IDLC is highly competitive in terms of rivalry among competitors, strong bargaining power of suppliers, and rising threat of substitute goods and digital competitors. Although IDLC faces numerous competitive threats, its strengths related to corporate governance, diversification, and effective risk management help IDLC remain in favorable conditions compared to other firms. This chapter emphasizes the necessity of high-quality corporate governance, transparency, and risk management in order to ensure sustainable performance.

In conclusion, this chapter describes the organizational and business context needed for better understanding of the ESG Disclosure and Analysis project discussed in Chapter 3. The challenges and limitations considered in this chapter can be used as a basis for the analysis conducted in the next chapter.

2.9 Recommendations / Implications

Based on the assessment made on the organization structure, management systems, operations process, performance, and environment of IDLC Finance PLC, various recommendations may be made to increase effectiveness and sustainability of the institution.

The first recommendation is for the company to maintain cost of funds as a key strategic area. Being an NBFI, IDLC has some disadvantages inherent in the organization model such as not being able to collect demand deposits. In order to alleviate high costs of funding, diversification of funds may be considered alongside better relations with lending institutions.

The second recommendation is related to operational efficiency. The current margin pressures and increasing costs of regulation necessitate efficiency improvements in operational processes without compromising the internal controls required by regulators.

Third, there is a need to increase the level of investments in MIS and data integration. Integration of systems among different departments such as risk management, finance and reporting regarding sustainability would enable increased accuracy, efficiency and timely decision making. Better capacity of MIS would also assist in improved reporting according to regulations.

Fourth, there is a need to focus on human capital management including training and retention. Although IDLC places much emphasis on developing their workforce and ensuring continuous professional development, competition in attracting quality talent is fierce. This includes retention measures, development and planning for succession.

Fifth, there is a need to develop formal processes for ESG reporting. This could include integrating ESG measurement in reporting processes, assigning responsibilities for sustainability measurements and reporting, and aligning the process with relevant standards.

Lastly, for positioning IDLC within a competitive environment, its strengths in terms of good governance, risk management, and relationship lending must be stressed, not rapid growth. Maintaining the financial viability & quality of assets, managing risk in a cautious manner, and increasing the total credibility of the organization will lead to a better long-term narrative and sustainability for IDLC in the tumultuous economic climate of Bangladesh.

The recommendations present in this This discussion highlights the benefits of implementing the above recommendations for IDLC. Improved operational efficiency, improved governance, and improved disclosure practices will increase the bank’s resilience and competitiveness in the long run.

Chapter 3: ESG Disclosure Assessment and Analysis

3.1 Introduction

This chapter presents an analytical assessment of Environmental, Social, and Governance (ESG) disclosure practices at IDLC Finance PLC. The chapter focuses on evaluating the extent, structure, and reliability of ESG-related disclosures made by the organization, with particular attention to the challenges faced by non-banking financial institutions operating in Bangladesh.

In recent years, ESG considerations have gained increasing importance among investors, regulators, and other stakeholders. Institutions are expected not only to demonstrate strong financial performance but also to disclose how they manage environmental impact, social responsibility, and governance practices. For financial institutions, transparent ESG disclosures play a critical role in strengthening stakeholder confidence, supporting risk assessment, and aligning with evolving regulatory and market expectations.

For IDLC Finance PLC, ESG disclosure is shaped by organizational structure, regulatory requirements, data availability, and operational constraints discussed in Chapter 2. As an NBFI, IDLC operates within a framework where ESG reporting is still evolving and lacks standardized regulatory guidance. This chapter therefore examines ESG disclosure practices within this context, identifying gaps, challenges, and areas for improvement.

The analysis presented in this chapter is based primarily on secondary data sources, including annual reports, sustainability-related disclosures, and internal documentation. The findings aim to provide insights into the current state of ESG disclosure at IDLC and to support practical recommendations for enhancing transparency, reliability, and integration of ESG information.

3.1.1 Background and Problem Statement

Environmental, Social, and Governance (ESG) disclosure has become an increasingly important component of corporate reporting, particularly for financial institutions that play a central role in capital allocation and risk management. Investors, regulators, and other stakeholders now expect organizations to demonstrate transparency not only in financial performance but also in how they manage environmental impact, social responsibilities, and governance practices.

In Bangladesh, ESG disclosure practices are still evolving, especially within the non-banking financial institution (NBFI) sector. Unlike financial reporting, ESG disclosure is not yet governed by a fully standardized regulatory framework. Instead, the domestic landscape is structured by fragmented, progressive directives from the central bank, such as the Guidelines on Environmental & Social Risk Management (ESRM) and the Sustainable Finance Policy, which mandate specific green and sustainable finance disbursement targets for financial institutions (Bangladesh Bank, 2017, 2020). Despite these policy interventions, comprehensive non-financial reporting remains largely descriptive. As a result of this, institutions often rely on voluntary disclosures, internal policies, and fragmented reporting practices. This lack of standardization creates challenges related to consistency, comparability, and reliability of ESG information across the industry.

For IDLC Finance PLC, ESG disclosure is influenced by structural and operational factors discussed in Chapter 2, including evolving regulatory constraints, documentation-heavy compliance processes, and partial reliance on manual data collection systems. Although the organization demonstrates strong governance and compliance orientation, consistently receiving recognition for its voluntary adherence to international reporting benchmarks (Shahria, 2022), the ESG-related information is often dispersed across different reports and departments, making consolidated analysis difficult.

The core problem addressed in this project is the **absence of a fully integrated and standardized ESG disclosure framework** within IDLC Finance PLC. This results in data gaps, inconsistent metrics across reporting periods, and challenges in verifying the accuracy and completeness of ESG information. Empirical studies highlight that environmental reporting in developing economies like Bangladesh remains disproportionately narrative-heavy; focal areas like tree plantation or corporate philanthropy are highly visible, whereas quantitative data on carbon management policies and precise fund allocations for climate risks are routinely under-reported (Akhter et al., 2023). These data collection gaps significantly limit the usefulness of ESG disclosures for institutional stakeholders and reduce their effectiveness as an empirical decision-making tool..

Addressing these challenges is particularly important for an institution like IDLC, where governance credibility and risk discipline are key competitive strengths. Improving ESG disclosure practices can enhance transparency, support investor confidence, and align the organization with empirical evidence showing that robust ESG integration materially strengthens overall financial and banking stability (Saadaoui et al., 2025).

Global ESG reporting has evolved significantly in recent years, driven by the rapid growth of ESG focused investment and increasing regulatory attention to sustainability disclosures. In many jurisdictions, ESG reporting is gradually shifting from voluntary disclosure to more structured and mandatory frameworks. This change is characterized by a growing emphasis on both financial materiality and impact materiality, known jointly as ‘double materiality’, to assess organizational performance (Adams, et al., 2021). However, in emerging market contexts, ESG reporting often remains narrative heavy and constrained by limitations in data infrastructure, reporting systems, and institutional capacity. This broader macroeconomic trend is reflected in the case of IDLC Finance PLC, where ESG disclosures demonstrate advanced organizational awareness and intent but remain limited in terms of standardization and quantitative depth.

3.1.2 Objectives of the Project

The primary objective of this project is to assess the current state of Environmental, Social, and Governance (ESG) disclosure practices at IDLC Finance PLC and to evaluate the effectiveness, consistency, and reliability of such disclosures within the context of a non-banking financial institution operating in Bangladesh.

The specific objectives of the project are as follows:

- To review the existing ESG-related disclosures made by IDLC Finance PLC through annual reports and other publicly available documents.
- To identify gaps, limitations, and inconsistencies in ESG disclosure practices across reporting periods.
- To examine the challenges associated with ESG data collection, documentation, and reporting within the organizational and operational framework of IDLC.
- To evaluate the reliability and usability of ESG information for stakeholders, including investors, regulators, and analysts.
- To propose practical recommendations for improving ESG disclosure quality, integration, and transparency in alignment with organizational capabilities and regulatory expectations.

These objectives are designed to ensure that the analysis remains focused, relevant, and aligned with both institutional realities and emerging sustainability reporting expectations.

3.1.3 Significance of the Study

The significance of this study lies in its focus on ESG disclosure practices within a non-banking financial institution operating in Bangladesh, a context where sustainability reporting is still developing and lacks standardized regulatory guidance. As ESG considerations increasingly influence investment decisions, regulatory scrutiny, and institutional reputation, understanding the current state of ESG disclosure at IDLC Finance PLC is important for both organizational improvement and sector-level insight.

For IDLC Finance PLC, the study provides a structured assessment of existing ESG disclosures and highlights areas where reporting practices can be strengthened. By identifying gaps, inconsistencies, and reliability challenges, the analysis supports management in improving transparency, governance quality, and stakeholder communication. Enhanced ESG disclosure can also contribute to stronger investor confidence and regulatory preparedness.

From a broader perspective, this study is significant for the NBFI sector in Bangladesh. Many NBFIs face similar structural constraints related to funding, regulatory compliance, and data availability. The findings of this project may therefore offer insights applicable beyond IDLC, particularly in demonstrating how governance strength and operational discipline can support improved sustainability reporting. Academically, the study contributes to limited local literature on ESG disclosure practices within financial institutions in emerging markets.

3.1.4 Scope of the Study

The scope of this study is limited to assessing the Environmental, Social, and Governance (ESG) disclosure practices of IDLC Finance PLC. The analysis focuses on reviewing the nature, extent, and consistency of ESG-related information disclosed through publicly available sources, including annual reports and other organizational documents.

The study concentrates on qualitative assessment rather than quantitative measurement of ESG performance. It evaluates how ESG information is disclosed, structured, and communicated, rather than measuring environmental impact, social outcomes, or governance effectiveness through numerical indicators. The scope also excludes primary data collection methods such as surveys or interviews with employees, management, or external stakeholders.

In addition, the study is confined to the organizational and operational context of IDLC Finance PLC as a non-banking financial institution operating in Bangladesh. Comparative analysis with other financial institutions or international ESG benchmarks is not undertaken. As a result, findings and recommendations are intended to reflect institutional realities and constraints rather than provide generalized industry-wide conclusions.

3.2 Methodology

In this report, qualitative research method was employed for the purposes of examining ESG disclosures of IDLC Finance PLC. The main idea of using the method is to analyze the extent to which the company provides consistency and completeness of information about their ESG practices through different means of reporting.

The qualitative method in this report focuses on secondary sources of information. Particularly, secondary sources consist of annual reports that have been issued by IDLC Finance PLC during FY 2020 - 2024. In particular, the reports of IDLC were analyzed regarding such sections as management discussion and analysis, corporate governance report, sustainability, corporate social responsibility related information, and some other notes important in regards to the financial statement.

Besides analyzing reports by IDLC Finance PLC, I also analyzed reports of other selected financial institutions to see how ESG reporting practices differ between companies. In particular, reports of such organizations as BRAC Bank, HSBC and City Bank will be used for this purpose during the periods of FY 2020-2024. Even though there were some prominent local Non-Banking Financial Institutions (NBFIs) like LankaBangla Finance PLC (LB) and DBH Finance PLC (DHB) that were initially taken into account for peer benchmarking, they were methodologically excluded because of the acute data availability constraints and structural reporting asymmetries in the domestic NBFI sector. There are very few comprehensive annual and quarterly disclosure mechanisms in place for a significant proportion of the local NBFI industry, and they are either not in place in time or they are not standard across the industry. Additionally, IDLC Finance PLC has reached a higher level of governance maturity as compared to other local NBFI institutions, and it would be inappropriate to compare banks with governance that is less mature than IDLC Finance PLC. In this sense, commercial banking institutions with strict regulatory oversight, strong capital market transparency and advanced reporting systems were deliberately chosen as a yardstick to evaluate IDLC's disclosure capability in relation to the highest degree of disclosure at home.

The analysis entailed an examination of these documents to establish any pattern relating to ESG disclosures contained therein. Information about ESG disclosures in these documents was identified by mapping them to the internal ESG categories based on the environment, society, and governance. This analysis was undertaken through the lens of the common sustainability concepts like TCFD pillars for climate risks, disclosure criteria common in frameworks such as GRI, and sustainability standards like IFRS S1 and IFRS S2.

A number of evaluation criteria were employed in assessing the quality of ESG disclosures. First, information about the quality of ESG disclosures was based on the presence or absence of ESG information in specific reporting periods by being measured against data inputs that were required by the Bloomberg ESG terminal. Secondly, the nature of information about ESG disclosures was either qualitative or quantitative. Thirdly, information about the quality of ESG disclosures included the consistency of ESG disclosures from one reporting period to another. Lastly, the analysis included elements of ESG disclosures frameworks despite the absence of explicit use of such frameworks.

Since ESG reporting practices in the NBFIs of Bangladesh are at their early stages, this research will be more concerned with how ESG reporting takes place rather than its results or consequences. Therefore, this research examines the process of reporting ESG information by analyzing how the information is disclosed through corporate reporting.

However, a disadvantage of the methodology used here is that there are no primary data collection tools employed such as interviews and surveys; only secondary data analysis techniques are applied. However, in case of ESG reporting disclosure, it is justified because all this information is publicly available.

3.3 Findings and Analysis

This part of the report showcases the key findings from the analysis I conducted of the ESG disclosure practices at IDLC Finance PLC. The analyses was conducted on the basis of reviews made on disclosures that were made by IDLC in public forums, also on certain select internal documents, shared across 3 ESG pillars. The findings have been discussed in chapter 2, within the organisational, regulatory and operational context of IDLC.

3.3.1 Environmental Disclosure Practices

IDLC Finance PLC's environmental disclosures are mainly qualitative and place an emphasis on overall awareness rather than mention quantitative data. Environmental information is mixed in within a more general, overarching corporate responsibility and/or governance narratives instead of being showcased in a separate environmental report.

General disclosed environmental data include aware of energy usage, initiatives to reduce paper waste & an overall compliance with existing environmental regulations. However, these disclosures are incomplete as they do not possess standardized indicators, measurable goals and standardized indicators. There is little proof of a quantified environmental impact such as emissions, energy consumption metrics or environmental risk exposure.

Table 3.3.1: Environmental Disclosure Assessment

Environmental Area	Nature of Disclosure	Observed Gaps
Energy efficiency	General narrative statements on office electricity awareness.	Omission of absolute energy consumption in kilowatt-hours (kWh); lack of a centralized tracking mechanism for energy intensity per square foot across branches.
Resource usage	Policy-level discussion focused on internal paper reduction and digitalization.	Total absence of quantified water consumption metrics (volume in m^3) and electronic waste (e-waste) lifecycle tracking; lack of standardized year-on-year physical resource data.
Environmental compliance	Brief mentions of compliance with Bangladesh Bank's ESRM and Sustainable Finance directives.	Absence of greenhouse gas (GHG) accounting protocols; Scope 1 (direct emissions from company vehicles), Scope 2 (indirect emissions from purchased electricity), and Scope 3 (supply chain/financed emissions) are

		completely unquantified.
Environmental risk	Narrative-heavy descriptions of green finance portfolio contributions.	Lack of a structured, empirical climate risk exposure index; no quantitative stress-testing metrics regarding portfolio exposure to transition risks or physical climate risks (e.g., flooding/cyclone impacts on SME clients).

The findings showcase that at present, IDLC's environmental disclosures and overall methodology isn't fully mature; they're basically at an early stage of development and are mostly dependent on following compliance guidelines rather than being performance driven.

Why this matters:

The lack of standardized environmental metrics negates a lot of the useful elements that complete ESG disclosures would have for stakeholders. Investors & analysts are typically reliant on quantitative figures like emissions, energy consumption and environmental risk exposure metrics to properly assess sustainability performance and conduct comparative analyses across different FY and with other companies. The absence of these specific data points negates the chances of proper year-to-year benchmarking. The lack of this data also reduces IDLC's ability to properly review environmental & transition risks. If IDLC worked on making their quantitative disclosures complete, they would become more transparent and it'd help them support alignment in the future with frameworks like the IFRS S1/S2 and TFCD.

3.3.2 Social Disclosure Practices

IDLC's social disclosures mostly emphasize on human resource activities, employee welfare and enrichment (training and development) and maintaining relationships with customers. The organization showcases relatively stronger disclosures in this section in comparison to its disclosures in the Environmental part.

Disclosures and overall information that are related to professional development of employees and their training, workplace ethics & standards of customer service are all available. But, akin to its environmental counterparts, social reporting also does not possess standardized reporting indicators and metrics across reporting timelines.

Table 3.3.2: Social Disclosure Assessment

Social Area	Nature of Disclosure	Observed Gaps
Employee training	Qualitative descriptions of career progression frameworks and administrative training programs.	Failure to disclose quantified average training hours per employee type per year; missing empirical training effectiveness and outcome measurement data.
Employee welfare	Broad policy statements regarding performance-based remuneration, provident funds, and corporate benefits.	Complete absence of verified employee turnover percentages (voluntary vs. involuntary); total omission of unadjusted gender pay-gap ratios and granular workforce diversity percentages across different management tiers.
Customer responsibility	Generalized service standards, client onboarding ease, and data ethics mentions.	Total lack of independent, quantified customer satisfaction index scores or documented retention tracking metrics.
Workplace ethics	Textual references to the corporate Code of Conduct and transparency values.	Absence of centralized, publicly reported tracking data regarding internal ethics violations, whistleblower reports, or grievance mechanism compliance counts.

Why this matters:

IDLC's social disclosures are stronger compared to its environmental counterparts but they still have the same glaring issue; which is that they remain largely qualitative. The lack of metrics like employee turnover, total training hours, or workforce diversity figures shoe-horns the stakeholders' capability to properly assess human capital development between different FYs. This takes away from the compatibility analysis between other companies and internally between itself across different time frames (FYs). A lack of measurement of workforce outcomes can also make operational risks that are relevant to employee retention & productivity have less clarity. If IDLC implemented a standard operating procedure for measuring social metrics, they'd greatly increase their transparency and most importantly, the consequent usefulness of these metrics for the future.

Although social disclosures can showcase how serious an organization is towards the development of its employees and its overall ethical conduct the lack thereof of such metrics greatly impedes upon how truly useful they are analytically.

3.3.3 Governance Disclosure Practices

Although IDLC's frameworks for its environmental and social reporting leave much room to be desired, its Governance framework stands out as its most complete variant. Being a regulated NBFI, IDLC takes its governance structures & subsequent policies in regards to compliance, oversight and risk management.

The disclosures IDLC makes in regards to its Governance practices include metrics based on board composition, data on how its committees are structured, what types of internal control tools are present, its risk management guidelines and overall compliance standards. These disclosures are far more structured, consistent and properly presented across the board compared to its environmental & social counterparts.

Table 3.3.3: Governance Disclosure Assessment

Governance Area	Nature of Disclosure	Observed Gaps
Board Structure	Comprehensive breakdown of Board composition, independent directors, and institutional sub-committees.	Zero disclosure regarding Board-level performance evaluation metrics; total lack of an explicit, independent Sustainability or ESG Steering Committee architecture at the executive or Board tier.
Risk Management	Structured description of autonomous credit, market, and operational risk monitoring frameworks.	Lack of reporting alignment with standardized international non-financial frameworks like GRI or SASB, and no forward-looking sustainability disclosure preparation linked to IFRS S1/S2.
Compliance	Deep regulatory focus on	Lack of reporting alignment

	satisfying Bangladesh Bank guidelines and BSEC corporate governance codes. Omission of external sustainability assurance or independent third-party verification audits for non-financial indicators.	with standardized international non-financial frameworks like GRI or SASB, and no forward-looking sustainability disclosure preparation linked to IFRS S1/S2.
Internal controls	Explicit details regarding internal audit checks, access controls, and segregation of duties.	Total absence of specialized ESG data verification checkpoints within the internal audit scope, leaving manual data collection exposed to recording errors.

Although IDLC showcases very strong governance disclosures, it is lacking in certain aspects of ESG related data fields like sustainability oversight, the integration of ESG risks, and committees that service the sole purpose to steer alignment with ESG standards.

Why this matters:

The information in the governance section usually indicates the well-defined structure of compliance and governance within IDLC; however, the disclosure of information in the governance section is somewhat disorganized. If there are numerous governance indicators that are scattered throughout the entire report, it may be challenging for readers to assess the role of the board in overseeing the company, the accountability system, and the risk governance system. It would be beneficial to have a well-defined governance disclosure system to be more aligned with new sustainability reporting standards like IFRS S1/S2.

3.3.4 Cross-Cutting ESG Disclosure Challenges

Across all three ESG dimensions, several common challenges are observed:

- ESG data is scattered across departments and different reports.
- Disclosures are largely qualitative and descriptive instead of being quantitative and numbers based.
- Lack of standardization across the board limits the ability to generate compatibility reports across different time periods
- Existing processes when it concerns data collection, which is manual, affects the consistency and reliability of the data itself.

These issues are tied closely to the organisational & operational problems/challenges I discussed in chapter 2, such as documentation-heavy procedures, incomplete integration of the overarching systems and ever-changing regulatory requirements.

3.3.5 Overall Assessment of ESG Disclosure Practices

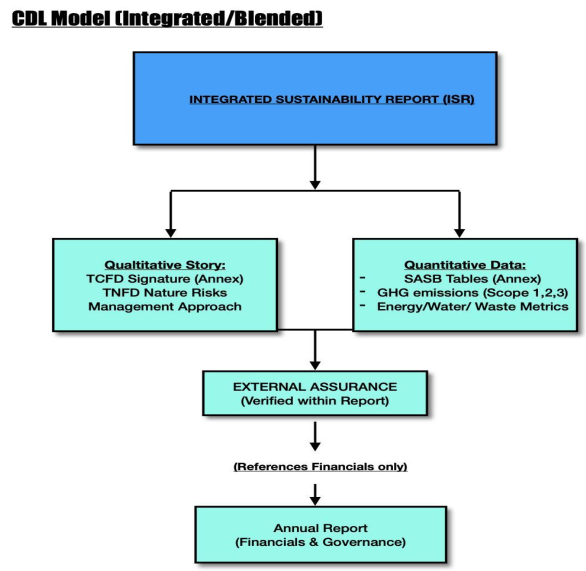
ESG information for IDLC Finance PLC appears to be fairly well-organized in terms of environmental, social, and governance aspects of reporting. The organization seems to possess an emerging interest in ESG information, but certain limitations may be observed in the structure of reporting and availability of ESG information. Specifically, environmental information is quite limited and predominantly qualitative in nature, while quantitative information about emissions, consumption of resources, and sensitivity to climate change is missing. Social information is more detailed and pertains mostly to such matters as employee development, corporate ethical culture, and service to customers. Governance information also suggests a well-developed organizational culture that includes various compliance mechanisms. Overall, however, ESG reporting information remains unstructured and inconsistent in all three dimensions.

Based on this analysis, ESG information disclosed by IDLC can be described as early-stage sustainability reporting that is predominantly qualitative and policy-oriented. In other words, sustainability information disclosed by IDLC is provided mainly through policy documents rather than performance indicators. While this provides an indication of organizational commitment to sustainable development, it does not allow evaluating changes between different periods or comparing ESG performance to that of peer companies.

On the other hand, better ESG reporting methods would entail having a more formal structure of sustainability reporting that is comprised not only of qualitative explanations but also quantitative measures. This would usually take the form of ESG data tables, inventories of greenhouse gases, and quantified use of resources.

To put IDLC's disclosure maturity into perspective, Figure 3.1 presents the structural architecture of an integrated sustainability reporting model. This model emphasizes the essential elements: strategic integration, governance oversight, risk management, and quantitative measures, that are expected to be the elements that the mature financial institution is expected to align with the target standard (Adams et al., 2021). IDLC's narrative format stands out as a cross-cutting challenge in Section 3.3.4, as it disrupts the flow of financial data and makes it difficult to distinguish corporate stories from financial data. This model shows how disclosure requirements can be effectively met in both a qualitative and quantitative way, using environmental and social data tables..

Figure 3.1: Structure of an integrated and blended sustainability reporting framework.



Source: Adapted from the Task Force on Climate-related Financial Disclosures (TCFD, 2017) and the Global Reporting Initiative (GRI) standard framework for multi-capital reporting.

In contrast to these models, the current ESG reporting by IDLC is still at an initial stage of development and integration in its reporting system. Although IDLC can boast a high level of governance and compliance with regulations, the lack of uniform ESG data makes it difficult to analyze its sustainability reports. Thus, increasing the collection of such information and implementing sustainability indicators into the reporting system can be considered as beneficial for the company in order to become ready for future reporting requirements (TCFD and IFRS S1/S2).

3.4 Reliability and Validity of the Study

The reliability and validity of this research will heavily depend on the type of the data sources used and the methodology employed. Given that the study utilizes secondary data such as annual reports, external disclosures, and internal documents, the research depends on the correctness and accuracy of the information disclosed by IDLC Finance PLC.

Concerning the reliability of this report, difficulties are expected due to the fragmented ESG data in the organization. The ESG information may not be systematically disclosed across time periods, and there is heavy dependence on narrative descriptions instead of quantitative measures. In addition, the manual process of collecting the data and involvement of different departments in disclosing the ESG information can affect the reliability of the findings.

When it comes to validity, the research demonstrates internal validity due to close linkage between findings and the disclosed information, as well as interpretation of results within the context described in Chapter 2. Due to the lack of primary data collection, it is impossible to evaluate whether ESG practices are valid or not and to find out stakeholders' perceptions on the issue. Nevertheless, this research is still valid for evaluation of disclosure practices, since it only evaluates disclosures without considering performance outcomes.

Thus, despite being quite reliable, the research results should be taken into account carefully. They are based on the quality of the disclosure rather than ESG performance itself and have several limitations connected with the use of secondary data and changing requirements to reporting.

3.5 Limitations of the Study

The present study is constrained by a number of limitations, which must be kept in mind while interpreting the results and findings of this research. These limitations are due to data limitations, methodological issues, and other factors.

First of all, this study uses secondary data sources only, which include annual reports, publicly available disclosures, and internal documents. Due to the lack of primary methods of data gathering, such as interviews or surveys, it was not possible to independently validate information provided by organizations in relation to their ESG practices, as well as get feedback from various stakeholders.

Secondly, there was no set structure for reporting about ESG practices in Bangladesh NBFI sector in general. IDLC Finance PLC does not follow any specific format for its ESG disclosure; therefore, it is purely qualitative and voluntary.

Third, data reliability and validity act as limitations as well. The data concerning the ESG factors is manually gathered and obtained from different departments, thereby posing a risk of errors and missing data. Sometimes, the reports do not contain any indicators and metrics that limit further analysis.

Finally, another limitation of the study is its narrow scope. Only one institution, i.e., IDLC Finance PLC, was used as a case study for ESG reporting. Thus, the results cannot be generalized to other organizations operating in Bangladesh.

Lastly, the research concentrates on ESG information disclosures rather than ESG performance results. Therefore, the findings are influenced by the nature of the reported information rather than the effectiveness of ESG practices.

These are some of the weaknesses that indicate the need to exercise caution in interpreting the findings while at the same time striving to enhance ESG data management practices in a continuous fashion.

3.6 Summary and Conclusions

In this chapter, the issue of ESG disclosure was considered from the perspective of IDLC Finance PLC as an example of a NBFI active in Bangladesh. For this purpose, the focus of analysis was on the content and structure of information on ESG-related issues as well as on its quality based on the secondary sources of data.

As a result of the conducted project, it can be noted that ESG disclosure by IDLC differs in quality depending on a specific dimension. While ESG governance is characterized by high quality and well-developed structure due to relevant regulations and corporate governance framework, ESG environmental and social aspects are primarily presented in a qualitative manner without the involvement of standardized indicators, time series data, etc.

Furthermore, a number of cross-cutting issues are identified that may impact the quality of ESG disclosures. Fragmented data sources, reliance on manual data gathering, absence of standardized reporting guidelines, and poor integration of ESG data in corporate management systems constitute such issues that are intimately related to the organizational and operational issues mentioned in chapter 2. Namely, the prevalence of paperwork, partial system integration, and regulatory evolution.

In general, the analysis suggests that IDLC Finance PLC exhibits an adequate corporate governance structure and increasing interest in ESG factors; however, the current practice can be characterized by its development nature. Further improvements in disclosure practices may be expected through greater standardization, data integration, and responsibility for sustainability reporting. Based on these findings, several recommendations can be made.

3.7 Recommendations / Implications

Several recommendations can be made based on the outcome of the assessment of the ESG disclosure process at IDLC Finance PLC. Such recommendations would be practical and in accordance with the conditions under which a non-banking financial firm operates in Bangladesh.

Formalization should be the first step in the improvement of the existing ESG process. The company could take responsibility at a higher management level, or establish a committee at the board of directors level, in this regard. Having a formalized coordination would make the sustainability reporting process more important and part of the company's corporate governance and risk management. Considering the findings from Section 3.3.4, which indicates that ESG data is fragmented, collected manually, and is less reliable, IDLC should prioritize the disclosure roadmap and work through key ESG data fields on the Bloomberg that are most relevant to its institutional ESG score pathway.

IDLC is a financially unique institution with a sustainability score of 3.15 (refer to Section 1.2.3) and has been tracking its score, with SDG progress, against a baseline score. The disclosures that are missing in Tables 3.3.1 and 3.3.2 are easy-hanging disclosure targets, since the data used to score companies on the Bloomberg ESG terminal are not based on underlying performance data, but rather on whether a data field is reported or not. Structured data collection and formal integration can therefore be the basis for IDLC to make substantial improvements in their international scoring levels without having to undertake any immediate, high cost operational overhauls. The following sequence of targeted operations is recommended for the next few reporting periods to systematically achieve these tangible scoring improvements:

Phase 1, Immediate Priority Gaps (Months 1–6): The Finance and Accounts department, in conjunction with Human Resources and Operations, should define unified lines of ownership for the data that is currently being black-flagged by analytics terminals - their specific data points. Formal Data Ownership protocols should be established as follows: Human Resources will be responsible for employee turnover rate data and workforce diversity data; Operations will be responsible for energy consumption data and paper waste data; and the Corporate division will be responsible for tracking green finance data. This includes a move from "narrative" text to absolute energy use (in kilowatt-hours, kWh); Scope 1 and Scope 2 greenhouse gas (GHG) emission proxies; annualized employee turnover rates; and total employee training hours.

Phase 2, MIS and Credit Alignment (Months 6–12): These newly-collected metrics should be aligned with the quantitative reporting templates set forth by the TCFD Metrics pillar, and the SASB Consumer Finance standard (which is applicable to a non-banking financial institution that provides lending and leasing services). This raw data needs to be stored directly within fields in IDLC's main Management Information System (MIS) to automatically generate reports and reduce the risk of human error in manual compilation. At the same time, the credit risk unit should add a new field to the main credit origination software, for climate risk and transition risk, to start quantifying and monitor Scope 3 financed emissions in corporate credit portfolios.

Phase 3, Internal Pre-Assurance and Regulatory Alignment (Months 12–18): The Internal Audit function should incorporate specific ESG data verification checkpoints within its regular audit operational engagement, to ensure that the full extent of non-financial disclosures have been completed. This internal pre-assurance pipeline directly helps IDLC to obtain a third-party Limited Assurance certificate from an independent external auditor for its consolidated ESG tables. The verified non-financial disclosures not only remove the data credibility penalty faced by international platforms like Bloomberg terminal ESG, but also enable IDLC to achieve smooth compliance to the upcoming Bangladesh Bank's Sustainability Reporting Framework (Bangladesh Bank, 2020) involving IFRS S1 and S2 disclosures.

These recommendations represent a programmatic and institutional approach, not a compliance program. This roadmap focuses on measurable, trackable progress rather than wholesale structural change, and leverages the current IDLC baseline score for the Bloomberg ESG Index. Its current baseline score for the Bloomberg ESG Index, it was built on a solid governance framework identified in section 3.3.3, and it uses IDLC's established MIS infrastructure. Through this, IDLC Finance PLC will have an operational and sustainable approach to the improvement process of sustainability reporting that will be aligned with existing organizational systems and structures and will be strategically positioned in the changing regulatory environment in Bangladesh.

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