



Inspiring Excellence

Internship Report

Semester: Spring 2018

SUBMITTED BY:

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SUBMITTED TO:

Suman Paul Chowdhury

Faculty of BRACU

DATE OF SUBMISSION:

12 April 2018

To: Suman Paul Chowdhury
Assistant Professor,
BRAC Business School .

Subject: Report of Internship -MBA

Dear Sir,

With due respect, I would like to submit the report of Internship on” **Overall SME performance evaluation of IDLC Finance Ltd and their contribution to expand Bangladesh economy**” prepared in fulfilment of the course requirement of BRAC University for your consideration.

Three months of Internship in IDLC Finance LTD. has taught me a whole range of things from human psychology, workplace norms and culture. This experience has increased my knowledge immensely on how a company runs and performs. This precious knowledge has changed my thoughts and given me live experience of the work place which will definitely help my future career. The opportunity of conducting this report has enhanced my knowledge about some specific operating and financial aspects of financial institutions.

As humans are not beyond errors this report can have minor errors which I hope you will overlook and grade my merits alone. I will be glad to clarify any further queries you may have regarding this report.

Your sincerely,
Nusrat Alam
ID:15364003

Acknowledgement

My greatest thank is to the Almighty Allah for allowing me the opportunity to participate in this wonder experience of Internship in IDLC. I am most grateful to the following people, my parents. I had a great time working with people in IDLC and gained precious knowledge. First, I am grateful to Mr. Suman Paul Chowdhury to guide me and help to build this report. I am grateful to all the employees of IDLC and specially the employees of Operation department to guide me and make me feel like home. I would like to give special thanks to, Mr. Ataur Rahman Chowdhury, Deputy General Manager & Head of Operations, I specially want to thank Mr. Mohammad Shaiful Islam-Operation in Charge Deposit Operation & Mohammad Saiful Alam, Manager & Head of Deposit operation for being my supervisor and to teach me, guide me impart me such great experience in IDLC. I would also love to thank Tariqul Islam, Ms.Jannatul Ferdous Mummun and Ms. Umme Elman, Taslima Mahbub, Eftekhar Mohammad Rubel & Roshny Qurishy for being a family and to teach, scold and pardon me of my mistakes.

Lastly, I would like to thank, BRAC Business School for this wonderful experience and for being the reason I am standing here on the precipice of earning my MBA degree successfully.

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Executive Summary:

This report is made to show the growth and the performance of the Non-Bank Financial Institutes in Bangladesh especially about IDLC. In this report as a part of NBFIs in the country has scrutinized and their performance has been analysed. For this top performing NBFI in the country has been analysed with a particular sector SME. As a one of the best Infrastructure Development and Leasing Corporation IDLC Finance Ltd what is their overall performance in SME financing compare to all other NBFIs in Bangladesh. Though I have done my Internship in IDLC I had the chance to examine the NBFI sector and their performance and some few internal news. Here I will be mostly discussing the sectors performance on the basis of their SME loan providing process and success achieved to expand SME business in Bangladesh. I have also discussed about their corporate designs, operational activities and CSR and Green financing attempt has taken by IDLC. Moreover I will also try to explain the necessity of expanding SME sector to develop our economy and how it can help our country to be a sustainable developing country. Despite having challenges, I tried to produce this report with as much information as possible with the amount of resources I had.

IDLC finance Ltd is a major NBFI who is playing vital role for SME financing in Bangladesh. The trend of SME loan disbursement in context of IDLC financing is highest at trading sector followed by manufacturing sector and then service sector. SME plays a very important role in economic advancement of Bangladesh. As major business of IDLC is providing SME loan facilities to the business along with various type of loan to individual and organizations they are helping to keep moving this advancement wheel in our country.

Here in this report I tried to analyse what is SME and importance of it for our country. The current scenario of SME of IDLC, type of product of SME offering by IDLC, it's future opportunities and threat and overall SME situation in Bangladesh and problem facing by SME sector , here I am also trying to put some recommendation for IDLC Finance Ltd.

Chapter: 01

Introduction (About report & Internship programme)

Introduction

1.1 Objectives of the study on SME financing

The objectives of the study primarily is to know about SME sector in details, importance of this sector, overall performance of IDLC, the product of SME that currently offer by them, overall scenario of SME in Bangladesh perspectives, problems and how it can be overcame. Moreover this study help me and us the whole process of SME disbursement, sector wise SME contribution on whole turnover of IDLC. Some other objectives were:

- Studying the financial concept and relate it with our practical life.
- To find out overall and a complete scenario regarding this topic.
- Analysing IDLC efficiency. SME contribution, disbursement process etc.
- Gather and enhance my knowledge about IDLC and SME sector through this report
- To find suggestion regarding the problems.

1.2 Limitations of the Report Making:

Although I have tried my best to prepare this report with maximum possible effort and dedication there still exists some limitations of this report. They are as follows:

- ❖ The prime limitation was I failed to give proper time to make it, I have learned a lot of things during my internship and it required very hard work that's why I couldn't get enough time for collecting raw data from my office. However, it was not enough for me to learn and develop knowledge about all the activities and operations of the department. Hence I was unable to conduct more in- depth and detail oriented analysis and include that in my report.
- ❖ However I was not satisfied with the data and information regarding current SME condition or problem which is facing by this industry in Bangladesh. The information was not enough in my sense. Also RMG industry is a vital part of SME sector but I couldn't give any concentration on it.

1.3 Internship Experience:

I joined at IDLC Finance on 21st January, 2018 as an intern for three months. My Department is Deposit Operation which is the sub department of Credit Administration Department. Mainly the job of my department is to collect the deposits from the depositors and disburse them to the appropriate borrowers which are approved by the credit risk management and CAD. Every one in my department is friendly and they welcomed me dearly and made me comfortable from the very first day. I want to mention that I have worked in two branches, firstly in Gulshan-01 branch and then my whole department moved to Dilkusha branch (Motijeel) and currently is operating from there. The name of my supervisor is Mr. Shaiful Islam (Deposit Operation in-charge) he thought and guided me about all the works and is still a support in the work place. There are also two more persons I would like to mention- Jannatul Munmun (Officer Service delivery/Operation) and Umme Elman Apu (Senior Officer Operations) to guide me and to make my first workplace experience great.

1.4 Job Responsibility:

Though I worked in two branches the responsibilities are quite similar and I have learned a lot from them and earned very precious knowledge about the organization as well as the industry which will help me immensely in my upcoming career.

-  Term Deposit Checking.
-  Encashment Checking.
-  Organizing documents and the forms of TD.
-  Scanning and photocopying of different types of documents.
-  Volt management and organizing.
-  Transferring files and documents via software.
-  Moving and Organizing client files from one branch to other.
-  Instrument checking and record keeping
-  Encashment cheque checking and record keeping.
-  Record keeping of client files.

1.5 Functions of the Department:

- ✚ Collect Term Deposits.
- ✚ Process Term Deposits.
- ✚ Keep Records of the Term Deposits.
- ✚ Process Encashment of Term Deposits.
- ✚ Disburse the Loans according to CRM.
- ✚ Process Loan against Deposit.
- ✚ Check all the documents of clients according to Legal Division.

1.6 Observation:

IDLC Finance Ltd is a great place to work. Here everyone is helpful and most important thing they are too much friendly. They treat intern as their employees, The environment of the workplace is flexible. I also consider myself as an employee not intern because of their behaviour and environment. The management of the company is very much conscious about job performance of the employee of the company, because of reporting work sometimes they need to stay office after office time but surprisingly they don't feel brother about this and keep working by their own motivation which inspire me a lot and I am taking lesson from it to be used in my future career.

1.7 Objective of the Internship

Broad Objective:

To get an overall idea about the functions & operations of the Deposit Division of IDLC Finance Limited.

Specific Objectives:

- a. To know the overall activities of the Deposit Division.

- b. To know how to open a deposit account and maintained it.
- c. To know the whole operation process of Deposit Division.
- d. To know the checking process of required document for various type of accounts.
- e. To know the present situation and growth of the division.
- f. To know about their product that they currently offering .
- g. To know about the various rate for deposit for different term of accounts
- h. To know how they usually update about pending document through flex cube software.
- i. To know how to maintain and prepare a index file and update file in their location.

1.4 Limitations of the Report

1.8 Limitation of the Report:

Although I have tried my best to prepare this report with maximum possible effort and dedication there still exists some limitations of this report. They are as follows:

- ☐ The prime limitation was time restriction. I have to learn lot of thing alone with a course in MBA so some time it being little hard for at the exam time. However, it was not enough for me to learn and develop knowledge about all the activities and operations within 03 months period.
- ☐ Every organization maintains its own secrecy that is not revealed to external world. IDLC Finance Limited was no exception to this. Some of my colleagues was very helpful in this case of my mistake some hasn't enough time to give proper learning but despite of all my overall work experiences was very good and I feel proud to be a part of IDLC finance ltd. I also very thankful to my Supervisor faculty member Suman Paul sir to being so kind to me and give some extra time to complete my report,

1.9 Methodology:

I have followed two kinds of methodology for the preparation of the report. The two ways in which I have composed information:

- **Primary Data:**

I have collected this data with the help of a company supervisor, talk directly with my department colleagues also discuss with customer service support team consumer division.

- **Secondary Data:**

My secondary method of statistics collected from different sources. Those are:

1. **Going through the websites.**

2. **Annual reports of IDLC finance limited (2016-2017).**

I will also include various figures which will properly showcase the various aspects which encompass the SME Division and how it functions along with some analysis represented through some charts learned through some calculations done with the help of tools like Microsoft Excel. The financial representation will include correlation and a complete statistical analysis of the firm, including its operational performance, it's financial performance and SWOT analysis along with a complete renovation description about each of the products of the Deposit division.

Chapter: 02

Company profile (IDLC at a glance)

Chapter:2

2.1 Brief Description about Company:

IDLC started its journey as a leasing company in 1985 with only 5 staff members. But after 33 years of constant thriving it has become the largest multi-product, multi-segment Non- Banking Financial Institution in the country. It is one of the most respected and well known financial brand in the industry and it holds a strong and diversified area in corporate SME, retail, and capital market segments. Today IDLC is performing in 20 cities in the country with 38 branches and booths. It has a work force of 140 employees which are serving 45000 clients. Though making profit is important but the main motto of IDLC Finance LTD. Is to strive to help people achieve their dreams - the dream of owning a home, the dream of sending their children to best educational institute, the dream of going on a picnic in the family car, the dream of starting a business, or that of expanding it, the dream of generating more employment, the dream of taking the nation to greater heights.

Company Vision:

“We will be the best financial brand in the country”

Company Mission:

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

- **For the Company:** Relentless pursuit of customer Satisfaction through delivery of top quality services.
- **For the Shareholder:** Maximize shareholders wealth through a sustained return on the investment.
- **For the employee:** Provide job satisfaction by making IDLC a center of excellence with opportunity of career development.

2.2 Company Values:

- Integrity
- Customer Focus
- Equal Opportunity

- Trust and Respect

- Passion
- Eco-Friendly

2.3 Strategic Objectives:

- ☐ Grow and develop our talent pool
- ☐ Fully leverage the new core banking platform
- ☐ Optimize distribution point
- ☐ Grow and diversify funding sources
- ☐ Grow sales and service capabilities in the Consumer Division
- ☐ Aggressively grow the SME portfolio
- ☐ Focus on top-tier clients in the Corporate segment
- ☐ Consolidate capital market operations and enhance capabilities

2.4 Corporate divisions and departments:

There are lots of department in the organization and each of them has their designated important duty to perform. Here are some of them which are very important.

- ✚ Finance Division
- ✚ Treasury Division
- ✚ Credit Risk Management Division.
- ✚ Legal Division
- ✚ Credit Administration Department.

- Operations Department
- Disbursement Department

- ✚ Supply and Procurement Division.
- ✚ Human Resource Division.
- ✚ Business Division.
- ✚ Consumer Division.
- ✚ SME Division
- ✚ Asset Management Division
- ✚ Control and Compliance Division.
- ✚ Investment Division.

2.5 Product Lines and Services:

Small Enterprise Finance:

- Small Enterprise Finance
- Small Enterprise Loan/ Lease
 - Seasonal Loan
 - IDLC Purnota – Women

- Entrepreneur Loan
- SME Shachal Loan
 - SME Surakkha
 - Revolving Short Term Loan
 - Commercial Space Loan
 - Commercial Vehicle Loan
 - IDLC Udbhabon
 - SME Deposit

Medium Enterprise Finance:

- Medium Enterprise Loan/ Lease
- Commercial Vehicle Finance
- Machinery Lease
- Healthcare Finance
- Revolving Short Term Loan
- Commercial Space Loan
- Commercial Vehicle Loan

Corporate Finance:

- Lease Financing
- Term Loan Financing
- Commercial Space Financing
- Project Financing
- Short Term Loans (to meet working capital requirements)
- Specialised Products (for meeting seasonal demand)
- Green Financing

Consumer Loan:

- Home Loan
- Car Loan
- Personal Loan
- Loan against Deposit.

Deposits:

- Regular Term Deposit
- 500 days Term Deposit
- Monthly Earner Term Deposit
- Quarterly Earner Term Deposit
- Flexible Term Deposit.
- Double/Triple Money Deposit.

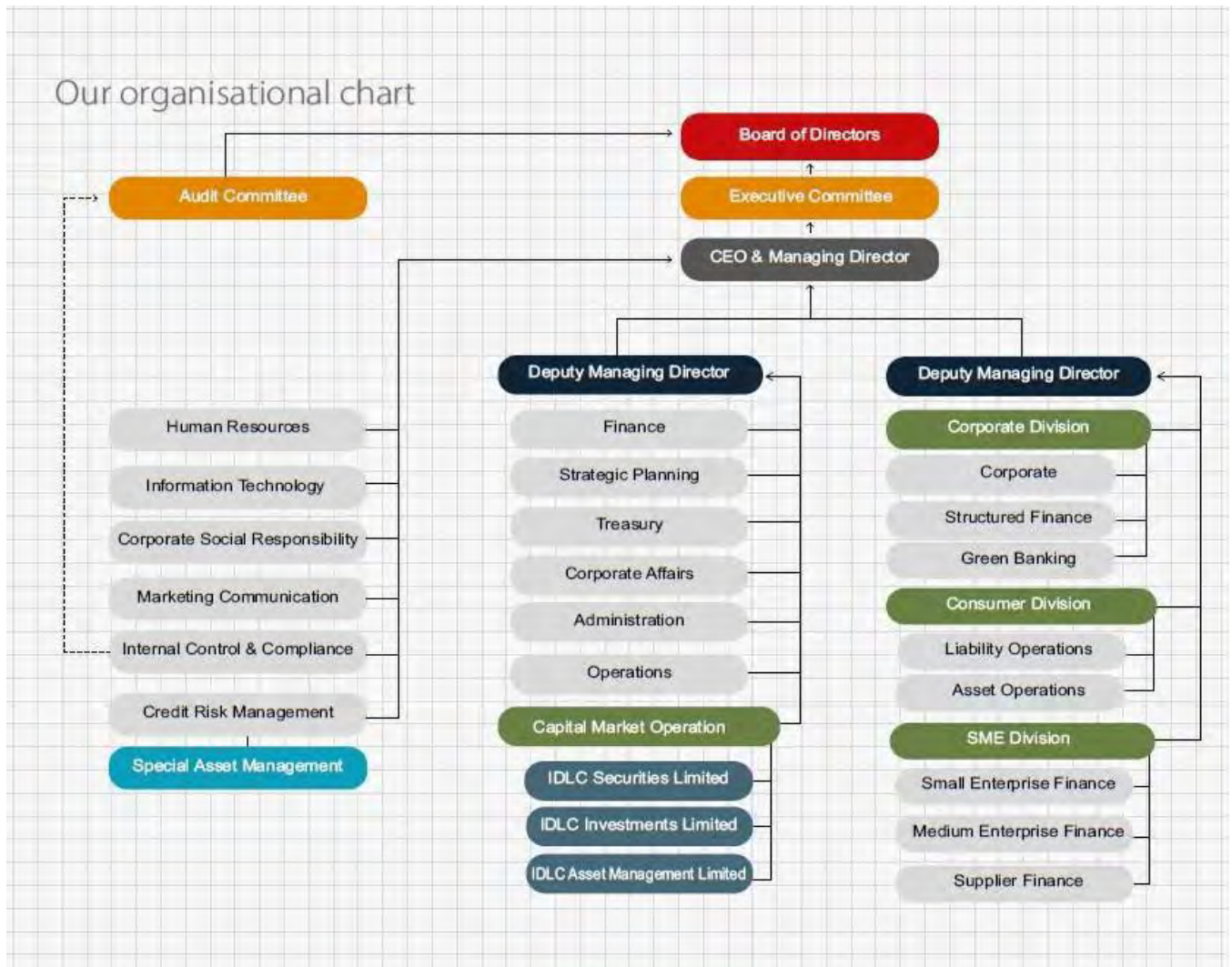


Figure-01: Operational Structure of IDLC

Here it can be seen that there are two subpanels who are accounted to the Board of directors, Audit committee and Executive Committee. The executive committee handles with all the business, operations and Board of directors approves. On the other hand, the Audit committee prime works is to deal with all kinds of money related matters and internal control and compliance.

2.6 Corporate Social Responsibility:

- ✚ IDLC collaborates with Green Savers to teach children at Bhulta High School and College about the Environment-

On 25th feb,2018 IDLC finance collaborated with Green Savers in a tree plantation workshop where over 300 school children of Bhulta School and College participated. More than 1000 saplings were planted in the school premise. The workshop also familiarized the students with different species of plants and their role in preservation of natural resources.

- ✚ IDLC donates warmth in difficult winter to Prothom Alo Trust-

IDLC stands with the grief-stricken this winter by donating 1200 blankets to Prothom Alo Trust. On nauary17,2018 IDLCT provided the aid to the Trust to spread warmth to the most cold-struck parts of the country.

- ✚ IDLC Organizes Health Camp for workers of a Packaging Factory in Narayanganj-

IDLC in collaboration with Spreeha Bangladesh Foundation organised a health camp for male and female factory workers of Shovon Group on 18 December 2017. More than 1200 workers received general health consultation and were provided primary health care through this camp. Experienced doctors and pathologists provided treatment and performed blood examinations while pharmacists provided relevant medicines to the workers.

- ✚ IDLC Makes Children Smile at Savar CRP- On November the 4th ,2017 IDLC with support of Jahangirnagar University Social Welfare Club organized an eventful day for physically challenged children from Center for Rehabilitation of the Paralysed (CRP) in Savar, who seldom get to enjoy the usual sports activities as other school children. These children in an

art competition, a cultural program and also played various games. Selected children were also given wheelchairs, assistive devices and school stationaries.

Figure:2 Financial Performance (2013-2017):

Financial Performance	2013	2014	2015	2016	2017	Growth
Total assets	50,429	58,927	73,434	79,359	95,687	20.65%
Long term liabilities	43,951	51,371	64,154	68,931	81,548	18.30%
Term deposit balance	29,064	35,240	46,039	47,475	59,854	26.07%

Figure: 3 Operational Performance(2013-2017):

Operational Performance	2013	2014	2015	2016	2017	Growth
Operational income	2,761	3,658	4,588	5,167	6,280	21.62%
Operational expenses	1,243	1,464	1,648	1,959	2,336	19.23%
Financial expenses	4,138	4,543	4,833	4,625	4,898	5.90%
Profit before tax	1,325	2,187	2,629	3,049	3,712	21.74%
Net profit after tax	669	1,246	1,459	1,780	2,277	27.91

Figure : 4 Equity statistics:

Equity Statistics	2013	2014	2015	2016	2017	Growth
Number of shares (No.)	160,875,000	201,093,750	251,367,187	251,367,187	377,050,780	50.00%
Year end market price per share (BDT)	62.9	74.7	63.6	57	85.3	49.65%
Net asset value per share (BDT)*	14.22	17.31	20.65	23.7	33.41	40.95%
Market capitalization (Taka in million)	10,119.04	15,021.70	15,986.95	14,327.93	36162.43	124.47%
Market value addition (Taka in million)	29.57	42.24	32.63	21.44	51.89	141.99%
Shareholders' equity (Taka in million)	5,362.76	6,527.83	7,785.96	8,937.84	12,597.48	40.95%

2.7 Green Financing:

Slogan: Towards a Better Future

Here some of the Green financing of IDLC finance is mentioned-

- ✚ Eco Friendly Brick Manufacturing: IDLC financed BDT 15.21 million to a modern and environment friendly brick manufacturing concern in Natore. Total cost of the project was around BDT 130 million. The factory has production capacity of around 60,000 bricks per day. The environment friendly technology used in the factory will save a lot of carbon emission. In this regard, the client has signed an Emission Reduction Transfer Agreement with IIDFC for selling carbon credit via UNDP.
- ✚ Effluent Treatment Plant: IDLC has put strong focus on financing effluent treatment plants (ETPs). The adverse effect of liquid wastes from dyes and chemicals, created by many factories can be completely eliminated through ETPs. IDLC has disbursed a total of BDT 26 million for setting up effluent treatment plants in three RMG factories in Narayanganj and Narsingdi.
- ✚ Biogas Plant: IDLC financed BDT 3 million to an Organic Compost Project in Bogra. Through the project, two organic fertilizers, Vermin Compost and Tricho Compost are produced. The byproduct of Tricho compost is Tricho litter, which is also an eco-friendly organic fertilizer. With the financing support of IDLC, a laboratory has been set up for nursing Derma, the very basic element for producing Tricho compost.

Figure: 5 Profit after Tax:

Year		In BDT mm
2013		669
2014		1246
2015		1459
2016		1780
2017		2277
5 year CAGR 26.15%		

Figure:6

IDLC FINANCE LIMITED
SHAREHOLDING COMPOSITION

As on 28 February, 2018

SL.NO.	Name Of Shareholder	NO. of shares	% Of Total
1	Sponsors/Directors:		
	The City Bank Limited (CBL) and its subsidiaries:	87,510,575	23.21
	The City Bank Limited (CBL)	33,935,329	9.00
	City Bank Capital Resources Limited (CBCRL)	37,328,028	9.90
	City Brokerage Limited	16,247,218	4.31
	Transcom Group:	50,273,164	13.33
	Eskayef Bangladesh Limited	30,164,062	8.00
	Transcraft Limited	15,132,033	4.01
	Bangladesh Lamps Limited	4,977,069	1.32
	Sadharan Bima Corporation	28,727,494	7.62
	Reliance Insurance Limited	26,393,553	7.00
	Mercantile Bank Limited	20,737,791	5.50
	Sub-Total	213,642,577	56.66
2	GENERAL		
	Institutions:		
	Investment Corporation of Bangladesh (ICB)	6,729,316	1.78
	Bangladesh Fund	6,330,000	1.68
	Marina Apparels Limited	3,770,506	1.00
	Other Institutions	44,363,158	11.77

	Sub-Total	61,192,980	16.23
	Individuals:		
	General Public (Individuals)	57,947,003	15.37
	Sub-Total	57,947,003	15.37
	Foreign:		
	Institutions & Individuals	44,268,220	11.74
	Sub-Total	44,268,220	11.74
	Total	377,050,780	100.00

2.8 Non-Bank Financial Institute (NBFI):

A financial institute which operates like a bank but does not hold a banking license and is not regulated by any banking regulatory agency. NBFI offers various financial services like investment, contractual savings, Market brokering etc.

Difference between Banks and NBFI:

- NBFI cannot issue cheques, pay-orders or demand draft.
- NBFI cannot receive demand post.
- NBFI cannot involve in foreign exchange financing.
- NBFI cannot open current accounts.
- NBFI can operate as syndicated financing, bridge financing, lease financing etc.

Chapter: 03

Literature Review

Chapter: 03

3.1 Literature Review:

SMEs achieved considerable growth in different sub-sectors like, paper, printing and publishing; non-metallic mineral products; metal products; chemical; food, beverage tobacco etc. SMEs growth in Bangladesh is comparable with the growth achieved in different large scale industries in Bangladesh. However, a number of challenges have slowed down the development or growth of SMEs. In spite of its extensive coverage in manufacturing and service related activities, productivity of SMEs is not good in our country. In a number of sectors, there is no well-structured value chain developed between upper stream and lower stream.

It is true that growing urbanization in the country and rising per capita income at urban level have been creating demand for relatively 'better' quality products at a higher price, instead of 'low' quality products at lower price. Currently, a larger part of this demand has been met up by low-priced, low quality imported products, because local SMEs are not able enough to provide satisfactory amount of better quality products.

Though SME is becoming gradually a rising industrial sector in our country and contributing more and more in export, this sector faces several problems like- lack of technical know-how, shortage of long term financial support, lack of skilled workers, marketing link, research and development. Naturally, development of competitiveness of local SMEs is the major challenge that has to be met in order to sustain and enlarge the growth of this sector

3.2 Current Scenario of SME Loan of IDLC Finance Ltd:

Product that currently are offering by IDLC:

SMALL Business:

- SME term loan:

IDLC believe that financing investor growth should be the easiest part of the running SME business. IDLC SME Loan features quick processing and convenient repayment to reduce the burden on entrepreneur finances and take their business to the next level.

Product Features:

- ✓ Loan Limit: up to BDT 2 crore
- ✓ Loan Tenure: 13 months to 60 months
- ✓ Loan without any collateral for up to Taka 25 lac
- ✓ Convenient repayment options are offered, consisting of Equal monthly instalments and/or customized repayment schedules

PURNOTA (Women entrepreneur loan):

To all women with passion, IDLC understand that their path is not easy. Navigating the path to success requires more than just a loan. IDLC Purnota brings a comprehensive solution that will provide women owned businesses the necessary acceleration that it requires.

Product Features:

- ✓ Minimum loan amount BDT 3 lacs
- ✓ Maximum unsecured loan amount up to BDT 25 lacs
- ✓ Loan Tenure: 13 to 60 months
- ✓ Flexible repayment based on cash flow of business
- ✓ Under Bangladesh Bank refinancing scheme loans up to BDT 50 lac at 9% interest rate
- ✓ Specially designed Non-financial services for their business

Business facilitation service:

- Assistance in Obtaining Regulatory Documents and Licenses

- To conduct a business, various documents are required by relevant authorities. The aim of business facilitation service is to guide you in getting these documents quickly and without any hassle.

Purnota Helpline:

- Purnota Helpline is a service through which you will receive information and guidance on a wide array of topics.

Purnota Training Center:

- Capacity and Skill development, Business Management and Vocational Training

Purnota Insurance:

- Insurance to Mitigate Against Losses Pertaining to Individual, Family and Business.

Purnota Digital Marketing

- Guidance on Marketing through Internet and Social Networking Sites.
- Purnota Digital Marketing offers guidance for promoting and advertising your products through social network media, website and other digital media in a cost-effective manner.



Purnota Club:

- A Platform for Women Entrepreneurs to Share their Skills, Ideas and Experiences and Form an Intricate Network among one another.

ABASHAN (Commercial Housing Loan):

DLC Abashan loan gives the opportunity to utilize people unused land to build commercial housing facilities for workers in industrial areas. For all landowners, who wants to build commercial housing for the mass, this customizable facility with easy repayment through instalments (EMI) allows you to utilize your resources and build on your fortune/ build a better community.

Product Features:

- ✓ Loan Amount: Up to 2 crores
- ✓ Loan Tenure: up to 15 years
- ✓ Convenient repayment system through Equated Monthly Installments (EMI)

Commercial Vehicle Financing:

At IDLC, we take the time to get to know you and your business needs. That's how we have designed our Commercial Vehicle Finance to meet your expectations and help you run your business faster. From chassis procurement to type replacement, you will always get the best deals whenever you avail this service from IDLC.

Product Features:

- ✓ Loan Limit: Up to 80% of the price of the vehicle
- ✓ Loan Tenure: Up to 5 years

IDLC STARTUP LOAN:

Gear up your Start-up

You've taken the risk of your life, on an idea. An idea that can bring a change. We believe the most ambitious founders seek out the easiest capital. Under the Bangladesh Bank refinancing scheme, IDLC Start-up Loan is a facility specifically designed to cater to new businesses without any prior history of financing. So open the door of possibilities and take a step towards success.

Product Features:

- ✓ Loan Limit: Up to 25 lac
- ✓ Loan Tenure: Up to 5 years
- ✓ Grace period of 3 to 6 months
- ✓ Repayment method: Equal monthly installment or structured payment.

IDLC UDBHABON

Finance your digital dream

Where others see obstacles we see a world of opportunity. In association with BASIS, IDLC Udbhabon Loan presents a tailored solution for ICT dreamers to help boost your business and be a part of DIGITAL BANGLADESH. As a financial organization we value the power of technology, and that's why we stand behind ICT entrepreneurs. Partner with IDLC and embrace a new beginning.

Product Features:

- ✓ Minimum loan amount BDT 5 lacs
- ✓ Unsecured loan up to BDT 25 lacs
- ✓ Partially secured loan up to BDT 1 core
- ✓ Loan Tenure: Minimum 13 months to maximum 60 months
- ✓ Easy repayment through Equal Monthly Instalments
- ✓ Working Capital loan with credit limit of 180 days

- ✓ Special facilities for members of BASIS



SUPPLIER FINANCE

Companies large and small appreciate the cost and time savings of efficient supply chain finance solutions. Supplier and Distributor Finance at IDLC is can be significant source of competitive advantage for your business by ensuring fast, steady, secure, and convenient, revolving finance that improves balance sheet performance, reduces working capital needs, enhances risk management, and expands commercial opportunities. IDLC caters to both your front and back end value chain financing requirements.

4.2.2 MEDIUM BUSINESS LOAN:

MEDIUM BUSINESS TERM LOAN

Finance your next step

We believe that financing your growth should be the easiest part of the running your business. IDLC SME Loan features quick processing and convenient repayment to reduce the burden on your finances and take your business to the next level.

Product Features:

- ✓ Loan limit as per business requirement

- ✓ Flexible loan tenure
- ✓ Moratorium depending on project requirement
- ✓ Structured repayment mode
- ✓ Competitive rate of interest

LEASE FINANCE

A new lease of life for your business

Whether you are looking to purchase new machineries or replace old ones, with lease financing forgo the hassle of renting equipment and machineries with all the benefits of ownership.

Product features:

- ✓ Extended financing contribution
- ✓ Loan tenure up to 5 years
- ✓ Financing for both local and foreign procurement
- ✓ Customizable repayment mode
- ✓ Competitive pricing
- ✓ Relaxed collateral requirement
- ✓ Ownership remains with IDLC during loan tenure
- ✓ Ownership is transferred to you upon full and final settlement of facility

COMMERCIAL SPACE LOAN:

When your business demand sits own address

At IDLC we invest time to get to know you and your business needs. We recognize that having an office or factory space of your own is a priority for you, and that is why we have crafted our Commercial Space Loan – to give you the comfort of being in full control of your business premises.

Product features:

- ✓ Loan limit as per contribution of debt-equity share
- ✓ Stretched loan tenure
- ✓ Structured repayment mode
- ✓ Competitive rate of interest.

IDLC PROJECT FINANCING:

Project Finance is an extended term loan designed to facilitate any new venture you undertake to diversify business portfolio or to expand capacity of existing product line.

Product features:

- ✓ Stretched loan tenure
- ✓ Moratorium based on project implementation timeline
- ✓ Structured repayment mode
- ✓ Competitive rate of interest
- ✓ Bundle product offerings to ensure full funding of project

WORKING CAPITAL LOAN:

Keep your Business Running

Doing business requires you to act fast to grab every opportunity. Working Capital financing enables you to experience the flexibility needed to make use of every opportunity that comes your way. This product is uniquely designed to match your business cash cycle and help you meet your additional working capital requirement.

Product features:

- ✓ Renewable loan limit
- ✓ Loan Tenure up to 360 days based on business cash cycle

- ✓ Structured repayment mode
- ✓ Multiple drawdown and adjustment facility within the loan limit
- ✓ Competitive pricing & collateral requirement
- ✓ No early payment charge

Figure:7 12 months' (Jan–Dec 2017) Performance Highlights

- ❖ Reduced 2.77% **NON PERFORMING LOANS**
- ❖ Increase 15% BDT 71.5 billion **CUSTOMER ADVANCES**
- ❖ Increase 28% BDT 2.28 billion **NET PROFIT AFTER TAX**

3.3 SME continued its dominance:

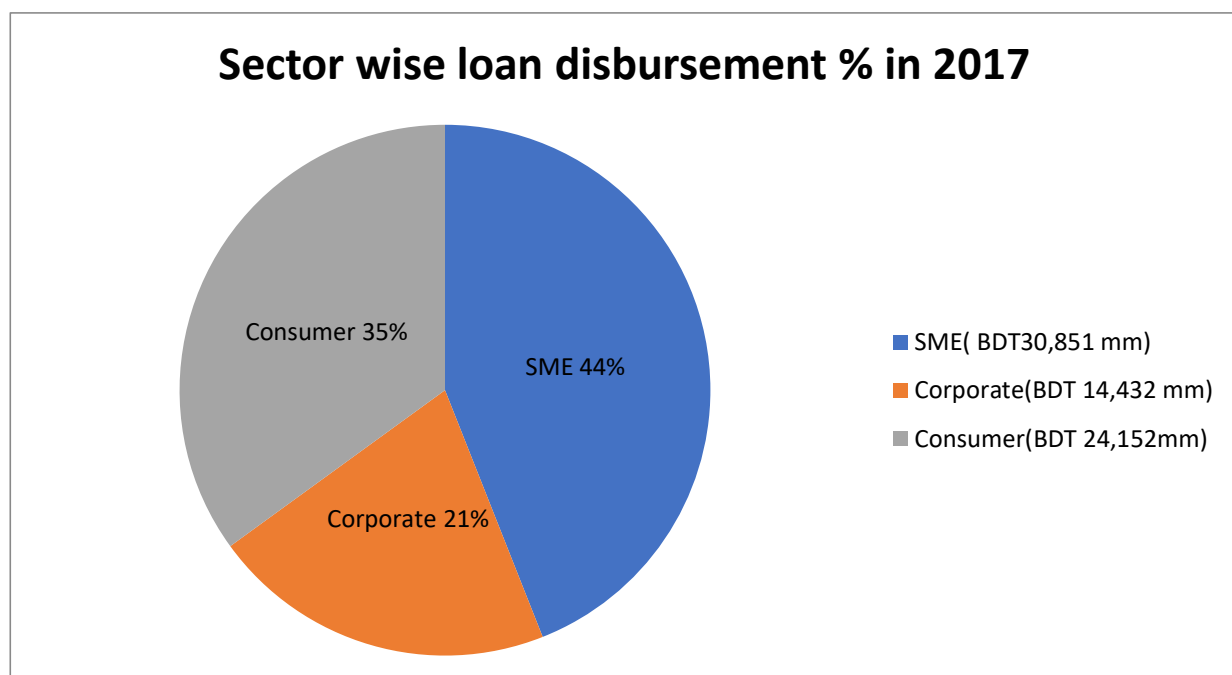


Figure:7

Figure: 8 Total loan Portfolio:

Year		In BDT mm
2013		40,941
2014		47,067
2015		55,212
2016		62,217
2017		71,499
5 year CAGR 17.01%		

SME delivered strong growth despite increasing competition:

- Good growth throughout the year with usual dip in Q4
- Majority of the growth delivered by *Small Enterprise Finance (SEF)*, which now stands at BDT 23,058mn having grown 23% in 2017
- Momentum expected to continue in 2018 as well

Chapter: 04

Industry Overview (Overall performance of SME sector)

Chapter: 04

4.1 What is SME?

Small & Medium industry means an industrial establishment or unit which is run mainly by hired labour and not using mechanical motive power but does not normally employs more than 50 workers and whose land, building and machinery does not exceed Tk.150, 00,000 in value in either case.

The central bank of Bangladesh has come up with a new definition for small and medium enterprises in line with the government's industrial policy of 2010.

SMALL INDUSTRY/ENTERPRISE

In manufacturing, small industry/enterprise would be those with assets worth Tk 5 to 100 million (defined as above) and/or 25 to 99 workers. In service industry and in business, small enterprises will be those which employ 10 to 25 and have assets (defined as above) worth Tk 500,000 to 10 million.

MEDIUM INDUSTRY/ENTERPRISE

In manufacturing, medium industry/enterprise would be those with assets worth Tk 100 to 300 million (minus land and factory building, and including replacement value) and/or 100 to 250 workers. In service industry and in business, medium enterprises will be those which employ 50 to 100 and have assets (defined as above) worth Tk 10 to 150 m

Importance of SME in Bangladesh context

4.2 Contribution and significance of SMEs

Small and medium enterprises (SMEs) are the most important segment of any economy in the world. SMEs are getting the highest priority from policymakers due to their already proven multidimensional contribution to the socioeconomic environment of a country. These enterprises are easy to start, require only minimum capital, employ a comparatively higher number of people, and

produce goods that meet local demands as well as contribute to export earnings. Definition of SMEs is based mainly on indicators of replacement cost (invested amount), number of people employed, yearly revenue, etc. Size of the indicators varies based on the socioeconomic condition of the country or even the region. Table 1 shows how the government of Bangladesh has defined SMEs in its latest industrial policy, the National Industrial Policy of 2016.

Table 1: DEFINITION OF SMEs IN BANGLADESH

TYPE OF INDUSTRY		REPLACEMENT COST (EXCLUDING LAND AND FACTORY BUILDING COST)	NUMBER OF WORKERS EMPLOYED
Small industry	Manufacturing	BDT 7.5 million to 150 million	31 to 120
	Service	BDT 1 million to 20 million	16 to 50
Medium industry	Manufacturing	BDT 150 million to 500 million	121 to 300. But for RMG/labour intensive industries, not more than 1,000
	Service	BDT 20 million to 300 million	51 to 120

SOURCE: NATIONAL INDUSTRIAL POLICY 2016

The 2013 National Economic Census conducted by the Bangladesh Bureau of Statistics shows that there are in total 7.81 million economic entities in Bangladesh. About 88% of these economic entities are cottage enterprises, while 11 % are SMEs. But in reality, about 99 % of Bangladeshi formal business enterprises are SMEs (ADB Institute, 2016). They constitute about 75% of non-agricultural employment and contribute about 25 % to the national GDP. This 25% is contributed by only the manufacturing SMEs. However, this amount could in fact be much higher if the contribution of service sector SMEs could be calculated. Till now there has been little data available on service sector SMEs of Bangladesh, even though this sector contributes around 56.34 % to the GDP, making it the largest contributor.

The significance of SMEs can be clearly observed if we take a look at the contribution of SMEs in some select Asian countries. For example, about 97.3 % of enterprises in China, 97.3 % in Malaysia,

97.5 % in Kazakhstan, and 97.7 % in Vietnam are SMEs. Furthermore, about 99.4 % of enterprise in Singapore, 99.5 % in Sri Lanka, 99.6 % in the Philippines, 99.7 % in Thailand, 99.7 % in Japan, and finally, 99.9 % in the Republic of Korea are SMEs.

4.3 Overall Problems of SME in Bangladesh:

There is a great prospect of SME in Bangladesh. It plays a pivotal role in the economic development of this country but SME of Bangladesh faces many challenges in different area.

1. Complicated Government policy

Until today Bangladesh could not make a standard SME policy to operate this sector significantly. Moreover the government policy emphasizes on production factors rather than human factor. Human factor is getting the least attention for the promotion of small business in the country. There is another problem for making the policy. Government is not making a clear cut policy of developing small business in the country.

2. Lack of Awareness

Sometimes government offers a few facilities to the small business but owners of small business are not aware of the available facilities in the country for establishing small business. There is no any proper media to aware small business owner about facilities.

3. Lack of Training facilities

To develop entrepreneurship and small business in the country availability of training and education facilities is must. But in Bangladesh there are hardly any training facilities for the small businessman.

4. Insufficient Incentive policy taken by government:

To develop the small and medium enterprise government of country has to provide the incentive measure. But here the small entrepreneurs are deprived of such incentives.

5. Problem for getting Loan facilities

Different financial institutions are offering loan facilities to small business owner. But it is a problem that small business owner who has no any power doesn't get loan facilities very easily.

6. Lack of security for women

Many small business owners operate their business in open place like field, road, bus, and in other transportation. They are not secured because they face many dangerous situations.

7. Women entrepreneurship dominate by man

Women are controlled by man means husband or father or elder brother. So women small business can't be operated very smoothly. In our country there is no suitable social environment to operate small business by women.

8. Lack of capital

Small business owners have no huge capital to operate the business. So they can't achieve the apex of goal. Modern technology they can't use and standard product they can't produce.

Above mentioned points are considered as strong barriers of SME development in Bangladesh. So it can be said that to increase the contribution of SMEs on Bangladesh economy government, NGOs, commercial banks, others financial institutions have to put great emphasize on SMEs sector in Bangladesh .Bangladesh is agriculture based country. So main priority is given to this sector always, but comparatively business sector always gets little priority, though it has great contribution on our economy. To develop the SME sector Bangladesh government has to give great priority to this sector.

4.4 Steps for solving problem:

Looking forward, the government needs to undertake a three-step strategy to support the development of the SME sector of the country. The first step relates to the consolidation of the

naturally developed capabilities mainly serving the domestic market. The second step relates to the facilitation of their entry into the export market. The third step relates to the enhancement of capacities to thrive in the global market. The first role of the proposed strategy is protective – protecting the naturally developed capabilities. The role in the second and third strategy is promotional – promoting the capacities of SMEs to penetrate into the export market and thrive withstanding the global competition. Under this broad thematic scheme, the following specific components should be the integral part of the strategy:

i. Selective approach to SME development:

An essential element of a strategy for the development of the SME sector in Bangladesh will involve identifying niches where small and medium enterprises have comparative advantage and higher growth potential. This will mean exploring market opportunities on a sustained basis and mobilising the required support services for the promotion of these industries once such niches are identified. Collection and analysis of the relevant industry related information will be an essential prerequisite for such strategic planning. It is with this purpose that the government has set up the SME Foundation whose mandate is to work out such development strategies for the SME sector in Bangladesh on a continuous basis in close tandem with the private sector. The capacity and activities of the SME Foundation need to be strengthened to this end.

ii. Creating an enabling environment for private investment:

Constraints that contribute towards a weak enabling environment for private investment can be grouped under three broad headings: i) policy-induced constraints, ii) structural constraints, and iii) constraints rising out of poor business support services and weak governance. In facilitating development of the private sector and SMEs, the primary role of the government will have to be to establish investment-friendly law and order situation, supportive legal and regulatory framework and appropriate macroeconomic policies. These will need to be complemented by prioritised public investment designed to ease various structural bottlenecks pertaining to physical and infrastructural facilities, energy and technology. In addition, the quality of governance will have to be improved to ensure reliable supply of basic services on which honest and efficient businesses depend.

iii. A differentiated and hassle-free indirect tax system for SMEs

Given the structural difference between the SMEs and their large-scale counterparts, there is the need for a differentiated system of indirect tax for the SMEs that will enable them to pay the indirect tax free from harassment. A graduated system of turnover tax can be designed for the SMEs for this purpose. Critics argue that a differentiated system will discourage SMEs to grow larger in a bid to avoid getting under the VAT net and that a system of turnover tax makes them less attractive suppliers of inputs to other firms who need VAT certificate for inputs to adjust their own VAT liabilities. However, if the cut-off size limit is sufficiently large to include all SMEs and the turnover tax is appropriately graduated, then the problem of growth disincentive will not be a serious one. On the other hand, the problem of VAT certificate may be resolved by creating a notional VAT equivalence of the turnover tax.

iv. Easier access to imported inputs

After the initial rapid pace of liberalisation in the early 1990s, the process slowed down and during the past decade, widespread use of para-tariff reverted to some extent the benefit SMEs gained initially. A strategy for the development of the SME sector in Bangladesh, therefore, needs to be premised on further trade liberalisation measures with a view to providing SMEs easier access to imported inputs.

v. Targeting public expenditure towards augmenting demand

One important factor affecting the growth of SMEs has been the trend in domestic demand. Thus, the rapid growth of the construction sector seems to have contributed to the expansion of SMEs producing non-metallic mineral products, particularly bricks, structural clay and cement products. Public expenditure directed particularly towards the agriculture and the rural sector would raise the purchasing power of the rural people. Since the demand structure of this segment of the population is more oriented to local products, it would act as a stimulus for the growth and expansion of SMEs.

vi. Access to credit

Availability of credit is one of the most important factors for SME development. To strengthen targeting of SME credit,

- i) conducting a census of SMEs containing detail information on inputs, output, technology and management,
- ii) issuing identification cards with registration number to SMEs,
- iii) creating a database of SMEs and updating it periodically, and
- iv) creating a detailed upazila level map of SMEs to identify cluster are required.

A lopsided feature of SME credit, particularly those under Bangladesh Bank's refinancing scheme, is the predominance of trade and other service activities as opposed to manufacturing amongst the credit recipients. Thus, Bangladesh Bank data shows that more than 60 percent of the SME credit disbursed was accrued to trade and other service activities while the share of manufacturing was less than 40 percent. Efforts need to be made, therefore, to enhance flow of credit to manufacturing SMEs.

vii. Human resource development:

To address the problem of skilled manpower for SMEs, the system of technical and vocational education in the country needs to be revamped. In line with successful international experiences, the government should provide compulsory, state-funded education up to the age of 14 and partially state-funded, compulsory higher secondary education up to the age of 18 or 19. The institutional capacity to impart appropriate technical and vocational education needs to be strengthened. For this, close association of the potential employers in developing the right curriculum would be important. India's Industrial Training Institutes, which are managed by Institute Management Committees (IMCs) comprising of local industry representatives, could be an example in this regard.

Chapter: 05

5.1 Recommendation for IDLC Finance Ltd:

In recent years, SME is considered as the most important sector of the total industry setup. SME contributes nearly 30% of the total GDP in Bangladesh which is a huge contribution from a single sector. It also creates 30% of employment opportunity throughout the nation. In short, the importance of SME financing in our economy is immense.

As a Non-Banking Financial Institution, IDLC has a significant contribution towards the growth and development of SME sector. Even though the organization is successfully running its operation, it has some limitations as well. There are still some areas where improvements are required.

After doing the SME loan comparison I have come up with the following solutions:

- IDLC should arrange different workshops, seminars and orientation programs at district level in order to provide latest information about SME finance and their various financial schemes. As a result, it will increase their customer base into district level.
- They should be engaged in continuous market research in order to come up with the suitable or matching products according to the customer requirements.
- In case of “Purnota Loan” they should maximize the loan amount since Lanka Bangla is offering a better loan amount in comparison to IDLC.
- The Partially Secured Term Loan of IDLC is to be backed by 30% of the loan amount. But Lanka Bangla offers 1.5 to 10 million loan without any condition. So, they should consider this issue in order to minimize the risk.

- IDLC requires cash or registered mortgages in terms of security or collateral while providing work order loan. But, IPDC offers Work order facility without any security. So, they should revise their policy in order to be more customer friendly.
- Lanka Bangla Finance Limited offers “Swarnali Loan” in order to promote Agro Financing all over the country. IDLC should design a particular loan scheme for the Agro Processing Industries as well which will grow their customer base and also retain their position in the competitive market.
- They should develop new credit products in order to handle the unexpected and short-term requirements of the SME customers in a hassle free manner.
- The appraisal system should be more realistic and transparent. They should develop credit rating system in order to highlight the strength and weakness of clients. As a result, it will be easier for them to make any lending decision.
- They should run educational program to make their customers understand the requirements they require while taking a loan. It will minimize the rate of misunderstanding and errors.
- They should capitalize on electronic payment and settlement systems such as ECS (Electronic Clearing System), EFT (Electronic Funds Transfer) etc. So, that they can provide a cost effective retail payment service for their SME customers.

By taking all the above mentioned initiatives, IDLC will be able to provide a more customized and effective financing solutions to their valuable clients.

5.2 Conclusion:

The importance and contribution of SME sector in the growth and development of our economy is immense. However, it has huge power to change the economic flow of our country. As a result, the demand for this sector is growing rapidly. Since, the economy of Bangladesh is labor concerned, SME can play a significant role for the future progress of our economy and it can be weapon to reduce our unemployment rate.

So, considering the importance of this sector, all the financial institutions of our country like the central bank, all the public and private banks and also the Non-Banking Financial Institutions should come forward and enlarge their efforts for the successful establishment of SME sector in our county. While making any important decision regarding the SME sector, the regulatory agencies as well as policy makers should review the whole process in holistic approach. SME sector creates a strong base for large industries and thus making the industrial sector more strong, active and competitive.

Since, IDLC finance Limited is holding the second largest SME financing portfolio over the country, so it is undoubtedly obvious that the financial institution has a huge contribution for the expansion and advancement of this sector. The overall operational activities, loan portfolio table and equity statistics shows an excellent performance of IDLC in terms of the other Non-Banking Financial Institutions. So, there is no confusion about their contribution to expand SME business in Bangladesh and they should continue their efforts to become the topmost influencer of SME financing of our country.

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