

**Treasury Operations of “IPDC Finance LTD.”
& Money Market Trends in Bangladesh**



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Islamic University of Technology

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BBA in Technology Management (BTM)

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LETTER OF TRANSMITTAL

Date: 25 April, 2022

Md. Abdullah Al Mamun

Assistant Professor

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Subject: Submission of Internship Report.

Dear Sir,

I hereby submit the Internship report titled “Treasury Operations of “IPDC Finance LTD & Money Market Practices in Bangladesh” which is a part of the internship program. It was a great achievement on my part to work under your direct guidance.

While preparing this report, I have tried my best to portrait the condition of the company and reflect on my personal experience at the organization. The opportunity to work at IPDC has opened the door of the huge possibility of learning about corporate field operations and growing personally. It was a great experience working there and preparing this report under your supervision. If required, I will be available for any further clarification.

I will be highly obliged if you kindly accept this report and provide me with any kind of expert judgment or feedback you may have. It would be a huge success for me if you find this report informative or useful in any way.

Sincerely Yours

.....

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DECLARATION

I, Maruful Islam, a student of the Department of Business and Technology Management of Islamic University of Technology hereby declare that I have prepared this report on IPDC Finance LTD. by myself with the guidance provided by my supervisor Assistant Professor, Md. Abdullah Al Mamun sir. I have not breached any copyright purposefully. The work is authentic to the best of my knowledge. I further declare that the report was not submitted to any other party or institution for any degree of a certificate.

.....

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Acknowledgment

The satisfactory accomplishment of my Internship Program is the result of multiple people's contributions and engrossment; without their helpful direction and recommendations, the report would have been almost impossible to complete. I am really thankful to everyone who has led me during my internship process and provided me with all of the necessary information on IPDC Finance Limited's strategic plans, which has assisted me in organizing this report.

Firstly, I would like to express my gratitude to Md. Abdullah Al Mamun, Assistant Professor, Department of Business and Technology Management, Islamic University of Technology, for providing me with such an excellent opportunity and guidance in preparing an internship report for IPDC Finance Limited's treasury Department. I am very appreciative of your unwavering support and good instruction, without which the report would have not been completed. I'd also want to express my gratitude for devoting some of your important time to reviewing my report and making the required revisions.

Secondly, I would like to express my thanks to MR. Mushfique Uddin, the Assistant Manager of IPDC Finance Limited, for allowing me to finish my internship adventure with their reputable firm. I would like to express our heartfelt appreciation to Mr. Sikder Fazle Rabbi, Head of treasury department at IPDC Finance LTD. I'd want to express my gratitude to Mr. Mizan Ahmed, Executive officer and Mr. Subrata Basak FAGM, for supporting me during the internship process. Their amazing encouragement pushed me to write a better report throughout my training for the project task.

Lastly, I am very grateful to my family & companions for their unwavering support and confidence in me, which has helped to keep me motivated and inspired throughout my journey so far.

Executive Summary

IPDC is one of the most renowned and well-regarded non-banking financial institutions (NBFIs) in Bangladesh, with a reputation for its excellence. IPDC has been in operation since 1981 and has grown to become the country's first financial institution of note. IPDC has had significant growth in recent years.

The Treasury Department is always essential for a company to manage funds and to maintain bank balance of an organization efficiently. Treasury department of financial institutions deal in the money market to maintain a certain liquidity for the organization's funding need. Any discrepancy in the money market can significantly impact a financial institution overall condition.

This report includes the practices of IPDC Finance Limited's treasury functions and its functional processes which are increasing their sustainability and enhancing their efficiency in the industry. I have tried to address all of IPDC's treasury operations, functions, and policies in my report. I have tried to put effort in the analysis of the money market and its relationship with the stock market. Working in the treasury department I could experience how the economy is directly impacted through the money market and stock market movements.

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Chapter 1: Introduction

1.1. Background of the Report

IPDC Finance is one of the 34 NBFIs in Bangladesh. It is also the first non-banking financial institution to start their journey in the year of 1981. Among all the other NBFIs in the country only IPDC Finance has “SuperBrands” award and ISO 9000 certification. The main operational business of IPDC is to finance various projects in the long term and invest into the SME sector our country. I have worked in the Treasury Department of IPDC Finance. Treasury is the department which is responsible for the management of funding sources and proper investments of the available capital. It is also in charge of managing the daily cash flow and liquidity of reserves within the Financial Institute. The department also manages the FI's investments in securities, foreign exchange and other cash instruments. Treasury department plays a crucial role in any financial institution. All the money and money related decisions are made in this department.

During this internship period I worked under the head of treasury Department Mr. Sikder Fazle Rabbi. But my immediate line manager was the FAGM Subrata Basak & Assistant Manager Mr. Mushfique Uddin Rafid. During my internship in the treasury department most of the tasks were related to the money market transactions and keeping records & updating information. Also, the inter-banking transactions were a key component which I had to deal with on a regular basis.

1.2. Origin of the Report

This report is the direct outcome of my 3 months internship at IPDC Finance Limited which is a top non-banking financial institution of Bangladesh. I will analyze various factors of my host company in this report with a profound description of the subject matter. As a final year student of Business & Technology Management Department of Islamic University of technology, it is mandatory to attend a 3 months internship period in order to be acquainted with the corporate environment. I have successfully completed my internship period of 3 months at IPDC finance Limited in the “**Treasury Department**” of the company with great learning outcome.

1.3. Objective of the Report

Generic Objectives

During the three months internship period in the treasury department of IPDC Finance, my main aim was to get a complete understanding regarding the working procedure of this department and gain practical knowledge. This report will primarily focus on the money market of Bangladesh and how it affects the overall economy of the country. Few of the factors on how a money market and government policy can impact the stock market and liquidity in the banking sector will also be discussed in this report.

Specific Objectives

- A brief outline of the duties as an intern of the treasury department
- A comprehensive study regarding the financial industry of Bangladesh
- Explanation of company's overall condition and status
- Operational description of the treasury department and money market of Bangladesh

1.4. Scope of the work

This study provides a concise and informative overview of IPDC Finance Limited, its treasury department and the money market practices prevailing in our country. It focuses on the employee perspective and includes detailed information on the company's success in regional markets. This study will inform readers about the non-bank financial institution (NBFI) sector and how it operates as well as the industry's potential for Bangladesh.

1.5. Methodology

Two types sources of information were used during the preparation of this report namely Primary & Secondary.

Primary Research

A significant portion of the research is devoted to exploring into the findings of the primary research. The vast majority of the core components and insights presented in this study were gathered through face-to-face encounters with firm personnel and employees.

Secondary Research

The majority of the information in this study comes from the primary research, however a considerable amount of the information contained in the report comes from secondary sources as well. For my report, secondary sources of information were gathered from various sites.

Main Sources:

1. Bangladesh Bank Website
2. IPDC's official website
3. News article sites (TBS, FE)

1.6. Limitations

Only a three-month period is not well enough to understand all the operations and implications of a whole company, a whole department, and their insights. In spite of all the limitations, I have tried my best to gather as much experience as possible all throughout my internship tenure and tried to use that information to prepare this report.

Chapter 2: Company Overview

2.1. Brief Outline

IPDC Finance is a leading non-banking financial institution of Bangladesh. Among 34 non-banking financial institutions in Bangladesh, IPDC finance limited is the maiden NBFIs of Bangladesh who started their journey in 1981. After its inception it became one of the major players in the financial area of the country. The vision of IPDC finance is to attain the highest possible ranking as a financial company of the country by improving youth opportunities and women empowerment with special focus on the disadvantaged. It also ensures the free development of customers and society by opening the door to all possibilities through friendly attitude, timely action, transparency and expansion of innovative economic solutions in an affordable way. The mission statements of IPDC Finance limited are:

- i. Maximum integrity in business management
- ii. Strong will to be ahead of everyone in the market
- iii. Cultural diversity in the workplace and in society
- iv. Encouraging unity and teamwork
- v. Ensuring the best experience by harnessing the power of technology
- vi. Maintaining the highest standards of corporate citizenship in the workplace

2.2. Company History

The company was found in the year of 1981 by joint venture of few local and foreign investment banks and corporations namely Aga-Khan Fund for Economic Development (AKFED), International-Finance-Corporation (IFC), German-Investment-Corporation (DEG), Commonwealth-Development-Corporation (CDC) & the government of Bangladesh. At that time, it was the only non-banking financial institution of the country. Formerly it was known as “Industrial Promotion and Development Company”. But later during the year of 2016, the name was changed to “IPDC Finance Limited”. From then all the operational activities are done by the later name. Being the first private sector financial institution of Bangladesh, it has great contribution in the economy of the country through financing of various important projects and development works.

2.3. Business Model of IPDC Finance LTD

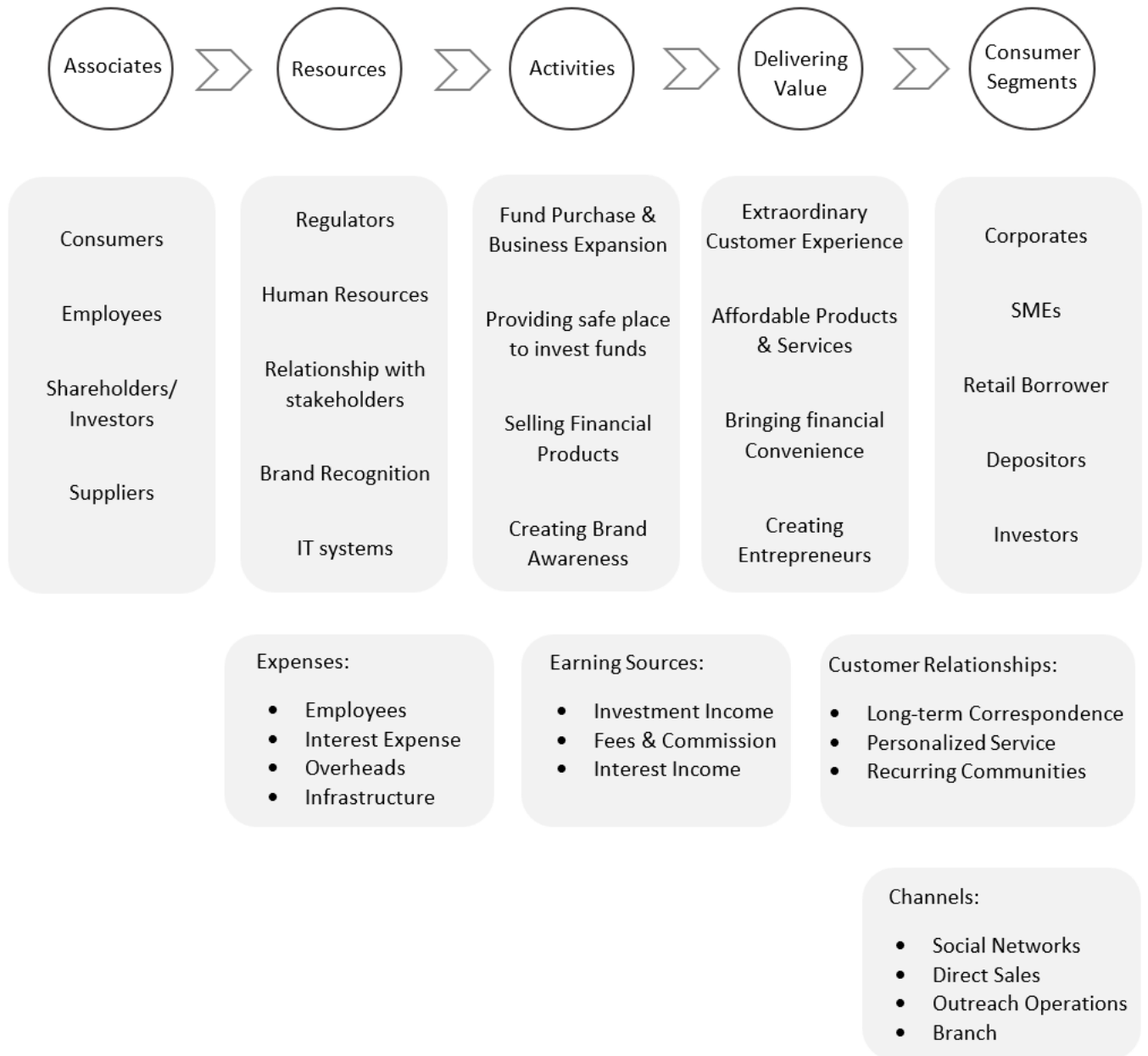


Fig 2.1: Business Model of IPDC Finance

2.4. Ownership structure

When IPDC finance was established in the year of 1981, few foreign and local development organization owned the majority of the shares. However, as time went by the shareholding pattern of the company changed over the course of time. At one point the government of Bangladesh took 22% stake in the company making the organization one of the most valuable NBFIs in the context of Bangladesh. The following diagram demonstrates the current shareholding pattern of the company as per the latest trend.

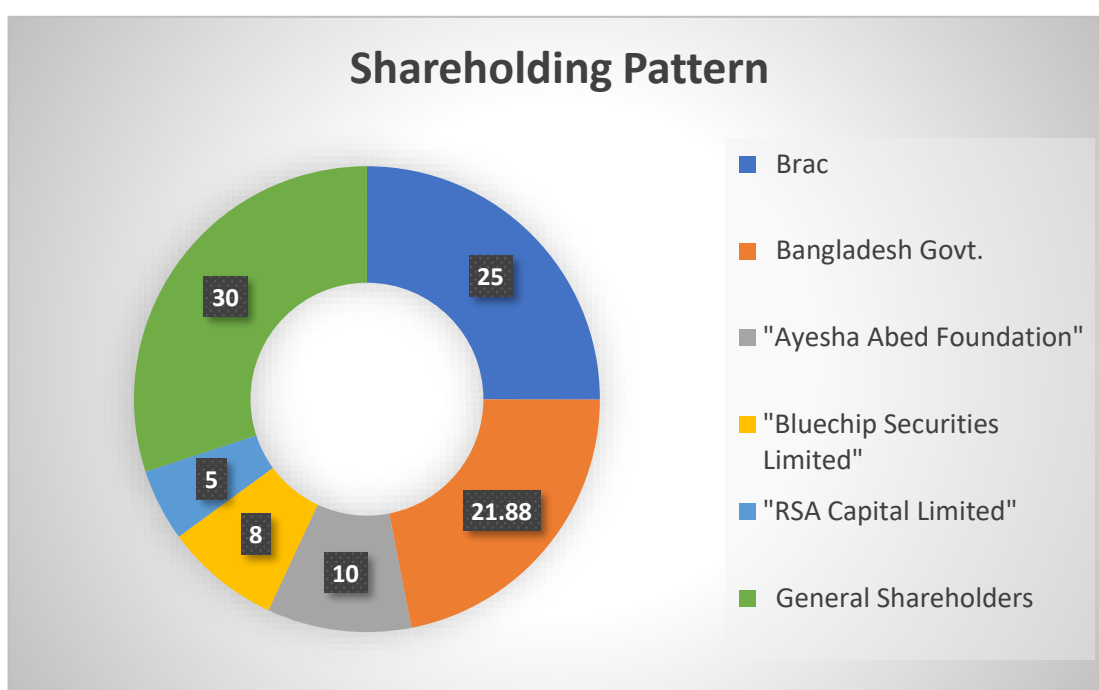


Fig 2.2: Shareholders of IPDC Finance LTD.

The ownership of the company was diluted overtime. The present net portfolio of the company stands at almost seven thousand crore Taka. Among all the shareholders, Brac holds the majority of the shares at 25%. The strong capital base of the company and investor confidence comes from the 22% government stake in the company. In 2006 the company first debut into the stock market diluting 30% of its shares in the exchange bourse.

2.5. Management Structure and Staffing

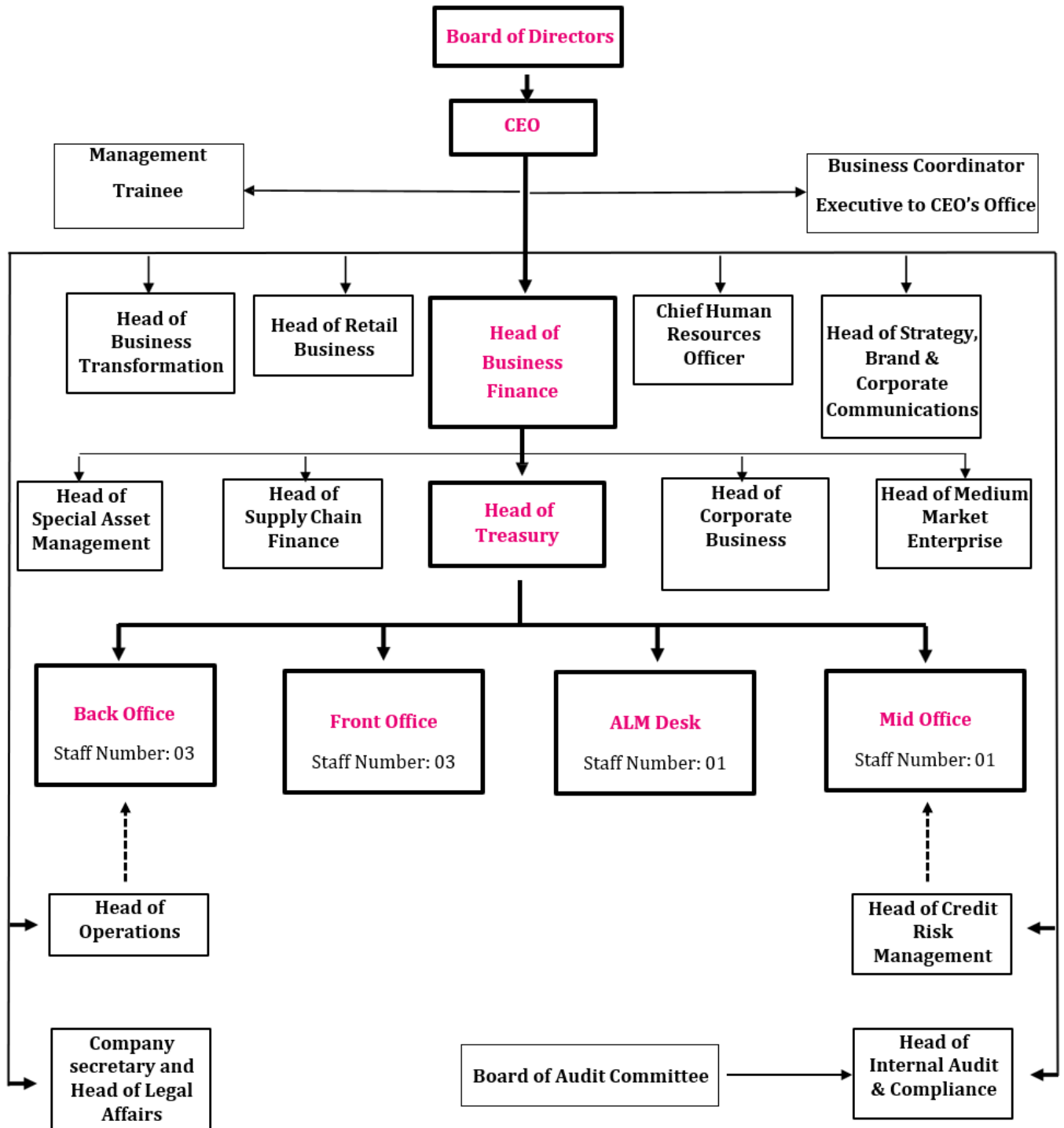


Fig 2.3: Organizational Structure of IPDC Finance LTD.

2.6. Operational Hierarchy

In order to operate successfully and in an organized manner, every organization needs to follow a certain operational hierarchy so that the operations run smoothly. In a financial institution the role of operational hierarchy kicks in when a proposal for loan disbursement comes. A proposal for a loan has to pass different departments and different evaluation phases in order to get the green signal for the disbursement. The following chain of hierarchy is followed in case of loan approval:

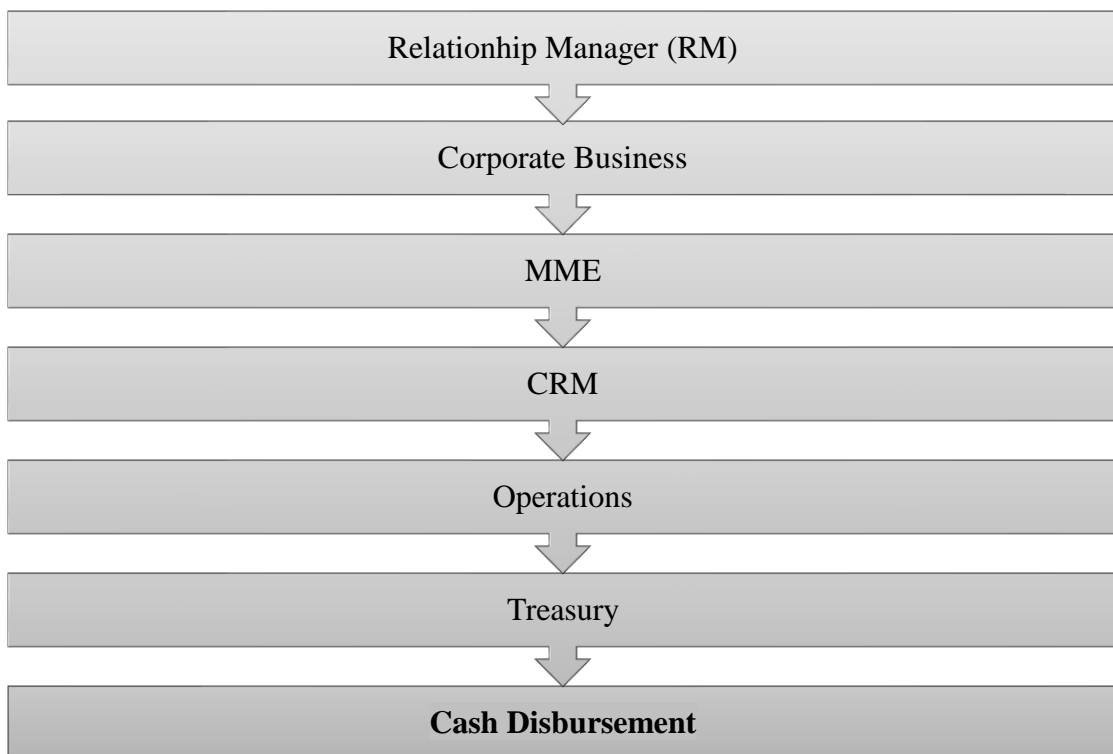


Fig 2.4: Operational Hierarchy of IPDC Finance LTD.

This is the usual process of how a proposal of loan is handled in a financial institution (Fig 2.4). However sometimes there are scenarios where much more scrutinization of the project proposal is required. In those cases, higher officials directly get involved with the proposal of loan. Sometimes few of the high value proposals require board of director's approval before they can be disbursed through the operations department.

2.7. Company Analysis

2.7.1. PESTLE Analysis

Using PESTLE analysis, we can better understand how IPDC is being influenced by external influences. It is employed in order to detect external elements that may have an impact on the firm. Each part of the PESTLE model has a different impact on the firm. A number of important business aspects have been identified, as well as the responses to changes in these elements.

Political

Government intervention in the economy and financial industry is a major element in political considerations, which is why they are included together. These factors can include government policy, political stability or instability, corrupt practices, international trade policy, tax policy, labor law, environmental law, and trade restrictions, among others. Increased public spending propels the economy in the direction of holistic growth. As a result, IPDC is able to grow its business year on year. Short-term political risk will be addressed by increasing long-term financing such as mortgages. Affordable home loans and blockchain based digital supply chain finance platforms are likely to drive future growth for the organization.

Economical

Economy-specific characteristics are important predictors of a country's overall performance, and they have a direct or indirect long-term impact on IPDC because they influence the purchasing power of consumers. Economic growth, exchange rates, inflation rates, interest rates, disposable income of customers, and the overall business environment are all factors that can influence the outcome. Growth in the gross domestic product (GDP) suggests increased demand for private sector lending, which has a significant impact on market liquidity and cost of funds. IPDC is attempting to capitalize on the rapid pace of economic expansion through strategic investments in order to establish itself as a prominent player in the industry.

Social

Markets and communities are socially influenced by a variety of characteristics, attitudes, and trends referred to as "social factors." An important aspect of the general environment is the demographic traits, norms and values of the population in which IPDC is operating. IPDC is always bringing out new products to meet market demand and capture new target customer.

Technological

The term "technological factors" refers to advancements in technology that may have a positive or negative impact on the industry and IPDC. The financial industry's level of technological awareness, innovation, automation, research and development (R&D) activities, and technological change are all considered here. The industry is moving towards fintech and IPDC already has upper hand in this segment.

Legal

Specific laws such as discrimination laws, antitrust laws, employment laws, consumer protection legislation, and other similar laws, as well as the legal and regulatory environment, are examples of legal factors. The regulations imposed on this industry continue to be tougher, with an increased emphasis on maintaining a compliance workplace.

Environmental

Environmental concerns have recently gained public attention due to lack of raw materials, government pollution targets, and carbon footprint targets. Since more money will be required to convert to more ecologically friendly activities, the repercussions are critical. It is possible that the sector will have to invest in the establishment of green offices, which will have a short-term negative impact but long-term benefits. IPDC is already attempting to implement environmentally friendly methods, such as paperless approvals and electronic delivery of papers.

2.7.2. SWOT Analysis

In order to acquire an understanding of all the aspects that may influence strategic planning and decision-making for the organization, it is necessary to conduct a SWOT analysis. This analysis also identifies opportunities and potential problems that should be handled (Fig 2.5). It also aids in the development of an awareness of the numerous customer touch-points and the impact they have on consumer perceptions of brands.

		STRENGTH	WEAKNESS
		<ol style="list-style-type: none"> 1. Unique Shareholding structure 2. Relationship with corporate houses 3. Risk management framework 	<ol style="list-style-type: none"> 1. Scope for improvement in brand recognition in retail & SME 2. Limited distribution network 3. Scope for improvement in Internal capacity of retail & SME
OPPORTUNITIES	<ol style="list-style-type: none"> 1. Regulatory advantage in retail lending 2. Emergence of middle income class 3. Growing women entrepreneurs 4. Collaboration with BRAC 5. Growing services sector 6. Young people coming into workforce 7. Increasing mobile and internet penetration 	<ol style="list-style-type: none"> 1. Leverage corporate relationship for retail lending and supply chain finance 2. Launched women focused products and services 3. Use shareholder strengths for low cost multisource funds 	<ol style="list-style-type: none"> 6. Build HR and IT capacity for retail and supply chain finance 7. Build strategic alliance with stakeholders for incubation of sales and distribution points 8. Build brand in retail segment
THREATS	<ol style="list-style-type: none"> 1. Competition from banks in corporate lending 2. Regulatory restriction on low cost deposit 3. Portfolio infection 4. Limited product 	<ol style="list-style-type: none"> 4. Customize risk management framework for retail and factoring finance 5. Bring in IT enabled products and services 	<ol style="list-style-type: none"> 9. Build strong collection management system for retail lending 10. Optimize ticket size of SME finance
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Strategic Response</div>			

Fig 2.5: SWOT analysis of IPDC Finance LTD.

2.7.3 Porter's Five Forces analysis

Financial industry in Bangladesh's perspective is competitive and mostly empowered by banks. This industry's market is primarily concentrated in the metropolitan cities i.e., Dhaka and Chattagram. While banks tend to have an advantage over NBFIs, in terms of scale of operation and client perception, NBFIs have the distinct advantage of performing under a lean business model and offering customers with services that are faster, more customized, and more personalized. It is demonstrated via porter's five forces analysis (fig. 2.6) considering current scenario of NBFIs.

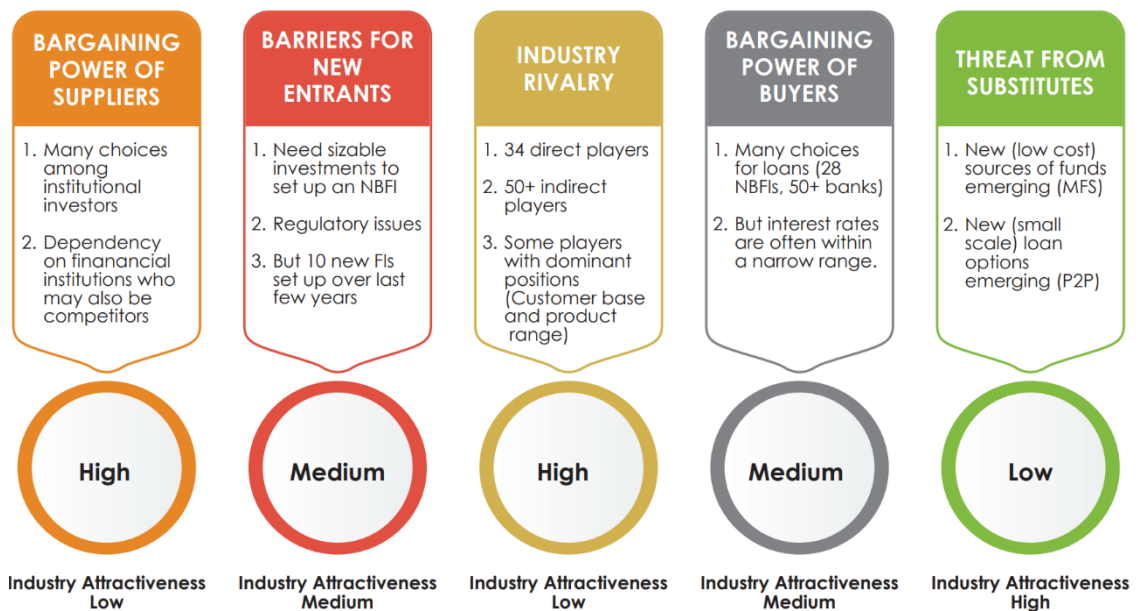


Fig 2.6: Porter's Five Forces analysis of IPDC Finance LTD.

NBFIs are also assisting in filling credit gaps in a variety of industries when traditional financial institutions, such as banks, are unable to cover the void. Their ability to provide specialized financial services, as well as their relative organizational flexibility, distinguishes them from banks and financial institutions. As a result, they are typically able to deliver tailored financial services more quickly than banks and financial organizations.

Chapter 3: Industry Analysis

3.1. An overview of Bangladesh's Financial System

The financial division is extremely categorized, with 59 scheduled banks and 34 NBFIs all of which have experienced significant expansion in the recent 25 years. The financial industry, on the other hand, is currently experiencing a period of stagnation marked by an increase in the classified loan ratio of more than 10%.

Bangladesh's financial system is divided into three large fragmented sectors:

1. Formal
2. Semi-Formal
3. Informal

The industries are divided into groups based on the degree to which they are regulated.

Formal Sector

Regulatory institutions such as banks, NBFIs, merchant banks, capital market governing bodies, insurance companies, brokerage firms and so on. Microfinance organizations are all considered to be part of the formal sector of the financial industry.

Semi-Formal Sector

This sector contains institutions that are controlled in some way but not subject to the control of regulators such as the central bank, BSEC, insurance authority or other regulators. It is dominated by Specialized entities like the "House-Building-Finance Corporation" (HBFC), the "Palli-Karma-Sahayak" Foundation (PKSF), "Grameen Bank", "Samabay Bank" and other similar bodies.

Informal Sector

Private companies and intermediaries who operates fully independently are included in this category.

3.2. Yearly growth trend of the industry

The development and expansion of are dependent on the growth and progress of all of its units. The financial markets are a major driver of economic growth. The process of making a country economically wealthy involved mobilizing cash resources from a variety of sources to compensate for the surplus in the sector that was in deficit. By increasing their influence on the financial system, nonbank financial institutions (NBFIs) improve the financial system's ability to endure the present economic slump. By filling in the gaps in financial intermediation, non-bank financial institutions (NBFIs) make substantial contributions to the overall well-being of society by acting as a valued ally and resource of the commercial banks.

Many non-bank financial institutions are focused on lease financing; however, there are also NBFIs that participate in a diverse range of additional financial activities, including merchant banking, term-loan, financing home and financing of equity. One of the industries that benefits from NBFIs financial support is textiles. Other industries that gain from NBFIs financial assistance include agriculture, SMEs & SMBs.

The Bangladesh Bank is in responsibility of monitoring the country's non-bank financial institutions, which include credit unions and cooperative banks (NBFIs). Factors such as a m capital requirement, compliance with applicable laws & rules and financial stability are frequently taken into consideration when a corporation is granted authorization to engage in taking deposits from the mass people. If they have gained previous approval from the central bank, NBFIs are authorized to lend money to the general public. Their participation in foreign currency dealings is strictly prohibited. NBFIs provide customers with specialized and customized financial solutions to meet their specific needs. As a result, the demand for NBFIs services is expanding on a daily basis. In Bangladesh, there are now 35 non-banking financial institutions (NBFIs). Working with the diverse financial demands of the country's population, they are able to achieve their goals.

Deposits in nonbank financial institutions in Bangladesh increased marginally in the July-September quarter of 2020, owing to a decline in deposit rates in the banking sector and a loosening of policy by the Bangladesh Bank in response to the coronavirus-induced economic disruptions. This occurred in the case of NBFIs that provide specialized financial services. The Bangladesh Bank's expansionary monetary policy

for the fiscal year 2020-2021 resulted in an increase in the liquidity of the country's banking industry. NBFIs had a critical role in ensuring the liquidity of the market. According to Bangladesh Bank (BB) figures, deposits in nonbank financial institutions (NBFIs) increased by 3.28 percent, or Tk 1,420.46 crore, from July to September of 2020.

Deposits in the non-banking financial institution (NBFI) sector increased to Tk 44,684.75 crore in the third quarter of 2020 from Tk 43,264.29 crore three months earlier. After increasing by 17,420 accounts in the July-September quarter, the total number of accounts held by non-bank financial institutions (NBFIs) increased to 6.81 lakh from the previous quarter's 6.64 lakh.

A further benefit of the BB's decision to lower its cash reserve ratio was an increase in liquidity for the NBFI sector. Improved liquidity in the non-bank financial institution (NBFI) sector allows NBFI enterprises to better repay their clients, thereby earning the trust of their depositors. With more than 40 years of experience serving clients in both the commercial and public sectors, including the fields of education and health care, IPDC has established itself as one of the country's most valued NBFIs. "IPDC Finance" invests in order to achieve a number of objectives.

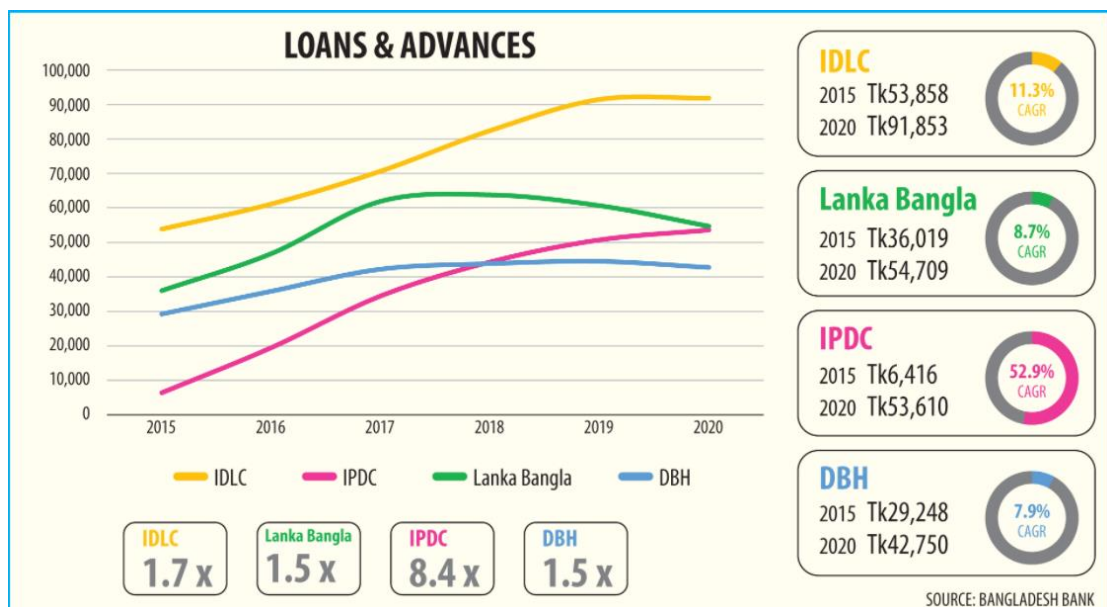


Fig 3.1: Yearly growth trend of major NBFIs of Bangladesh

IPDC has maintained a positive public image for more than two decades as a result of its unwavering dedication to providing financial services of the highest possible quality. IPDC is able to keep up with the changing demands of the market because of its ability to forecast the repercussions of local and foreign investment. In the first quarter of 2021, according to the company's financial documents, it has been 40 years since this banking organization produced a profit of Tk20.5 crore, marking a 36.6 percent year-on-year increase over the same period in the previous year (YoY) (Fig 3.1). It is estimated that the IPDC's public deposits climbed by 1.3 percent during the first quarter of the year, accounting for 66 percent of the institution's overall financing. Between 2015 and 2020, IPDC Finance's cash holdings expanded at a compound growth rate of 52.9 percent annually, surpassing Tk4,138.1 crore in 2020.

Competition Over the last few years, client deposits at NBFIDLC have increased dramatically, and are expected to reach Tk7,012.2 crore by 2020. The compound annual growth rate (CAGR) of the corporation between 2015 and 2020, on the other hand, was only 13.1 percent. Within the same time period, LankaBangla Finance and DBH both achieved compound annual growth rates (CAGRs) of 13.1 percent and 11.8 percent, respectively, for their respective businesses. According to their financial disclosures, their client deposits in 2020 totaled Tk4,133.4 crores and Tk3,727.7 crores, respectively.

IDPC has increased the size of its loan portfolio mix by 7.5 percent year-to-date during the first quarter of 2021, with a 3.8 percent year-to-date increase in the loan portfolio mix of small, micro and medium-sized firms. NBFIDLC is one of the most competitive in the industry because of its low classified loan ratio. During the same period of time, IPDC experienced a compound annual growth rate of 27.8 percent in the same region. Consequently, IPDC's operating profit climbed by 3.8 times between 2015 and 2020, growing at a compound growth rate of 30.4 percent annually, reaching Tk168 crore in 2020 from Tk100 crore in 2015. In order for nonbank financial institutions (NBFIs) to become more precise in meeting the specific financial needs of their customers, the development trend of NBFIs must become more stable. If the appropriate rules and regulations are put in place, NBFIs will be able to provide service to a big number of customers to personalized and customized personal needs, thereby increasing their ability to ensure that a large number of clients receive their service.

3.3. Performance of NBFIs in Bangladesh

3.3.1. Branch count and ownerships

NBFIs have played a crucial role in the financial sector by offering supplementary financial services which are not typically served by the traditional banks. The non-bank financial institutions, which offer an extended category of products and services are geared towards establishing themselves in the competitive financial market in order to meet the growing needs of their consumers. Additionally, NBFIs play a vital part in Bangladesh's stock market as well as in the real estate industry. Most NBFIs have distinct subsidiaries that conduct merchant banking activities, just like banks.

Table 3.1: Ownership structure of total branches of NBFIs in Bangladesh

	No. of NBFIs	Govt.	Joint	Private	New	Total
FY15	32	3	10	18	15	210
FY16	33	3	11	19	14	224
FY17	34	3	12	19	30	254
FY18	34	3	12	19	8	262
FY19	34	3	12	19	11	273
FY20	35	3	13	19	3	276
FY21	35	3	13	19	1	277

There are many ways for NBFIs to collect public funds, including term deposits, commercial papers, bonds, and debentures. NBFIs depositors are not covered by the Bangladesh Bank's Deposit Insurance Scheme. It is against the rules for NBFIs to deal in gold or other foreign currencies. In order to get a foreign currency loan from a foreign country, however, the Bangladesh Bank must first give its clearance for the transaction. The ownership structure of NBFIs is demonstrated in Table 3.1.

3.3.2. Investment Portfolio

NBFIs are participating in a variety of sectors of the country's economy among them industrial sector takes lion share of investment. Sector-wise, industrial investment stood at 47.24 percent, real estate stood at 18.96 percent, margin loan accounted for 1.15 percent of total investment, trade and commerce stood at 13.90 percent, merchant banking stood at 3.09 percent, agricultural was 2.46 percent, and others were at 13.20 percent (Fig. 3.2).

According to Section 16 of the Financial Institutions Act, 1993, NBFIs are permitted to invest up to one quarter of the paid-up capital and reserve in the capital market. By December 2020, the total investment in the share market by all NBFIs amounted at BDT 21.64 billion, compared to BDT 18.89 billion at the same time in December 2019. As of June 30, 2021, the entire investment in the capital market by NBFIs stood at BDT 22.96 billion, which is 2.51 percent of the whole asset figure.

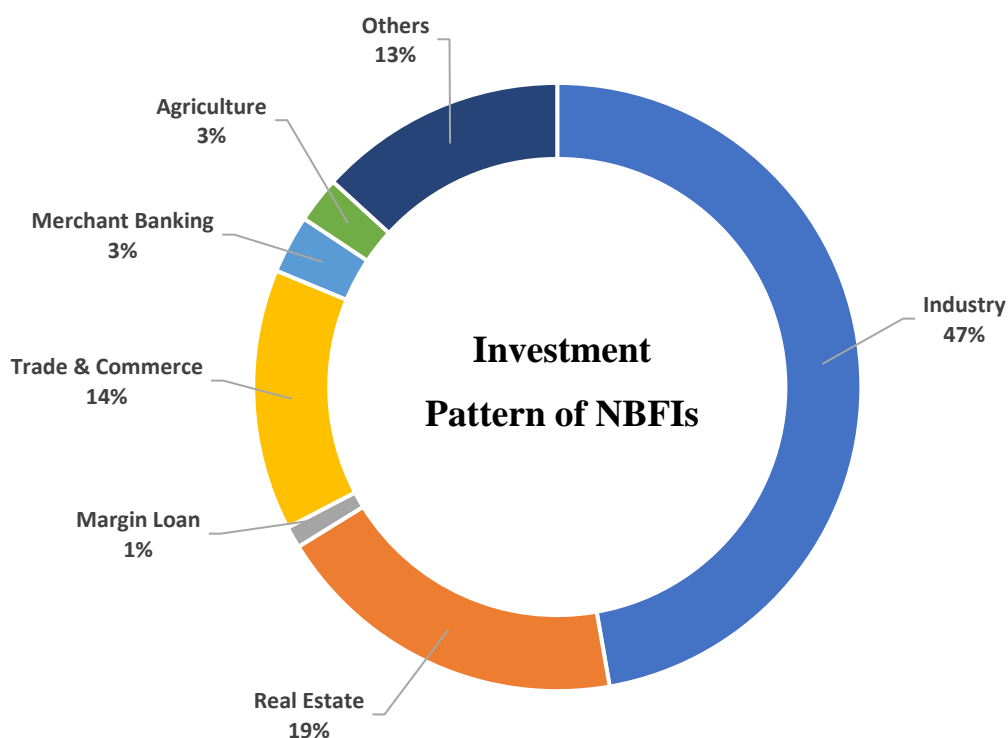


Fig 3.2: Investment Portfolio as of June, 2021

3.3.3. Assets, Deposits & Liabilities

As of June 2021, the total assets of Bangladesh's non-bank financial institutions were BDT 914.25 billion, up from BDT 901.73 billion in the previous year. BDT 445.4 billion (53.73 percent of total liabilities) was the total deposits of NBFIs at the end of June 2021, a rise of 0.95 percent from BDT 441.2 billion by the end of June 2020. According to the Bangladesh Insurance Corporation, the industry's overall liability grew from BDT 768.7 billion in June 2020 to BDT 828.8 billion in June 2021. The equity of the corporation was worth BDT 85.5 billion by June 2021 (fig. 3.3).

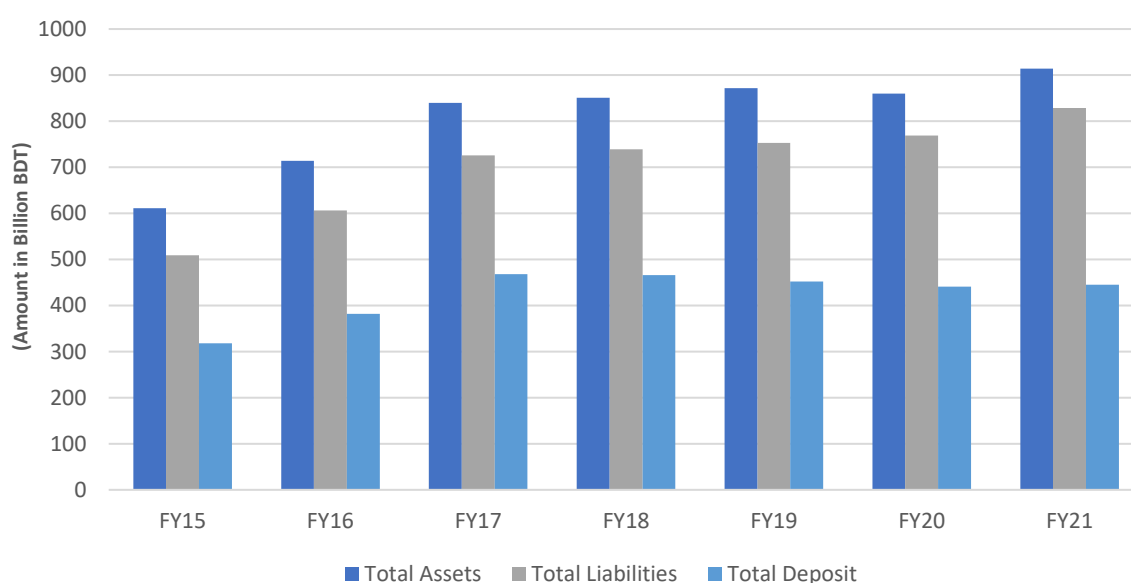


Fig 3.3: Deposits, Liabilities & Assets trends in NBFIs

3.3.4. NBFIs' cost of fund

In accordance with a guideline established in 2013, NBFIs are required to provide their monthly statements of base rate and cost of funds to the BB on a regular basis. The cost of funds index is used as a benchmark for determining an acceptable reference rate. The base rate system simplifies the process of calculating interest rates while also increasing transparency and accountability in NBFIs. The cost of funds for NBFIs was 7.66 percent at the end of December 2020, and it reduced to 6.64 percent by the end of June 2021.

3.3.5. Asset Classification & Provisioning

A provision as a form of additional reserve is kept for expected losses on loans, advances, leases, and investments. It is required by law for nonbank financial institutions (NBFIs), and this provision must be based on objective standards as well as qualitative opinion. NBFIs are required to maintain provisions in the amounts of one percent (for standard assets), five percent (for special mention accounts), twenty percent (for questionable assets), fifty percent (for bad/losses), and one hundred percent (for bad/losses) of their total assets. On June 2021, the outstanding loan/lease balance was Tk 671.15 billion, with non-performing loans (NPLs) accounting for BDT 103.28 billion. Several prudential measures were implemented during fiscal year (FY) 21 with the goal of reducing the risk of fraud and forgery while also ensuring excellent corporate governance (Fig 3.4).

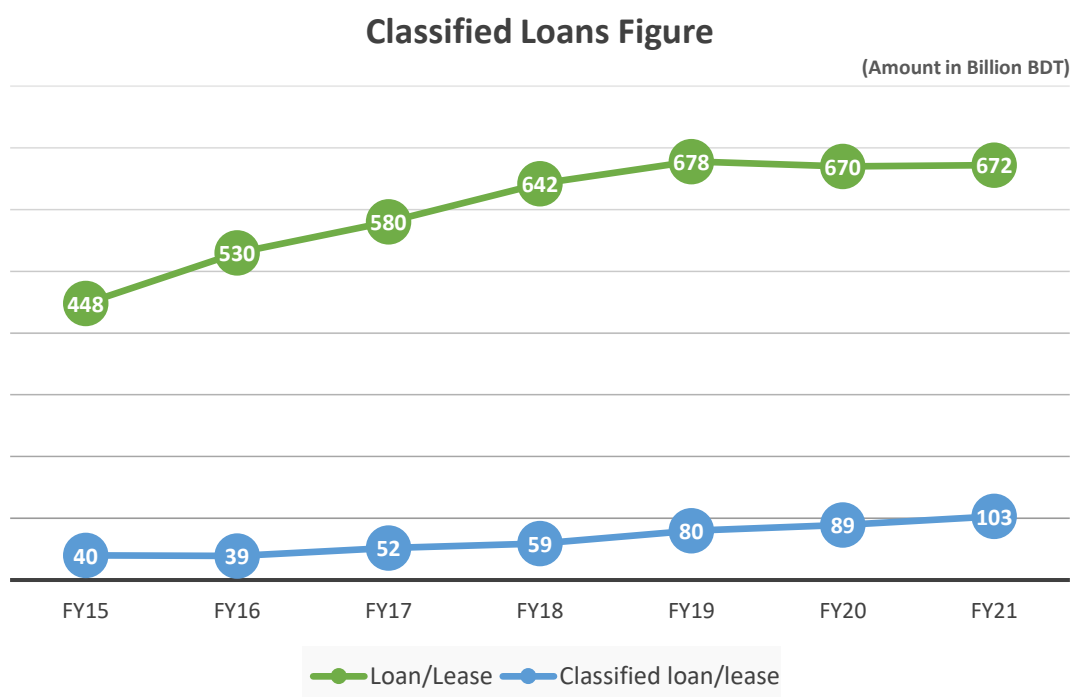


Fig 3.4: Classified Loans/Lease trends in NBFIs

3.3.6. Rescheduling Policy

Loan/lease rescheduling is a way to help the borrower who is having money problems, so that they don't have to default on their payments. NBFIs must get down payments from their clients in order to reschedule loans and leases.

NBFIs must get at least 15%, 30%, and 50% of the overdue amount or 10%, 20%, and 30% of the amount that is still owed. This money must be obtained in cash.

3.3.7. Earning & Profitability

An NBFIs earnings and profits show how well the organization manages its resources and how long it will be around in the long run. The return on assets (ROA) and the return on equity (ROE) are the best and most commonly used way to measure how much money a company makes and how profitable it is. The return on assets (ROA) for NBFIs in June 2021 was 0.4% and consequently the return on equity (ROE) was 4.3% (Fig 3.5).

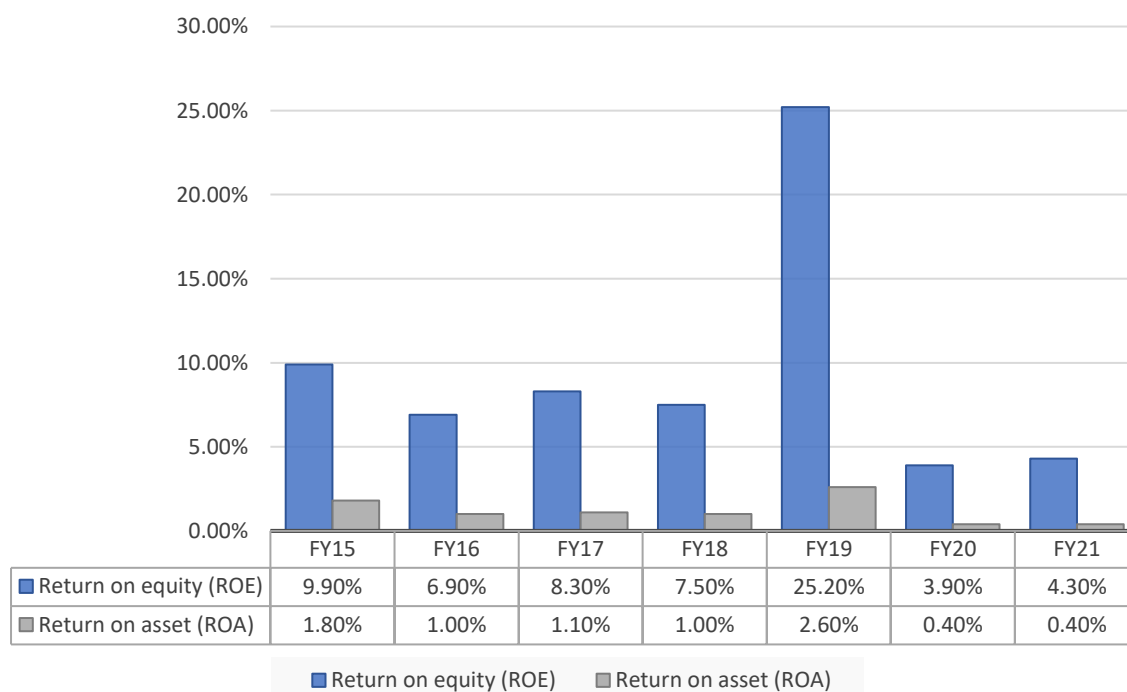


Fig 3.5: Profitability trends of NBFIs in last seven fiscal years

Chapter 4: Analysis of Money Market

4.1. An overview of Bangladesh Money Market

Short-term money assets like exchange bills, short-term government securities and other short-term loans etc. are traded in a usual money market. The money market became a part of the financial market where treasury bills, bonds and commercial paper that has a maturity period of one year or less can be bought or sold. It is usually thought to be the busiest place, where government and other short-term securities are exchanged. Bangladesh has a very busy money market where many different things are traded. The money market in Bangladesh is going through a change. The parts that make up it are still being made, and people are always working to come up with instruments that are good enough to be traded. However, the short-term credit market in the banking sector has grown a lot since the independence. After the country was freed, the money market was one of the most crucial parts of the financial market. The money market in the country grew and changed a lot from 1971 to the early 1980s but now the market is tightly controlled by the central bank with a view to ensure clarity in the market.

4.2. Attributes of Money Market

The central bank has complete authority over the whole operation of the organized sector of the Money Market, including the exchange rate. The central bank's rediscounting and borrowing capabilities have become increasingly important over the years, particularly during the peak season. Commercial banks and other financial institutions have become increasingly reliant on these services. Furthermore, Bangladesh Bank monitors and reviews the lending policies on a regular basis. The disorganized nature of Bangladesh's money market continues to exist in considerable part even today. The purposes of finance, that is, whether money is needed for true productive purposes or for engaging in speculative activities, are also not usually specified by the lenders. An extensive range of nonbanking financial organizations make up Bangladesh's money market, which is comprised primarily of small and medium-sized enterprises. Such entities are strikingly similar to banks, and they compete with banks for deposits from the general public.

4.3. Monet Market Instruments

Money market requires such tools that enable one to conduct business in the market. These tools often said as investments tend to offer lower returns than higher-risk investments, but they are significantly safer since they are backed by the resources and reputation of an institution, a state or a sovereign government. They are:

a. Treasury Bonds & Bills

Treasury bonds/bills, which are issued by the government, are among the safest money market securities since they are backed by the assets of the government. Because these instruments have zero-risk, the rewards on them are not particularly enticing. Treasury bills are distributed via both the primary and secondary markets, depending on the country. They are available in three different maturities: three months, six months, and one year.

Features:

- Risk-free fixed-coupon debt instrument with a fixed interest rate
- Maturities are possible within 2-20 years of the start date.
- It has a coupon payment every 6 months, and the capital is reimbursed when the bond reaches its maturity.
- The market determines the yield.
- A tradable instrument on the secondary market.

b. Certificate of Deposit

This is identical to a promissory note which is issued by a financial institution, with the bearer of the certificate being entitled to obtain interest. It is similar to term deposit scheme of a bank which has fixed maturity date. It includes a maturity date, an interest rate and the amount of money invested. These certifications are available for a period that can range from three months to five years. Certificates of deposit yield higher rates of return than Treasury bills because they involve a greater degree of risk factor.

c. Commercial Papers

This is also a short-term promissory note that is offered through the corporations and FIs at a much discount to its face value in order to attract investors. They have a fixed maturity period that can range from one day to 270 days in length. The goal of issuing these is to finance accounts receivables and inventories and also to meet short-term responsibilities.

d. Banker's Acceptance

A short-term scheme made by the non-financial companies and secured by a bank's promise of repayment. It's similar to an exchange bill, in that it states a buyer's pledge to pay to a seller a specific sum at a specific date. Aside from that, the bank guarantees that the seller will be paid by the buyer at a later period. A bill of this nature can be drawn by a company with a good credit rating. There are a variety of maturities available, ranging from 30 to 180 days, with the most frequent period for these instruments being 90 days. These negotiable time drafts are used by businesses to finance imports, exports, and other types of trade.

e. Repurchase Agreements

This agreement is commonly known as 'Repo' where both the buyers and the sellers accord in order to sell and repurchase goods in the marketplace. Representative or reverse representative transactions are only permitted between parties who have been approved by the central bank, and they are only permitted between central bank-approved securities such as government securities, corporate bonds, public sector bonds and Treasury bills.

4.4. Importance of Money Market

When it comes to running a modern economy, owning a full-grown money market is very necessary in order for profitable business environment. However, even though money markets have traditionally been formed when businesses and industries do well, they play a crucial part for the growth of a country's overall economic condition as well. Here are some things to think about when it comes to the urgency of a full-grown money market and its many different roles:

a. Financing Trade

It is imperative that the money market is utilized when it comes to financing both domestic and international commerce transactions. Exchange bills, that have been discounted by the bill market and used to give commercial funding to merchants and dealers, are used to offer commercial funding to merchants and dealers. A variety of financial instruments, including acceptance houses and discount markets, are used to fund various foreign trade.

b. Financing Industrial Expansion

A full-fledged and developed money market helps businesses grow in two ways:

- i. Short-term working capital loans can be arranged through the money market's finance bill, commercial paper, and other comparable systems of products.

- ii. Long-term loans from the capital market have become a need for most businesses. The capital markets, on the other hand, are affected by the nature and characteristics of the money market. Changing capital market long-term interest rates is influenced by changes in short-term rates on the money market. As a result of its link to and effect on the long-term capital market, the money market benefits industries in an indirect way.

c. Investment Purpose

Commercial banks can increase their revenues by investing their surplus funds in profitable companies thanks to the money market. To earn money from their reserves while still maintaining liquidity for meeting the unpredictable cashflow demands of the depositors. Commercial banks' surplus resources are invested in near-money assets (for example, short-term exchange bills), that has extreme liquidity and may be changed into cash with relative ease. As a result, the commercial banks make profits while maintaining liquidity.

d. Bank's Self-sufficiency

Commercial banks benefit from a full-grown money market. During an economic crisis, commercial banks do not require to go to the central bank to get money at an interest rate which is relatively higher. But their needs can be met by taking back the prior short-term money market loans.

e. To help central bank

If there is no matured money market, the central bank would still be able to operate and exert supremacy on the financial domain, but a matured money market makes operations of central banks more efficient and enhances their effectiveness. With the money market's help, there are numerous ways that the central bank can benefit:

- i. Monetary and banking circumstances are indicated by short-term interest rates on money markets, which assists the central bank in developing an effective monetary policy.
- ii. Since the money market is very sensitive and integrated, the central bank is able to exert immediate and extensive impact on the sub-markets and therefore effectively accomplish its policy objectives.

4.5. Money Market Trend of Last Two Fiscal Years

4.5.1. Call Money Rate

BB utilized government debt management and open market operations (OMOs) instruments systematically on a daily basis to meet the government's borrowing needs and to monitor the call money market in order to achieve policy objectives. During FY21, the Bank of Bangladesh's relaxations of monetary policy measures aided banks in maintaining excess liquidity, resulting in a decline in the weighted average interest rate in the call money market, which ranged from 1.67 percent to 4.70 percent in FY21, down from 3.46 percent to 5.14 percent in FY20. Monthly average transaction volume in the interbank call money market also declined by BDT 155.34 billion in FY21, a 13.1 percent fall from the previous year, indicating abundant liquidity in the money market (Fig 4.1).

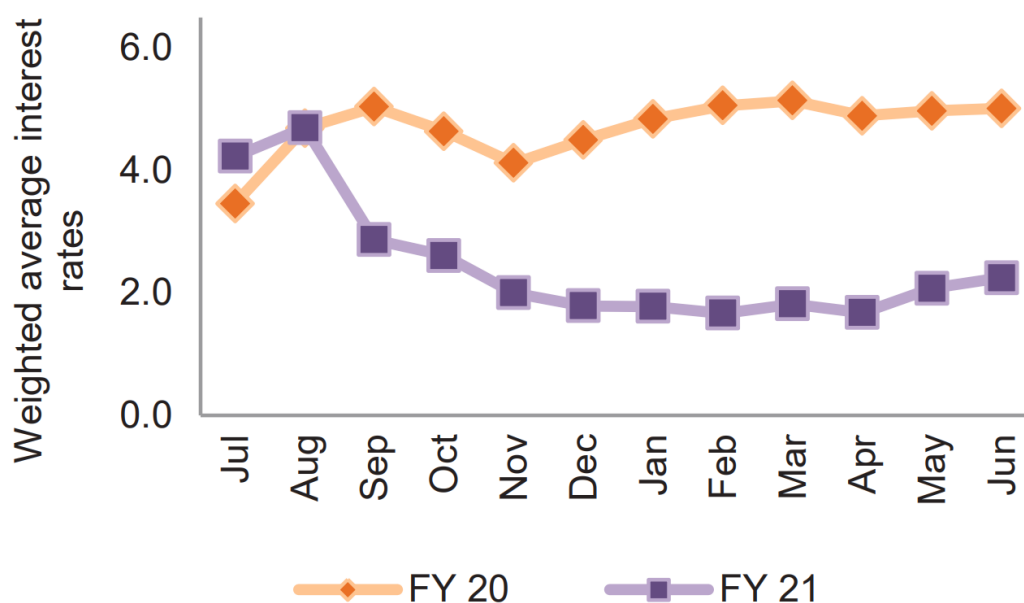


Fig 4.1: Call Money Rates of FY20 & FY21

4.5.2. Repo & Reverse Repo rates

The interbank repo market interest rate jumped to 2.26 percent in December 2021 from 1.49 percent in September 2021, while the call money market interest rate increased to 2.66 percent in December 2021 from 1.9 percent in September 2021. However, weighted average interest rates in the retail market continued to decline through December 2021, owing to an abundance of low-cost refinancing opportunities for priority industries. The weighted average loan and deposit rates declined from 7.24 percent and 4.08 percent, respectively, in September 2021 to 7.18 percent and 3.99 percent, respectively, in December 2021 (Fig 4.2).

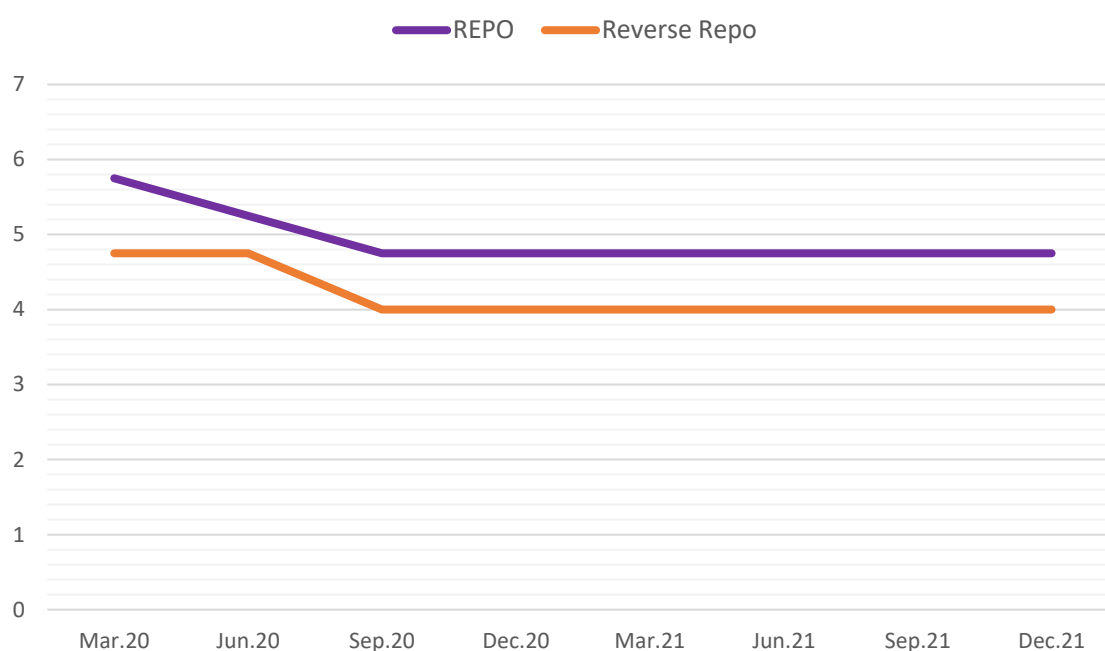


Fig 4.2: Repo/Reverse Repo Rates of FY20 & FY21

Overnight, term, Liquidity Support Facility, and special Repo auctions are typically held by BB to provide banks with liquidity at pre-determined and auction-based rates against collaterals such as the face value of government treasury bills, bonds, and Bangladesh Bank bills. An overall goal of monetary policy was achieved in FY21 by setting interest rates for Repos at 4.75% (overnight Repo), 5.50% (term Repo), and 4.75% (LSF).

4.6. Effect of money market's high liquidity on the stock market

4.6.1. Rising of DSEX Index

The stock market is greatly impacted by the money market rates prevailing in an economy. When the money market rates are lower it means that there is abundant cash fund sitting idle in financial institution's vault. There are various reasons for which sometimes the banks experience excess liquidity. In the scenario of excess liquidity, the banks cannot disburse all the available cash very fast to the loan seekers. As a result, they tend to provide these money in the interbank market at a lower rate. Since the rates are lower because of abundant funds, the financial institutions look for alternative investment places where there will be higher return compared to the interbank market. Stock market is one of the most lucrative places to invest additional funds of the financial institutions to get higher return in shorter time.

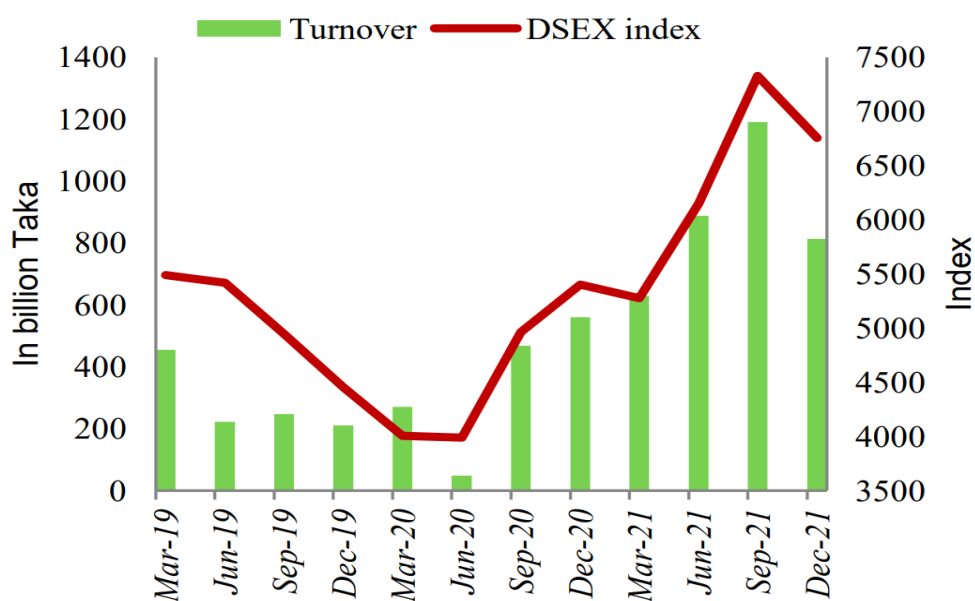


Fig 4.3: DSE Index & Turnover

Having a lower call money rate is an example of excessive availability of funds. When the additional funds were ingested into the stock market, the turnover and index increased significantly (Fig 4.3). The idle money was converted into profitable investment in a very short span of time through this process and banking industry played major role during this incident.

4.6.2. Correlation Analysis between Call money interest rate and stock market index

There is a close relation between the call money interest rate and stock market index. Often times it is noticed in the market that one can significantly influence the other in various situation. In this portion a PEARSON Correlation analysis is conducted in order to prove relationship between these two indicators.

I have used monthly call money interest rate data from July, 2019 to December 2021 along with the history of the DSEX monthly index (Table 4.1). After analyzing the data, the result obtained was pretty moderate. There is a negative correlation between the call money interest rate and stock market index movements.

Table 4.1: Call Money rate and DSEX Index of last 2.5 years

Month	Call Money Rate	DSEX Index	Month	Call Money Rate	DSEX Index
Jul-19	3.46	5139	Oct-20	2.61	4846
Aug-19	4.69	5096	Nov-20	2.00	4866
Sep-19	5.04	4947	Dec-20	1.79	5402
Oct-19	4.64	4683	Jan-21	1.78	5650
Nov-19	4.12	4731	Feb-21	1.67	5404
Dec-19	4.50	4453	Mar-21	1.82	5278
Jan-20	4.84	4470	Apr-21	1.68	5480
Feb-20	5.06	4480	May-21	2.08	5991
Mar-20	5.14	4008	Jun-21	2.25	6150
Apr-20	4.89	4008	Jul-21	2.22	6425
May-20	4.97	4060	Aug-21	1.79	6869
Jun-20	5.01	3989	Sep-21	1.90	7329
Jul-20	4.23	4214	Oct-21	2.25	7001
Aug-20	4.70	4879	Nov-21	3.15	6703
Sep-20	2.87	4963	Dec-21	2.66	6757

Hypothesis of the Correlation Analysis

Call money rate and Stock Market index are inversely related with each other.

Method Used for Correlation

Correlation is determined by measuring Pearson Correlation Coefficient (r). The result will be between -1 to +1. If the result is constructive then the relationship is positive and if the result is obstructive then the relationship is negative i.e., inverse relationship.

Result

After conducting a Pearson Correlation Analysis of the data from table (4.1), the coefficient obtained is $r = -0.7451$ (Fig 4.4).

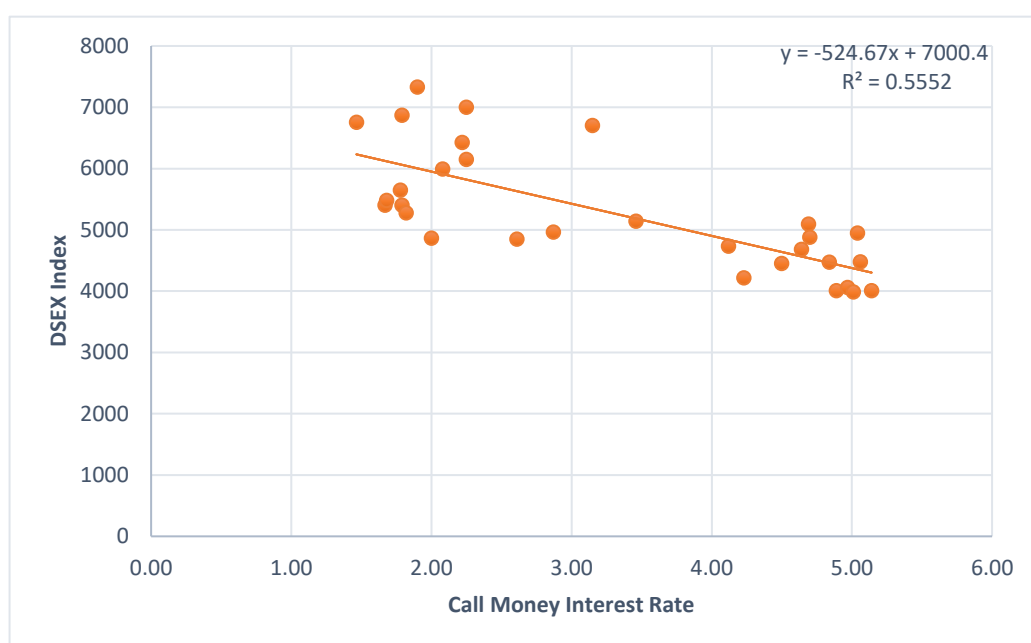


Fig 4.4: Pearson Correlation Result

Interpretation

Since the value of ' r ' is -0.745 which is skewed towards -1, we can say that there is moderately significant negative correlation between call money interest rate and stock market index. That means any increase in call money rate will likely to decrease the stock market index of Dhaka Stock Exchange.

4.7. Reason of recent money market rate fluctuations

4.7.1. Low Credit Growth Rate Due to Pandemic

Increased coronavirus infections and a growing sense of insecurity have severely curtailed the growth of private sector borrowing. In April 2021, credit growth was also slowed by decreased trade finance. The second wave of the Covid-19 epidemic reduced Bangladesh's overall imports by more than 10%, or \$509.03 million, in April. The central bank's latest statistics show that the settlement of letters of credit (LCs), often known as real import, was reduced to \$4.36 billion in April from \$4.86 billion a month earlier. In February 2021, it was \$4.23 billion.

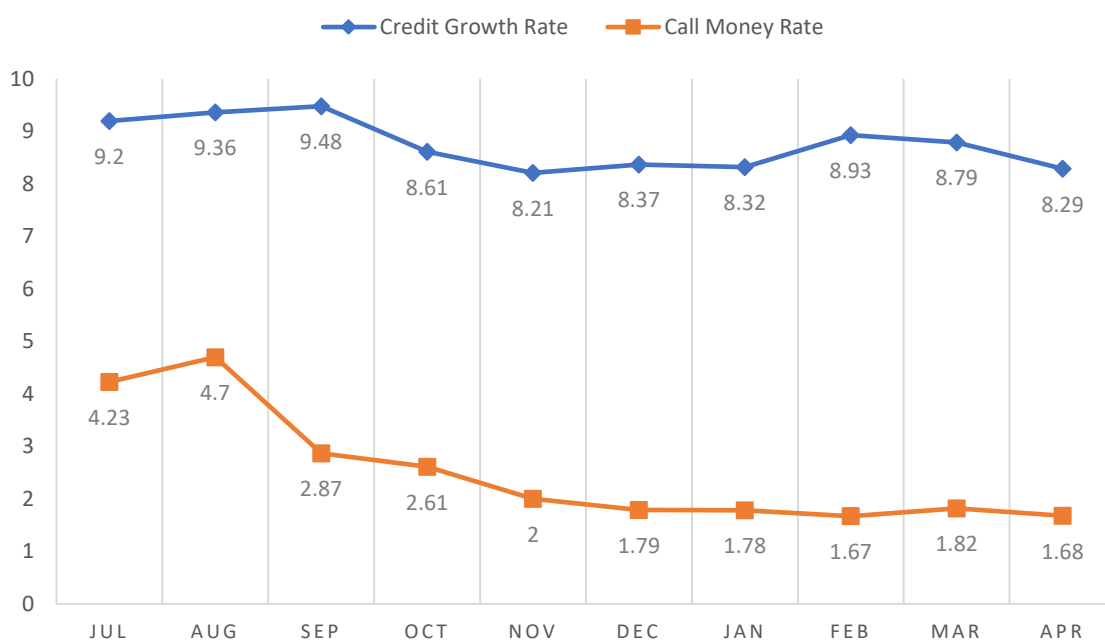


Fig 4.4: Relationship between Credit Growth Rate & Call Money Rate (FY21)

When the credit growth rate of the banking industry fell down due to covid-19, the banks were left with abundant funds which could not be lent to the regular businesses. As a result, these additional funds were circulated in the interbank money market at a lower rate (Fig 4.4). Some of these funds were also ingested into the stock market in order to obtain higher return.

4.7.2. Effect of Stimulus on the Money Market

In order to fight negative impact on businesses due to Covid-19, the government of Bangladesh announced a stimulus package of Tk 1.35 trillion. This huge amount of money was distributed among the commercial banks and these banks worked as formal bodies to disburse the cashes to the SME businesses. But at the very moment when these commercial banks were provided with the stimulus funds from the government, there were not enough borrowers who would immediately borrow these money from the bank. The banks needed few months' times in order to disburse all the cash obtained from the government. But during this time, they did not put their money idle in the vault. Rather they tried to circulate the money in the interbank money market. When there were additional funds that was floating around in the market, the interest rate of the money market reduced significantly. Not only that this huge amount of additional cash was ingested into the stock market in order to gain profit from capital appreciation. When several financial institutions ingested money simultaneously, the index of the major bourses of our country increased rapidly. Some of the commercial banks were also fined the Bangladesh Bank for overplaying in the stock market with cheap funds.

4.7.3. Central Bank's Policy Aid

Bangladesh Bank relaxed various policies in the recent times in order to revive the banking industry. Due to the pandemic the amount of default loan has risen and recovery rate was also low. To solve these problems the central bank has allowed the commercial banks to tweak the financial statements in way that is beneficial for the investment purpose. There was opportunity of writing off bad loans from the accounting books and also reducing provisionary strictness. These policy aids helped the bank to invest their money according to their best interest. Much of the money as a result were moved to the stock market from the money market. In recent times the central bank is also worried about this movement of money since it has been moved to an unproductive sector just to make quick profit. Allowing the banks to do so in the long run can be detrimental which will harm the growth of the industrial sector of the country.

Chapter 5: Description of Main Duties

5.1. Typical Working Days

It is essential to complete an internship as part of our degree since it allows us to gain real-world experience. My internship with IPDC Finance Limited has concluded. I consider myself pretty fortunate to have worked at IPDC Finance Limited's headquarter. In a nutshell, I was offered a position in the Treasury Department. The department is responsible for the fund management of the whole organization. I was hired by the department to assist them with daily activities. Although IPDC Finance Limited's internship program is rigorous, it gives an excellent opportunity for freshers to learn. I received valuable experience throughout my internship and I also assisted with everyday operations by offering hands-on support. Working in the IPDC was such a great experience. Everyone had a very cordial and friendly attitude. Someone who wants to learn new things would be very happy to work in this office. My 3 months internship period went by very quickly while working in IPDC.

People at IPDC Finance work from Sunday to Thursday. A five-day work week is very easy for the people who work there. It also gives employees time off on government holidays. People usually work from 10 am to 6 pm, but this is not always the case. Most of the time, it takes longer to finish all of the tasks with 6 pm. Many times, it took an extra hour to finish the daily tasks. Although the hours were very flexible. Employees could enter the office up to 10.30 am. After starting the office employees usually work in a very calm and polite manner. From 1.00 pm to 3.00 pm all the employees can take their lunch. Each floor in IPDC's head office has dedicated lunch room where all the facilities for taking meal is available. Though the ending hour is around 6.00 pm the employees might need to stay a bit longer if necessary.

As an intern of treasury department, I was assigned with various analytical tasks where my theoretical knowledge was immensely used. From understanding the interest rate significance to the balance of payment, I got a wholistic idea regarding the whole financial system of the economy. I also had to visit to other bank's treasury department during the December's closing time.

5.2. Working Tools used

I was provided with a dedicated laptop from the company. Most of the time I used to work using that laptop. IPDC had a dedicated LAN connection as well as data server. Employees could transfer files and data from that LAN server. Microsoft Office was one of the crucial tools which I had to use in my work place. Most of the data related tasks were done using the analytical tools of Microsoft Excel. My skills of excel was enhanced manifold by working in the organization. Besides PowerPoint & Word were used heavily on a day-to-day basis.

5.3. Work Interaction

Most of my works involved with the transaction of the money market and inter-bank settlements. The whole treasury team were thoroughly involved with this process. There is a necessity of great team work and thus I got the opportunity to use my communication skill to work with every one of the team. The head of treasury used to nurture me a lot. Often times he used make me understand about the stock market and money market factors and its influence on the economy of the country. Other than that, I also got to communicate with different people from other departments as well.

There was an FAGM name Subrata Basak in the treasury department who was second in position after the head of treasury. He used to assign me with various tasks regarding the bureaucratic documentation and rectification of necessary files. Sometimes these tasks required signature from higher authority which I used to get.

There was one Assistant Manager in the department who was mostly assigned for analytical tasks. Since most my tasks were analytical based, this person used to be very close with me and direct me regarding various steps. Other than him there were three more employees in the department with whom I used to have regular interaction. Apart from the treasury department, I had vigorous interaction from the people of other departments as well.

5.4. Major Responsibilities

Monitoring different accounts

The main duty of the treasury department is to maintain and organize all the funds and bank balance of the whole organization. The major task of the department is to keep liquidity of the organization at a certain level so that any cashflow requirement can be met. For this purpose, we had to keep track of various accounts and their available balance at real time. I was the person who was responsible to maintain and update the Short Notice Deposit (SND) account, Overdraft (OD) account, Secured Overdraft (SOD) accounts etc.

Reporting call money, treasury line borrowings

Overnight and short-term borrowing are two of the most important factors that is dealt in the treasury department on a regular basis. This ensures how much standing balance the organization has at any given moment and what are the available open sources in case of necessity. The head of treasury department used to have all these updated information regarding the situation. I was the person who used to give update to the head of treasury regarding the real time borrowing rate and the available limit open at hand.

Speculating money market & stock market movements

Money market is a very volatile place where the rate jumps up and down on a daily basis. The organizations have to take decision predicting the overall economic condition of the country so that they are able to make the maximum profit out of the available funds. I was the person responsible to do analytical works based on various economic indicators which is reflected through the movement of the stock market and money market. Often times there is close relationship between the money and stock market. Banker's all over the country continuously try to predict these relationships and make profit through optimum investment. Since I was very keen and enthusiastic regarding the stock market, the head of treasury assigned me various analytical tasks regarding the movement of the stock market.

5.5. Work Environment

IPDC is more like a gathering place for friendly professionals than a place where employees are expected to use unique methods of getting work done. There is a combination of diverse workforce, which includes people from a variety of different backgrounds, organizations, races, and religions. The core value of the organization is that the strength comes from the diversity of the workforce rather than the commonalities. The most noticing factor of the work culture of the organization is that one can be open regarding their personal problem in the workplace and get solution. This practice is pretty rare in many organizations of our country. Besides the organization is well aware about the employee's mental health and work life balance which results in a more friendly and productive workplace.

5.6. Challenges Faced

As a student this was my first job of my life. So obviously I had a plethora of challenges that I had to overcome. Being a fresher in an organization can be difficult but the warming behavior of all the employees put me in comfort. At the very first day I was completely unaware of the official task completion procedures. I did not know about how the official documentations are done in a typical workplace. Since the treasury department deals with a lot of bureaucratic documents, there were plenty of paper works here and there. I was completely overwhelmed by the number of papers I experienced in my first day. But gradually all my little fears faded away when I started to cope up with the situation. I gradually started to intervene in the analytical tasks of the department. These tasks were not quite easy but they can be very interesting. When I used to work with various data in order to make projections, the initial data building task was boring but the end result used to be enormously good. The prediction that was made from those data projection really used to impress me. One of the biggest challenges for me was to learn Excel. I was not very fluent in using Excel. But since my work used to involve a lot of works with Excel analysis, I had to learn it nicely. Overall, all the challenges that I faced, it made me a better version of myself at the end of the day.

Chapter 6: Conclusions & Recommendations

6.1. Conclusion

I think that the IPDC's model should be used by other businesses that want to be in the finance sector. As long as IPDC Finance Limited is always encouraging new ideas and efficiency, other financial institutions in Bangladesh should be inspired to follow its lead, even though the Bangladeshi economy has put a lot of obstacles in its way.

There are also signs that IPDC has done a good job of making sure it will be around for a long time. Those who own IPDC now are more amazing than those who owned it in the past. IPDC's highest client retention, which has led to a 47% increase in customers, is also proof that things are going better. IPDC Finance's market portfolio is growing every year, so if we look at the number for the current market portfolio, we can see that it is growing. Even during the outbreak of Covid-19, the company grew quickly. Other NBFIs were having trouble staying afloat because they didn't have enough money.

This company, IPDC Finance Limited, has the largest SME financing portfolio in the country, and it has also come up with a unique and exclusive way for retailers to get financing. This is now on its way to great success. It is clear that financial institutions have made a big difference in the growth and progress of this industry. The loan comparison also shows that IPDC does better than most other Non-Banking Financial Institutions when it comes to loan performance. As a result, they should keep up their efforts to keep their position as the country's most important player in SME and retailer financing.

6.2. Findings & Recommendations

IPDC Finance LTD. is a great organization for internships since I had a great learning outcome from them. I couldn't have expected anything better and the things offered by IPDC is almost incomparable. Nonetheless, there are a few other suggestions that I'd like to make:

i. The treasury department of IPDC finance still follows some traditional dated methods for calculations. The daily lending and borrowing of money are not electronically recorded rather manually calculated through excel. I would highly recommend a real time lending and borrowing's up to date information feedback system which will make the decisions more precise.

ii. I had to go through a face-to-face interview. Interns at IPDC, on the other hand, have a reputation for staying at the company after their internships are over. This means they should be pickier about who they choose as interns. In some cases, they might use a written exam to look for people who can do all the work and be ready to start their jobs at IPDC Finance Limited right away after their internship.

iii. IPDC Finance should work very hard to make their files digital. Going through the paper work takes a long time, but digitizing the records will save time and also improve how well the job is done.

iv. IPDC Finance should set up local offices or customer service booths in rural areas in order to reach their goal of helping the poor. This project will help the company become more aware of its brand value in the future.

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