

CREDIT RISK MANAGEMENT IN NON-BANKING FINANCIAL INSTITUTIONS: A CASE STUDY ON BANGLADESH FINANCE LIMITED

Bangladesh Finance Limited

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Bachelor of Business Administration



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Internship/Project Report Approval Form

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INTERNSHIP/PROJECT INFORMATION

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Letter of Transmittal

April, 2025

Md. Kamal Uddin, PhD

Assistant Professor (USB)

University of Liberal Arts Bangladesh

Subject: Submission of Internship Report

Dear Sir,

With due respect, I am pleased to submit my internship report titled “Credit Risk Management in Non-Banking Financial Institutions: A Case Study on Bangladesh Finance Limited” which I have prepared as part of my internship at Bangladesh Finance Limited. Throughout the preparation of this report, I have adhered to the structure and guidelines provided for formal internship report submission. This internship has been a valuable learning experience, allowing me to gain practical insights into the operations of a leading non-banking financial institution. I have learned a great deal from my colleagues and through hands-on involvement in real-world financial activities. Although my initial understanding of the topic was limited, I conducted thorough research and applied my academic knowledge to the best of my ability to prepare this report. Your continuous support, feedback, and patience have been instrumental in completing this work, and I am sincerely grateful for your guidance throughout the process. Lastly, I would like to humbly ask you to accept my internship report for this semester. Thank you for your time and consideration.

Sincerely Yours,

Akash Ali

ID: 212011054

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Lastly, I wish to thank my friends, family members, and well-wishers whose encouragement, assistance, and moral support inspired me throughout this journey.

	Table of Contents	Page No.
PART- A	Chapter 1: Internship Preparation	1
	1.1 Internship Motivation	1
	1.2 What I Planned to Learn from the Internship	2
	1.3 The Internship Search Process	2
	1.4 Internship interview experience	3
	1.5 About Bangladesh Finance Limited	3-5
	Chapter 2: About The Internship	6
	2.1 Description of the Office, Work Environment and Duties and Responsibilities as an Intern	6
	2.2 Specific Things Learned, Skills Employed, New Skills Acquired and Contributions Made to the Company	7
	2.3 Relating Educational Learning with Internship Roles and Responsibilities	7
	Chapter 3: Self-Reflection	9
	3.1 Likes and Dislikes About the Internship Program at Bangladesh Finance Limited	9
	3.2 Discussing How I could do Better and How the Organization Utilize me Better	10
	3.3 Insights for next Position and Recommendations for the Internship Program	10
	Chapter 4: Personal Development Plan	12
	4.1 Brief Personal Development Plan	12
	4.2 Technical and Interpersonal skills Needed to Develop	12
PART- B	Executive summary	13
	Chapter 1: Introduction	14
	1.1 Research Title	14
	1.2 Research Objective	14
	1.3 Research Context	14
	1.4 Research Question	15
	Chapter 2: Literature Review	17-18

Chapter 3: Research Methodology	19
3.1 Type of Research	19
3.2 Research Design	19
3.3 Data Collection & Analysis	20
3.4 Limitations of Study	20
Chapter 4: Findings and Discussion	21
4.1 Examining & Evaluating the Credit Risk Management Method of Bangladesh Finance Limited	21-25
4.2 Measuring the Effectiveness of Credit Risk Management for Bangladesh Finance Limited	26-39
Chapter 5: Recommendation and Conclusion	40
5.1 Recommendation	40-41
5.2 Conclusion	42
References	43
Appendix	44-46

PART - A: Internship Experience

Chapter 1: Internship Preparation

1.1 Internship Motivation

An internship serves as both the conclusion of an academic journey and the beginning of a professional one. It plays a crucial role in shaping personal and career growth, offering firsthand experience in a real-world work environment. For students with little to no prior exposure to professional settings like myself; internships provide a vital opportunity to connect theoretical knowledge with real-world application. The motivations for pursuing an internship vary, but some key reasons include:

- **Gaining Practical Experience**

Internships allow students to apply theoretical knowledge in real-world scenarios, providing hands-on exposure to their field or even an entirely different industry. This experience helps assess how well theoretical learning translates into practice. As someone with no prior work experience, this internship gives me the chance to understand professional environments and develop workplace skills.

- **Building Professional Networks**

Internships provide exposure to experienced professionals who offer guidance and mentorship. Additionally, networking with colleagues and industry experts opens doors to future career opportunities. In today's competitive job market, strong professional connections can be just as important as academic achievements.

- **Exploring Career Paths**

Internships provide a glimpse into full-time roles, helping students evaluate whether a career aligns with their skills and aspirations. As a finance student, I initially expected to work in a finance-focused role. However, I was placed in the Financial Administration Department, where my tasks were more accounting-related than finance-specific. While this was not what I had envisioned, it allowed me to gain valuable exposure to financial operations, develop a broader understanding of corporate finance, and enhance my

adaptability in a professional setting. This experience has helped me appreciate the interconnectedness of finance and accounting, expanding my career prospects beyond my initial expectations.

- **Enhancing Employability**

Work experience significantly strengthens a resume, making a candidate more attractive to potential employers. A fresh graduate with internship experience stands out compared to one with only academic credentials. In my case, working at a Non-Bank Financial Institution has allowed me to develop accounting and MIS skills; valuable assets for my future career.

1.2 What I Planned to Learn from the Internship

Beyond the general motivations for doing an internship, I had a personal goal of identifying and improving my weaknesses to ensure they do not hinder my future career. This learning process could come from my supervisor's guidance, colleagues' insights, or even my own self-reflection.

During my internship, I realized that my proficiency in MS Excel needed improvement. Since my work involved handling financial data and reports, I had the opportunity to enhance my Excel skills through practical application. While I still have much to learn, this experience was a valuable step toward developing a crucial skill for my professional growth.

1.3. The Internship Search Process

The internship search process seemed straightforward applying for positions, attending interviews, and waiting for results. However, in reality, it was more challenging. First, I had to decide on the industry and department I wanted to apply for. As a Finance major, I prioritized finance-related roles but remained open to opportunities in different industries to secure a position in a reputable organization.

Next came the task of crafting my resume. Since I had limited extracurricular activities, I focused on highlighting my skills and eagerness to learn. I actively searched for internships using platforms like LinkedIn and BDjobs.com, while also

visiting company websites for direct applications. Surprisingly, Facebook groups also proved helpful, as many recruiters posted job circulars there.

After weeks of applying, I received interview calls from several organizations. One aptitude test event coincided with my final exams, but I took the test in the morning and my exam in the afternoon, ensuring I didn't miss the opportunity. Although I performed well in some interviews, I wasn't selected, which was discouraging. However, I remained persistent, and eventually, Bangladesh Finance Limited in Dilkusha, Motijheel, called me for an interview. Fortunately, I was offered an internship at their Head Office, which I gratefully accepted.

1.4. Internship Interview Experience

The interview process varied across organizations, with larger companies having multiple stages such as aptitude tests, pre-interview assessments, and multiple interview rounds. After meeting the requirements and passing the tests, I was usually invited for an interview with HR representatives. These interviews, lasting 10 to 15 minutes, covered topics ranging from my academic background to hypothetical problem-solving scenarios. While the initial interviews were nerve-wracking, I gradually became more comfortable with the process.

At Bangladesh Finance Limited, the experience was different. I received an email from an HR representative inviting me to an interview at their Head Office. It was conducted at their Principal Branch, where I faced three representatives. Unlike previous interviews, the questions were relatively straightforward, and they seemed satisfied with my responses.

1.5. About Bangladesh Finance Limited

Previously known as BD Finance, Bangladesh Finance Limited was established as one of the leading Non-Banking Financial Institutions of Bangladesh in 1999. The company operates under the aegis of the Bangladesh Bank and has two wholly-owned subsidiaries: Bangladesh Finance Securities Limited and Bangladesh Finance Capital Limited. It has seven branches, four of them are in Dhaka district and the other three

are in Chittagong, Jashore and In Sylhet. The company is committed to pioneering financial services further for individuals and businesses. Ever since then, Bangladesh Finance has extended its service to support the growth of an economy in a developing country like Bangladesh through structured financial products.



It is proud to be recognized by its world-class standard service in client support as well as the practices internal to the organization in terms of commitments to corporate governance, sustainability, and client centricity in solutions. Today, Bangladesh Finance Limited is holding a strong presence in the financial industry with a diversified portfolio of financial products and services for both retail and corporate clients. Empowered by the digital transformation and sustainable financing, the institution is still on its way to ensuring a more resilient financial ecosystem in Bangladesh. Their Mission Statement is as follows:

- To become the leading and most innovative financial services provider in the country, with a strong focus on delivering value to all stakeholders.
- To expand our financial services to reach a broader segment of the population, contributing to inclusive, sustainable, and high-quality growth.

Core Products/Services of Bangladesh Finance Limited:

- Corporate Financing: Tailored financial solutions for businesses, including project financing, term loans, and working capital financing. 4
- Retail Financing: Various loan products for individuals, such as home loans, auto loans, and personal loans.
- SME Financing: Credit solutions designed to empower Small and Medium Enterprises (SMEs), supporting their growth and sustainability.

- Lease Financing: Vehicle and equipment leasing solutions for businesses and individuals.
- Deposit Schemes: Competitive deposit products like Fixed Deposits (FDR), Monthly Income Schemes, and Double Money Deposits.
- Green Financing: Specialized financing options for sustainable and environmentally friendly business initiatives.
- Islamic Financing: Shariah-compliant financing solutions under the Bangladesh Finance Islamic Wing.

Chapter 2: About the Internship

2.1 Description of the Office, Work Environment and Duties and Responsibilities as an Intern

Bangladesh Finance Limited has a structured and professional work environment that fosters collaboration and learning. The office consists of various departments, including Financial Administration, Internal Control & Compliance, Treasury, General Supply, SAM & Monitoring, Operations, and Legal. These departments work together to ensure smooth financial operations and regulatory compliance. As an intern, I work in the Financial Administration Department, where I assist with various tasks that help maintain financial records and ensure accurate reporting. My key responsibilities include:

- **Bank Reconciliation:** Matching company records with bank statements to ensure accuracy in financial transactions.
- **Reconciliation Summary:** Preparing reports that summarize reconciliations for management review.
- **General Ledger Posting –** Recording each financial transaction into the Core Banking System (CBS) using Bank Ultimatus Software.
- **MIS Data Updates:** Maintaining and updating financial data in MS Excel to assist management in decision-making.
- **VAT & Tax Filing:** Organizing and filing VAT & tax documents after payment processing.

The work environment is friendly, flexible, and supportive. My colleagues and supervisor are always willing to help and guide me whenever I face challenges. This supportive culture has made it easier for me to adapt, learn, and improve my professional skills. The experience has provided me with valuable insights into financial administration and enhanced my technical and analytical abilities.

2.2 Specific Things Learned, Skills Employed, New Skills Acquired and Contributions Made to the Company

During my internship at Bangladesh Finance Limited, I gained a deeper understanding of the financial administration processes and how various departments work together to ensure efficient operations. I learned how to manage bank reconciliations, update MIS data, and handle important financial tasks, which helped improve my understanding of financial management in a professional setting.

Some of the skills I employed include attention to detail when performing bank reconciliations and accuracy in updating financial records. I also had the chance to use Bank Ultimus Software to post transactions into the General Ledger, which gave me hands-on experience with Core Banking Systems (CBS). In terms of new skills acquired, I significantly improved my MS Excel skills, especially in organizing and updating large datasets. I learned how to create detailed reports and summaries for management, which helped me understand the importance of data in decision-making. Additionally, I gained experience in filing VAT and tax documents, learning the practical steps involved in tax compliance.

Throughout my internship, I contributed by ensuring that all financial records were accurate, assisting in the reconciliation process, and helping my team with MIS updates. I also ensured that VAT & tax filings were completed on time. These tasks supported the team's ability to maintain proper records and keep financial operations running smoothly. Overall, my internship allowed me to apply and enhance my academic knowledge while developing important professional skills, which I can carry forward in my career.

2.3 Relating Educational Learning with Internship Roles and Responsibilities

Throughout my internship at Bangladesh Finance Limited, I was able to apply several concepts I had learned during my Finance studies to my daily responsibilities. For instance, the bank reconciliation process I studied in my academic courses was directly related to my work in matching financial records with bank statements. I was able to use my knowledge of accounting principles to ensure that all discrepancies were resolved and that the financial records were accurate.

My understanding of general ledger accounting and financial reporting, learned in my coursework, was useful when I posted transactions into the Core Banking System (CBS) using Bank Ultimus Software. These tasks allowed me to see how important it is to maintain accurate records and how they feed into broader financial reports and statements. Additionally, my studies in Business Communication were highly relevant when preparing reports, updating MIS data, and communicating with colleagues. The ability to clearly present information and interact professionally with supervisors and team members was crucial in making sure that the financial data was well understood and used effectively.

Overall, my internship allowed me to bridge the gap between theoretical knowledge and practical application. It provided me with a deeper understanding of how finance functions in a professional environment and enhanced my communication and technical skills.

Chapter 3: Self Reflection

3.1 Likes and Dislikes About the Internship Program at Bangladesh Finance Limited

During my internship at Bangladesh Finance Limited, I had a mostly positive experience, but like any program, there were aspects I liked and others I felt could be improved.

Likes:

One of the best parts of the internship was the supportive work environment. My colleagues and supervisor were always willing to offer guidance and help me with tasks whenever I had questions. This made it easier for me to adapt and learn new skills. The work was also diverse and engaging, with tasks like bank reconciliation, posting transactions, and updating financial reports that kept me challenged and allowed me to apply what I had learned in my studies.

Additionally, the opportunity to work in the Financial Administration Department gave me hands-on experience with financial systems and tools like Bank Ultimus Software and MS Excel, which will be valuable in my future career. I also appreciated the flexibility of the work environment, which allowed me to learn at my own pace while receiving constructive feedback.

Dislikes:

On the downside, some of the tasks were repetitive, such as updating MIS data or posting transactions into the system, which at times felt a bit monotonous. While these tasks were important for the company's financial operations, I wished there had been more opportunities for cross-departmental exposure or tasks that would allow me to gain insights into other areas like internal control or treasury.

Another minor issue was the lack of structured training in certain areas. While I received support from my team, there could have been more formal training sessions to help me understand the software and financial processes better from the start.

Overall, I am grateful for the experience, as it helped me grow both professionally and personally, but I also see areas where future interns could have a more diverse and structured learning experience.

3.2 Discussing How I could do Better and How the Organization Utilize me Better

One area where I could improve is in time management. Sometimes, I found myself taking longer than expected to complete tasks like bank reconciliations and updating reports. To improve, I plan to work on prioritizing tasks and improving my efficiency, so I can deliver higher-quality work within the given timeframe. I also believe I could have asked more questions during the early stages of my internship to ensure a better understanding of the software and processes, allowing me to work more independently.

While my tasks were relevant to the financial field, I feel there were opportunities for the organization to better utilize my skills and interests. For example, I could have been involved in projects related to data analysis or financial forecasting, which would have allowed me to apply my analytical skills and gain more insight into strategic decision-making. Additionally, I would have appreciated a chance to work in other departments like Internal Control or Treasury, as this would have broadened my understanding of the company's overall operations and financial processes.

3.3 Insights for next Position and Recommendations for the Internship Program

The internship program has been an invaluable learning experience, providing me with important insights into both the professional world and myself. Moving forward, I hope to gain more experience by working in different organizations within the finance sector. I am determined to continue expanding my knowledge in finance so I can contribute meaningfully in the field.

For the organization, I have a few suggestions that could improve the internship experience. First, I recommend giving interns the opportunity to work across various departments when there is not much work in their assigned role. This would allow

them to learn more and stay engaged while contributing productively. Additionally, while I understand that certain verification procedures are necessary, allowing interns limited access to internal servers could help them complete their tasks independently, without constantly interrupting busy supervisors.

Chapter 4: Personal Development Plan

4.1 Brief Personal Development Plan

A personal development plan is like a roadmap for your future goals and career path. It's important to have a clear plan to guide your next steps and take advantage of the opportunities that come your way. This internship gave me valuable experience and allowed me to see what working in a professional environment is like. However, I know this is just the beginning, and there is much more to learn.

My goal is to continue pursuing roles in the finance department in the future, as that aligns with my degree and my passion for finance. I want to further develop my knowledge in this field to be able to contribute meaningfully and grow professionally. Hence, I will join CMA and study further to achieve this professional certification.

Through this internship, I've also gained insights into my own strengths and areas for improvement. One key area I realized I need to work on is communication skills. Initially, I thought good communication meant speaking clearly and fluently, but I've learned that true communication is about conveying a message effectively. I've noticed that I need to work on

4.2 Technical and Interpersonal skills Needed to Develop

As I move forward in my career, one key technical skill I need to improve is my MS Excel proficiency. While I am familiar with basic functions, I know that mastering advanced Excel like Dashboard preparation, complex formulas, and data analysis features will greatly improve my efficiency in handling data and reports. Additionally, I want to learn more about financial software and data management systems that are commonly used in the industry. This will allow me to adapt more quickly to various financial environments and handle complex tasks with ease. On the interpersonal side, I need to focus on improving my communication skills. Being able to clearly and effectively communicate with colleagues, clients, and supervisors is crucial in a professional setting. I plan to work on active listening, clarifying my ideas, and becoming more confident in public speaking.

PART- B: Research

Executive Summary

Credit Risk Management system is vitally important in Non-Banking Financial Institutions (NBFIs), as it seriously affects financial stability, day-to-day activities, and long-term survival. The study highlights some important performance indicators, like the Capital Adequacy Ratio (CAR) along with Non-Performing Loan (NPL) Ratio that can be applied to assess the efficacy of credit risk management (CRM) systems. By analyzing these, the report will show why it is necessary for NBFIs to have strong and reliable credit risk management practices for future growth and sustainability. The report further seeks to give a generalized idea about credit risk management. It will study the formulation of risk management strategies with respect to the rules and policies surrounding credit risk management, credit rating scales, and establishing risk-taking limits (risk appetite). The report primarily uses annual reports of Bangladesh Finance Limited (BFL) as the main source of data, to analyze credit risk management practices, policies, and key performance indicators so as to measure their performance and effectiveness.

Chapter 1: Introduction

1.1 Research Title

Credit Risk Management in Non-Banking Financial Institutions: A Case Study on Bangladesh Finance Limited

1.2 Research Objective

This study's objective is to analyze and assess the credit risk assessment process to gain insight into how it operates within an organization. It will also evaluate the effectiveness of credit risk strategies by using various indicators and data tools. This will help identify the advantages of having a robust credit risk management system in non-banking financial institutions while highlighting any areas for improvement.

1.3 Research Context

The research topic mainly provides an overview of the NBFI sector, where most people often think that profitability, financial stability, and long-term survival are the main concerns. However, what many overlook is that Non-Banking Financial Institutions take on a lot of risks every day by lending to businesses and individuals. If these risks are not properly managed, it can lead to major financial losses. That is why credit risk management should be a top priority. Even if an NBFI is earning profits, taking on too much risk without proper precautions can create serious problems in the future. Credit risk refers to the situation when a borrower fails to repay their loan. This is one of the biggest risks faced by NBFIs, especially as they deal with many clients regularly. A major example that shows the importance of credit risk management is the 2008 Financial Crisis. During that time, many financial institutions provided loans to borrowers without properly checking if they could repay. When the borrowers started defaulting, it created a big disaster in the global economy. Proper credit risk assessment could have prevented that situation.

In Bangladesh, NBFIs have emerged as crucial intermediaries for the country's financial growth, connecting markets of individuals, businesses, and the government by mobilizing funds and facilitating investments. Regulations for these institutions in Bangladesh are provided by the Bangladesh Bank. While not all institutions might be equipped with the necessary resources to fully comply with current rules and international standards, they consistently adhere to standard regulations, operating customized strategies for identifying and mitigating credit risk.

The immense need for investments in Bangladesh, stemming from its status as a developing country, has naturally increased the demand for such services, providing the sector with enhanced potential for growth. In theory, this seems beneficial, but real-world practice reveals emerging challenges in decision-making regarding to whom to lend, susceptibility to uncertainties generated by the political environment, and a deficiency in detailed, accurate information about potential borrowers. This makes the management of credit risks more difficult within this context and completely disregards the effects brought about by global incidents including the COVID-19 pandemic, which has led to new, insurmountable challenges impacting the financial institutions of the world.

1.4 Research Question

The Non-Banking Financial Institutions (NBFI) sector in Bangladesh remains one of the most challenging to govern due to the high amount of risk it encounters on a daily basis. Despite the fact that numerous credit risk control policies and processes are in place, NBFIs continue to confront significant hurdles when dealing with credit risk. Some of the major issues are a high proportion of non-performing loans (NPLs), low credit-to-deposit ratios and others. These concerns are directly tied to other challenges, such as a lack of accurate information regarding borrowers and the country's unpredictable economic status. These several aspects are interconnected and influence each other.

This study aims to determine how effectively present credit risk management measures are functioning in Bangladesh Finance Limited (BFL). By doing so, it will assist to highlight the benefits of having effective risk control procedures, as well as

areas where adjustments or upgrades can help improve the overall performance of Bangladesh's NBFIs.

Therefore, the research questions are: How effective are Bangladesh's non-bank financial institutions' credit risk management strategies and other risk-reduction measures? What improvements may be taken to strengthen their financial stability and long-term growth, particularly in light of changing economic conditions and technological advancements?

Chapter 2: Literature Review

Credit risk management has assumed increasing importance in NBFIs (Non-Bank Financial Institution) operations and sustenance, especially in developing economies of the type of Bangladesh. NBFIs and credit risk issues are perhaps more closely entwined with each other than their banking counterparts because of the very nature of restrictions that hinder their operations: regulatory limitations, reduced access to deposits, and dependence on market-based funding. The following studies discuss various aspects of credit risk management, which will help me better understand the scope of this issue and offer additional perspectives on how researchers have attempted to address challenges present in credit risk.

The effectiveness of credit risk management is more than an issue of principle for the Non-Bank Financial Institutions of Bangladesh. According to Rifat (2017), high volumes of non-performing loans (NPLs) are often found in NBFIs because of inadequate credit assessment procedures and poor monitoring systems. The distance between risk identification and mitigation justifies the necessity for risk models improvement and regulatory alignment. Further, the study focused on showing that firm-specific factors, including loan growth and asset quality, tend to significantly affect the NPL ratios among the NBFIs emphasizing the importance of strong internal credit risk management practices.

Also, As Zaman (2022) reports, ineffective loan recovery measures and improper financial administration are adding mistrust in NBFIs. The demise of institutions such as People's Leasing due to internal fraud results from inadequate monitoring and poor internal governance, resulting in the erosion of credibility across these institutions. He also said that many of them are grappling with challenges because they lack efficient risk containment systems and do not appropriately adopt technology to enhance sustainable credit risk management.

Ofoeda (2016) additionally studied how the NBFIs that suffer high credit risk find that their cost of financing is then raised, and their profit becomes reduced. Capital adequacy and strong asset composition were found to positively influence NBFI performance, thus suggesting that proper credit risk control and strong capital

management are important to keeping financial stability and fulfilling a long-term vision of success.

An extensive length of time is taken by a loan after NBFIs have followed through with the pre-approval processes that would eventually lead to the granting of a loan. That is the process and it is tedious but indeed essential. The creditworthiness of a given client was mostly predicated on personal relationship factors with the NBFI, and generally informal factors. Decisions were taken based on manual checks and expert opinions on the matter. But because of the recent technological advancements, a more objective and scientific way using data and analytics such as customer history may be warranted (Xin et al., 2024). It is in this regard that in the study, credit risk management, if applied in a more data-driven way, can be made efficient. In support of this, Scott et al. (2024) infer that traditional scoring models are no longer sufficient as they recommend the real-time monitoring of risks with scenario simulations and machine-learning tooling for the enhancement of credit risk management in NBFIs.

Siddique et al. (2021) studied how credit risk management affects financial institutions in South Asian nations. To measure effectiveness, they used multiple key performance indicators such as Non-Performing Loans (NPL), Return on Equity (ROE), Capital Adequacy Ratio (CAR) and Return on Assets (ROA). The results show that NPL has a significant effect on the financial performance of NBFIs. If NPLs become too large, it has potential adverse effects on the long-term economic strength of the institution and lowers sustainability chances. Thus, credit risk management becomes very important for the long-term financial well-being of the NBFIs. However, it is also imperative that other NBFIs' terms be included for measuring efficiency in credit risk practices properly.

Chapter 3: Research Methodology

3.1 Type of Research

This research aims to set clear and well-defined objectives in an organized way. Considering the complexity of credit risk management in NBFIs, a descriptive research method is most suitable. This approach allows us to examine the current practices, challenges, and systems used in managing credit risk. To evaluate these areas, several key performance indicators (KPIs) will be used, such as the rate of Non-Performing Loans (NPLs), different financial ratios to measure the performance of NBFIs, regulatory compliance, and performance trends over a specific time period. Since the topic covers a wide range of issues, descriptive research will help provide a detailed understanding and also serve as a useful base for future studies particularly focusing on Bangladesh Finance Limited.

3.2 Research Design

At first, I planned to use only a quantitative research design concerning this study, but after reviewing the annual reports of Bangladesh Finance Limited, I shifted to a mixed-method approach. Most of the information will be numerical, but through the reports, I also got quite a few qualitative data that would provide a deeper context concerning certain decisions made by the NBFI. This methodology of mixed approach suits this type of research based on financial data as well as key performance indicators evaluation for measuring performance and credit risk management of NBFIs. Following study relies on secondary data; hence, it uses reliable, verified information which already exists. Collecting primary data would be quite a tedious task because of reasons like small sample sizes and novice tendencies among the respondents.

3.3 Data Collection & Analysis

This research entirely depends on secondary data analysis. I'm going to be using the annual reports and financial statements of Bangladesh Finance Limited (BFL). The study would address the various key performance indicators and credit risk management strategies within the trends of using such practices and their resulting performance efficiency of the NBFIs. This would give a clearer view of how Bangladesh Finance Limited manages credit risk and how well such management brings about effective outcomes. Furthermore, I have also decided to include literature reviews, which will enable me to touch upon all the various research studies that are related to this topic or contain segments relevant to my work. The literature review adds more depth and strength to the study and helps build a strong foundation by giving proper context. It will also help in identifying and pointing out the existing weaknesses in credit risk management practices.

3.4 Limitations of Study

Due to the nature and scope of this research, there are some limitations that may prevent it from being fully detailed or deeply explored.

1. **Lack of In-Depth Knowledge:** As I am still a student and learning about this subject, my understanding is limited. Although I tried my best to gather and study useful information during the internship, my knowledge is still growing. What I have learned so far is what I have presented in this research.
2. **Limited Time Range of Data:** The study mostly relies on secondary data collected from the annual reports of Bangladesh Finance Limited, covering the years 2019 to 2023. This short time frame may not fully represent long-term trends and could affect the accuracy of the findings. Results may vary if a wider time range is considered.
3. **Short Time Period:** Since the internship lasts only three months, it is difficult to carry out an in-depth study. A topic like credit risk management in NBFIs requires more time and effort than what was available, which limits the overall depth of the research.

Chapter 4: Findings and Discussion

4.1 Examining & Evaluating the Credit Risk Management Method of Bangladesh Finance Limited

For this study, I have chosen to depend on secondary data sources, which means largely the annual reports of Bangladesh Finance Limited. These reports provide a comprehensive and organized view of the company's financial situation, operational performance, and overall strategies for the year. Being a Non-Banking Financial Institution (NBFI), Bangladesh Finance Limited discusses its achievements, constraints, and perspectives across the board. Most importantly, the annual report covers crucial aspects of the credit risk management framework like the loan portfolio's quality, internal systems, key strategic plans, and risk policies in line with regulatory guidance. The narration is lucid and very much easy to follow, providing insight into the present credit risk status of the institution.

The annual reports are prepared following proper auditing standards and regulatory requirements, which makes the information trustworthy and valuable for this kind of analysis. They also help us observe how Bangladesh Finance Limited has responded to various financial challenges, including fluctuations in asset quality or increased loan defaults, and what measures have been taken to manage such credit risks effectively.

For this reason, I have decided to examine the credit risk management approach of Bangladesh Finance Limited based on the explanations given in their annual report. This will include their methods of risk identification, approval process, loan monitoring, and the overall structure they follow to handle credit-related matters. While I may not be able to mention every internal policy or technical detail, I will aim to give a proper and clear overview that reflects their actual practices and strategies for managing credit risk.

Findings

From the annual reports of Bangladesh Finance Limited, I was able to gather a lot of useful information, including several important financial ratios that I will explain later in this report. However, before going into the numerical analysis, I would like to point out some specific parts of the report that drew my attention. I believe these sections give a clear understanding of how this NBFIs manages and responds to credit risk. These explanations are very helpful in forming an overall idea about their credit risk management system and allow us to make informed evaluations on the topic.

The following information has been collected from the annual report of Bangladesh Finance Limited, which explains the main actions they take to manage credit risk:

Bangladesh Finance Limited handles credit risk by following a structured framework that includes different important parts of their risk management process. This framework is designed according to the rules and instructions provided by Bangladesh Bank. The main areas of their approach are mentioned below:

- Risk Culture and Governance
- Risk Identification and Assessment
- Risk Mitigation
- Risk Monitoring and Reporting
- Compliance
- Continuous Improvement

These procedures are then segregated between executives who are deemed fit to take on the responsibility within the credit risk division of the bank into three units which are shown below:

- Credit Risk Management Team (Evaluation & Policy)
- Credit Administration Team (Compliance)
- Special Assets Management (SAM) & Collection Team

The following below is taken from the annual report, highlighting the Application to Risk Appetite Limits / Risk Mitigation Methodology at Bangladesh Finance Limited:

- **Setting Risk Appetite and Exposure Limits:**
Risk appetite is set considering sectoral exposure, geographical distribution, borrower type, and Bangladesh Bank regulations. This includes regular review of top borrower exposure, sector-wise and product-wise lending limits, and portfolio distribution to avoid over-concentration.
- **Credit Approval and Risk Evaluation:**
A multi-layered credit approval system is followed based on loan size and risk level. Borrower risk is assessed through Credit Risk Grading (CRG) and CIB reports. Policies, manuals, and due diligence procedures are designed as per regulatory guidelines to ensure credit quality.
- **Monitoring and Early Warning System:**
Ongoing monitoring of loan performance is done through product-wise NPA tracking to reduce NPL ratios, security coverage ratios, and credit rating analysis. Early Warning Systems (EWS) are in place to detect accounts showing financial distress for timely action.
- **Recovery and Risk Mitigation:**
The Special Assets Management (SAM) & Collection Team handles overdue and stressed accounts using tailored recovery strategies, including legal actions when needed. Adequate collateral coverage and legal vetting are ensured to minimize credit losses.
- **Governance and Stress Testing:**
Risk oversight is managed by the Credit Committee and Board subcommittees. Regular stress testing and scenario analysis are conducted to assess resilience under adverse economic conditions and maintain risk-adjusted capital buffers.

The following outcome below are in regards to their credit risk management measures taken in response to their overall performance in 2022 and the impact it had on 2023:

In 2022, the Non-Performing Loan (NPL) ratio of Bangladesh Finance Limited stood at 5.56% which shot up nearly to 11.20% in 2023 (Figure 4.2.1) under pressures of the macroeconomy, such as inflation, liquidity tightening, and constraints on interest rates. The sharp deterioration in asset quality compelled the company to adopt several credit risk management measures to curb and mitigate any further risks. This included enhancement of an Early Warning System (EWS) to identify developing problem accounts, strengthening of recovery efforts using its Special Asset Management and Collection Team, and instituting stronger loan approval controls against potentially higher-risk borrowers. Bangladesh Finance Limited also enhanced its provisioning policy by raising the Provision and Interest Suspense Coverage Ratio from 147.59% in 2022 to 154.23% in 2023, reflecting more caution. The company conducted an in-depth analysis of sectoral credit concentration and stress, which was aimed at monitoring its exposures level. Although these measures could not immediately reduce the NPL ratio, they helped the institution remain well below the NBFIs industry average of nearly 30%. While the financial outcome included a net loss of BDT 1,060 million in 2023, these strategic actions laid the groundwork for stronger credit discipline and long-term portfolio stability.

Discussion

From the annual reports of Bangladesh Finance Limited (BFL), we gain a detailed understanding of how the institution manages credit risk. The data shows that BFL has a structured credit risk management approach which includes risk identification, monitoring, and recovery. Different units work on different stages of the credit process. Before sanctioning a loan, the borrower's financial background is reviewed thoroughly, and decisions are taken based on internal credit ratings that follow Bangladesh Bank guidelines. Their monitoring team plays an active role in supervising loan performance and identifying early warning signals for possible defaults.

It is also clear from the annual reports that BFL puts strong focus on regulatory compliance and credit assessment. However, in spite of having this system in place, BFL's Non-Performing Loan (NPL) ratio increased sharply from 5.56% in 2022 to 11.20% in 2023 (figure 1.1), which indicates that their current system was not fully effective in preventing loan defaults. At the same time, their Capital Adequacy Ratio (CAR) dropped from 17.75% to 10.68% (figure 1.2), moving close to the minimum required level, which shows that the institution is under financial pressure.

Although they have a risk management structure, the effectiveness of the system must improve. BFL is implementing changes by putting in place technology such as data analytics and machine learning to enhance credit risk assessment. Another key factor is the rising Loan Loss Provision Ratio, which sharply increased in 2023 to 7.10% (figure 1.1). This indicates that BFL has grown more conservative with respect to predicted loan defaults and has allocated a larger provision for future risk coverage. Presently, the indicators portray BFL under pressure, and on the positive note, it has been considering measures to mitigate the situation. If those measures continue, BFL may see lower NPLs and improved credit portfolios in the coming years.

The most important point is that, even with a planned credit risk management system, BFL now needs to take stronger steps to improve asset quality, loan recovery, and overall operational efficiency to ensure better financial performance in the upcoming years.

4.2 Measuring the Effectiveness of Credit Risk Management for Bangladesh Finance Limited

Findings

The annual reports provide key financial ratios which I have used to evaluate whether Bangladesh Finance Limited's credit risk management strategies are effective or not. I have analyzed data from the years 2019 to 2023, as I believe this period offers enough information to make a proper assessment. The ratios mentioned in the report, along with some I have calculated, reflect important areas like credit risk, financial stability and performance of the NBF. For better understanding, I have arranged them into categories.

Table 4.2.1: Credit Risk Management

	2019	2020	2021	2022	2023
Non-Performing Loans Ratio	4.84%	3.22%	2.54%	5.56%	11.20%
Provision Coverage Ratio	61.17%	103.22%	196.16%	88.98%	107.48%
Loan Loss Provision Ratio	-0.55%	0.26%	2.36%	1.49%	7.10%

Table 4.2.2: Capital Adequacy & Risk Management

	2019	2020	2021	2022	2023
Capital Adequacy Ratio	15.53%	16.57%	18.26%	17.75%	10.68%
RWA to Total Assets	106.41%	107.31%	105.66%	107.81%	107.26%

Table 4.2.3: Profitability

	2019	2020	2021	2022	2023
Return on Equity	8.72%	8.37%	9.34%	6.45%	-42.80%
Return on Assets	1.34%	1.41%	1.64%	1.13%	-5.98%
Net Profit Margin	11.23%	13.61%	17.92%	14.06%	-97.64%

Table 4.2.4: Liquidity & Efficiency

	2019	2020	2021	2022	2023
Loan to Deposit Ratio	148.73%	149.06%	139.71%	138.91%	155.58%
Cost to Income Ratio	38.57%	32.89%	27.41%	48.31%	152.18%

Table 4.2.5: Credit Rating

	2019	2020	2021	2022	2023
Short Term	ST-2	ST-2	ST-2	ST-1	ST-1
Long Term	A+	AA-	AA-	AA	AA

Discussion

Bangladesh Finance Limited's financial ratios show that their control over non-performing loans (NPLs) was relatively stable in earlier years, but the situation changed in recent times. From 2022 to 2023, there was a significant rise in the NPL ratio, which indicates a decline in asset quality and challenges in their credit risk control. This shift points out that while their credit risk framework is well structured, it was not fully effective in practice during this period. The rise in other risk-related ratios also suggests that more effort is needed in risk monitoring and loan recovery. However, it is also important to observe how the institution responds to these issues in the coming years. **To understand this situation better, the author explains each of the key financial ratios and how they reflect the effectiveness of Bangladesh Finance Limited's credit risk management.**

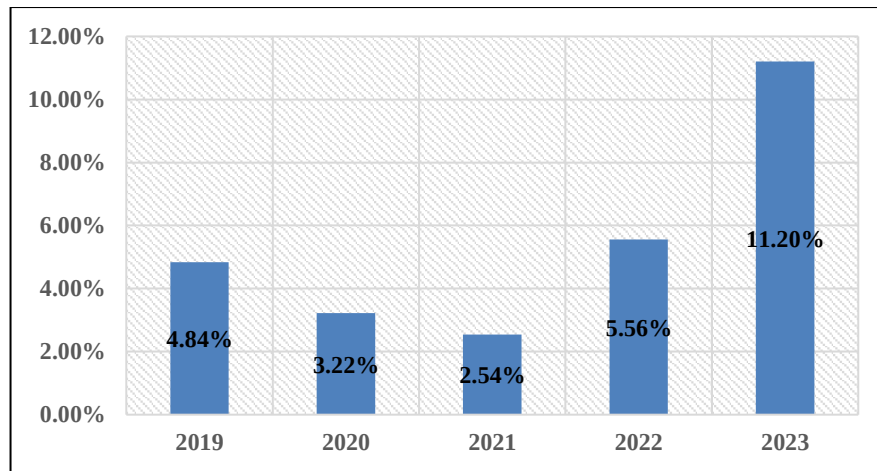


Figure 4.2.1: Non-Performing Loans Ratio

Non-Performing Loans (NPL) Ratio:

As per figure 4.2.1, we can see that Bangladesh Finance Limited managed to keep its NPL ratio relatively low from 2019 to 2022, staying below 5% for most of the years. This shows that their credit risk management was quite effective during that period. However, in 2023, there was a sudden and large increase in the NPL ratio, rising to 11.20%, which is the highest in the five-year range. This sharp jump suggests that a large number of borrowers failed to repay their loans, and the credit risk control strategies used in 2023 were not successful in preventing these defaults.

The NPL ratio is one of the most important indicators to measure how well a Non-Banking Financial Institution is handling credit risk. A rise of this scale clearly points to weaknesses in loan assessment, monitoring, or recovery processes. BFL has not yet shown recovery in this ratio. This means that actions must be taken immediately to improve loan quality and strengthen the recovery process. Though their risk framework exists, its implementation must be reviewed and updated to better deal with default risks in the future. There is still a lot of room for improvement in this area, and steps should be taken to bring the NPL ratio closer to acceptable levels.

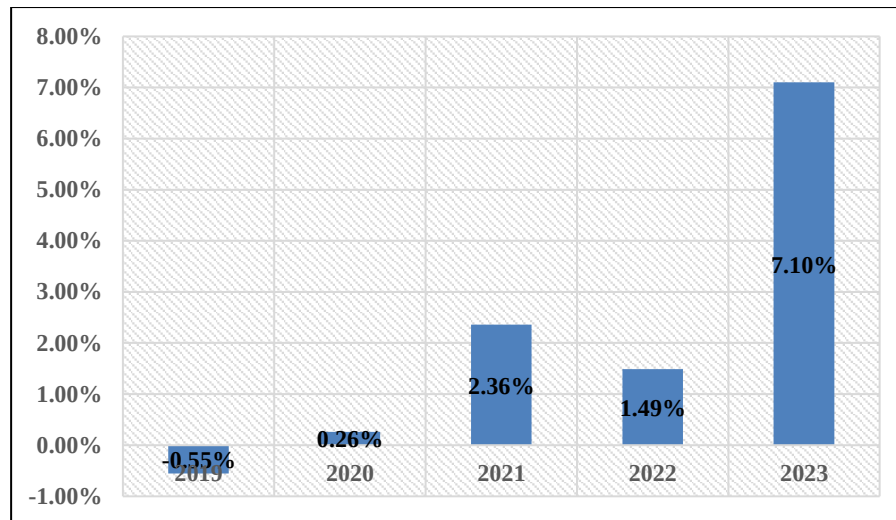


Figure 4.2.2: Loan Loss Provision Ratio

Loan Loss Provision Ratio:

The Loan Loss Provision (LLP) ratio (figure 4.2.2) helps us understand how much provision an NBFIs keep aside to deal with future loan losses. For Bangladesh Finance Limited, we can see an inconsistent trend from 2019 to 2023. In 2019, the LLP ratio was actually negative (-0.55%), which suggests that the company either released earlier provisions or reversed excess provisioning. This could be a sign of overconfidence or poor forecasting of credit risk. In 2020, the LLP ratio increased slightly to 0.26%, still very low, and then rose significantly to 2.36% in 2021, showing that the company started taking a more cautious approach. However, the ratio again dropped in 2022 to 1.49%, even though the credit risk situation was not improving much. This dip could suggest that the company underestimated the rising credit risk or tried to show stronger financial performance by keeping provision low. But in 2023, we see a major shift in the LLP ratio rose sharply to 7.10%. This large increase reflects a serious deterioration in loan quality, especially since the NPL ratio also spiked to 11.20% the same year. It shows that BFL had to react strongly to the worsening loan recovery situation. This high provisioning may help the institution cover possible losses, but it also impacts profitability. The trend overall shows that BFL had delays in responding to credit risk signals and is now trying to catch up by setting aside more reserves. While this is a step in the right direction, more consistent risk forecasting and monitoring is needed to avoid such sudden financial pressure in the future.

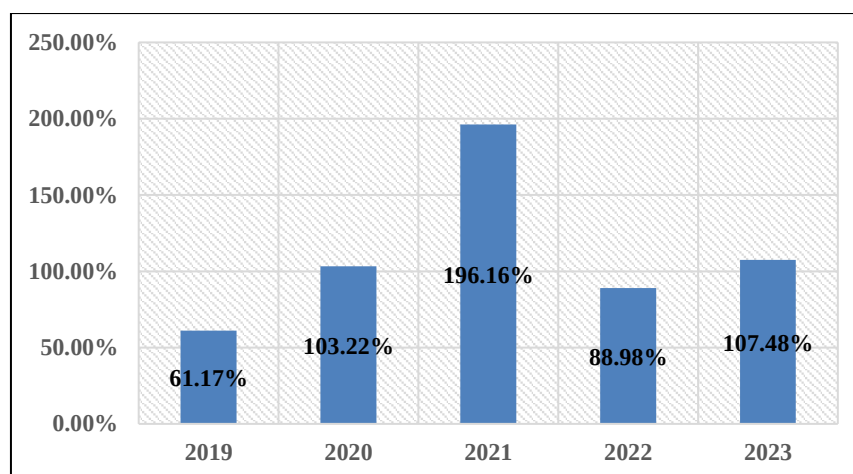


Figure 4.2.3: Provision Coverage Ratio

Provision Coverage Ratio:

The Provision Coverage Ratio (PCR) indicates the extent to which provisions are maintained against non-performing loans (NPLs), with a higher PCR providing better possible loss coverage. For Bangladesh Finance Limited, coverage ratio data shows that the institution has experienced a strong PCR over the last five years, with some fluctuations. In 2019, it stood at 61.17% (figure 4.2.3), a respectable level of coverage. In the next couple of years, BFL went more conservative; by the year 2020, the ratio stood at 103.22% and reached its peak in 2021 with 196.16% coverage, almost doubling its provisions against the total NPLs. This gives a clear indication that the institution at that time was very conservative in its operations and considered credit risk very seriously. However, the year 2022 showed a significant decline in the ratio, which fell to 88.98%. This decline can be attributed to the lower Loan Loss Provision Ratio that was adopted during that year; therefore, while credit risk was on the radar, BFL may have been slightly lenient with its provisioning. However, in 2023, we saw the ratio rise again to 107.48%, indicating a shift back towards the institution's restoration of risk awareness and conservativeness, possibly prompted by a rising NPL ratio and a desire for loan default protection. So overall, despite the grievous dip in 2022, the recovery back to being strong in 2023 shows how serious BFL is about taking steps to manage credit risk prudently so as not to have any gaps in the future in provision coverage.

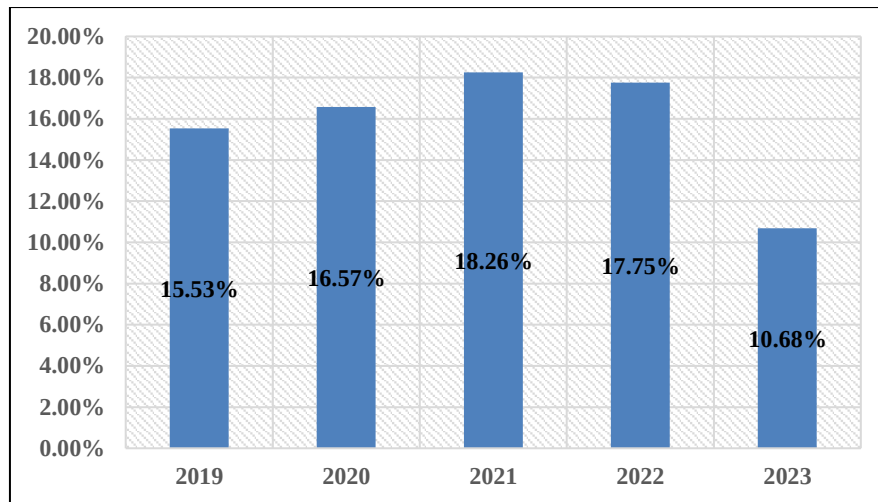


Figure 4.2.4: Capital Adequacy Ratio

Capital Adequacy Ratio (CAR):

The Capital Adequacy Ratio (CAR) shows (figure 4.2.4) the financial strength of a Non-Banking Financial Institution by measuring how much capital it has to cover potential losses. The higher the CAR, the better the institution is placed to absorb risks and continue conducting its business operations in tough times. For Bangladesh Finance Limited, CAR continued to follow the positive trend from 2019 to 2022. It was 15.53% in the year 2019, and it continued to rise until reaching an all-time high of 18.26% in the year 2021. In 2022, there was a minor drop to 17.75%. However, CAR for those years stood at quite a strong level in excess of the regulatory minimum prescribed by the Bangladesh Bank. The trend, however, took a change in the year 2023 when CAR plunged to 10.68%, which is just above the minimum requirement. This abnormal drop is indicative of the fact that BFL is currently going through a financially stressful time, probably due to higher risk-weighted assets or low retained earnings due to steadily rising non-performing loans. The sharp downturn raises alarms about the institution's ability to absorb losses in the future. While the previous years showed financial strength, the trend in 2023 clearly signals the need for better capital planning and improved asset quality. If this issue is not addressed soon, BFL could face challenges in maintaining its financial stability in the coming years.

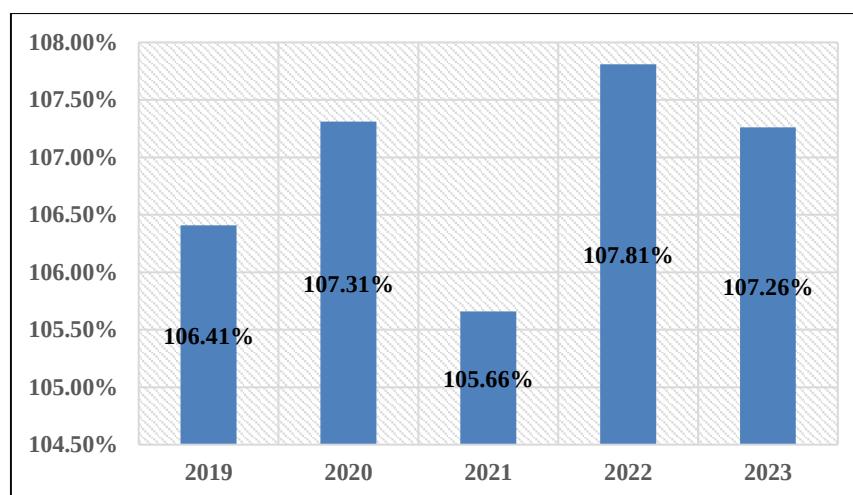


Figure 4.2.5: Risk Weighted Assets to Total Assets

Risk Weighted Assets to Total Assets:

The ratio of Risk Weighted Assets to Total Assets (figure 4.2.5) would explain the amount of total risk a Non-Bank Financial Institution carries into its asset base. A lower ratio is usually related to a more conservative and safer portfolio, whereas a higher one shows greater exposure to risky assets. Very high-risk spells for Bangladesh Finance Limited with regard to RWA to Total Assets ratio, which remained more than 100% from 2019-2023. This ratio was 106.41% in 2019 and continued to move slightly year-on-year until 2020, whereupon it rose to 107.31%, dropped marginally to 105.66% in 2021, and again increased to 107.81%. In 2023, the ratio was observed to have declined to 107.26%. This consistent high pattern of RWA indicates BFL keeping significant high-risk-assets and not taking any major step toward reducing risk exposure. Unlike some NBFIs that aim to lower this ratio over time, BFL's numbers show that they continue to operate with a heavy risk profile. This suggests that their current credit risk strategy is either not focused on asset quality improvement or is yet to take effect. To maintain long-term financial health and protect capital adequacy, BFL may need to consider lowering this ratio by focusing more on safer investments and reducing high-risk lending.

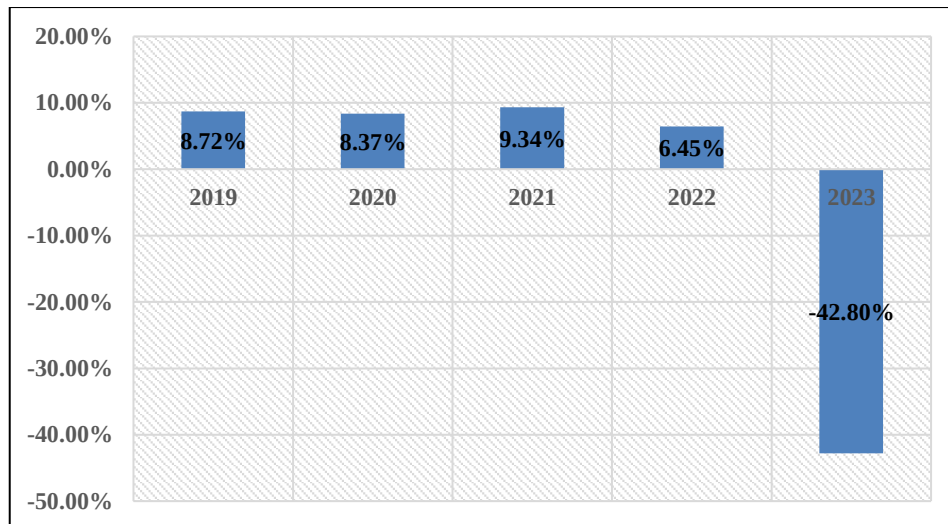


Figure 4.2.6: Return on Equity

Return on Equity (ROE):

Return on Equity (ROE) reflects (figure 4.2.6) the efficiency at which a Non-Banking Financial Institution is using shareholder equity to generate profit. In case of Bangladesh Finance Limited, ROE was stable between 2019 and 2021 hovering at a slight range of 8.37% - 9.34%. This consistency marked steady profitability during those years for BFL. The year 2022 closed at an ROE of 6.45% indicating a drop in performance. To heighten alarm, however, that number fell sharply to -42.80% in 2023, signaling a major loss for the company. This drastic drop can be associated with heavy provisioning for non-performing loans and overall weak performance during that year. BFL may be more conservative and cautious by increasing loan loss provision but at a large impact on profitability and equity return, as it might expect better times ahead. This trend suggests that while the company is trying to protect itself from future risks, the high NPL and provision levels are hurting investor returns. If BFL continues with better credit control and focuses on improving asset quality, the ROE could recover in the future. But as of now, the negative ROE in 2023 indicates some serious challenges that must be addressed to regain investor confidence.

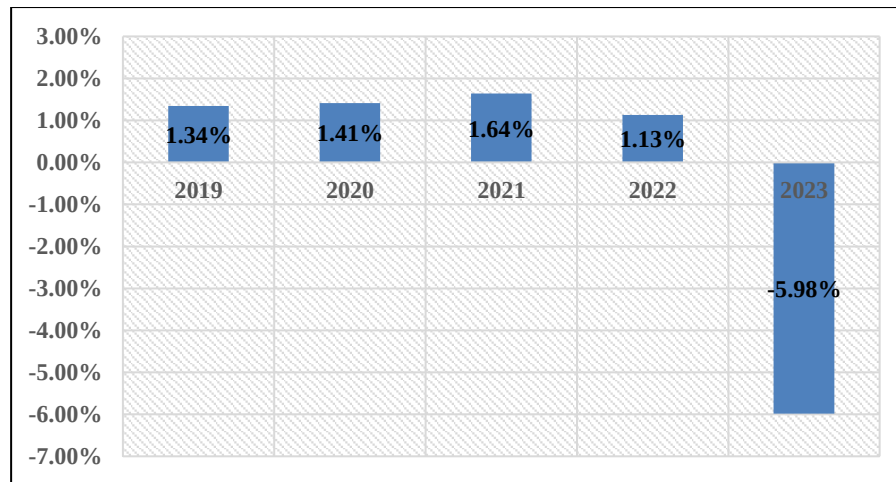


Figure 4.2.7: Return on Assets

Return on Assets (ROA):

The Return on Assets (ROA) helps to understand (figure 4.2.7) how efficiently a Non-Banking Financial Institution is using its total assets to generate profit. For Bangladesh Finance Limited (BFL), ROA showed a steady upward trend from 2019 to 2021, rising from 1.34% to 1.64%, which indicates improving efficiency and profitability during those years. However, starting from 2022, the situation changed. The ROA dropped to 1.13%, and in 2023, it declined further to -5.98%, which is the lowest point in the five-year period. This sharp fall reflects that the institution faced major financial losses and could not generate enough return from its asset base. One reason behind this decline is the sharp increase in Loan Loss Provisions in 2023, which was a cautious move by BFL to manage credit risk better. While this conservative approach is important for long-term stability, it also reduces short-term profits. So, the negative ROA in 2023 might be the result of trying to be more careful with risky loans. Even though this affects profitability now, it may help in reducing future risks if managed properly.

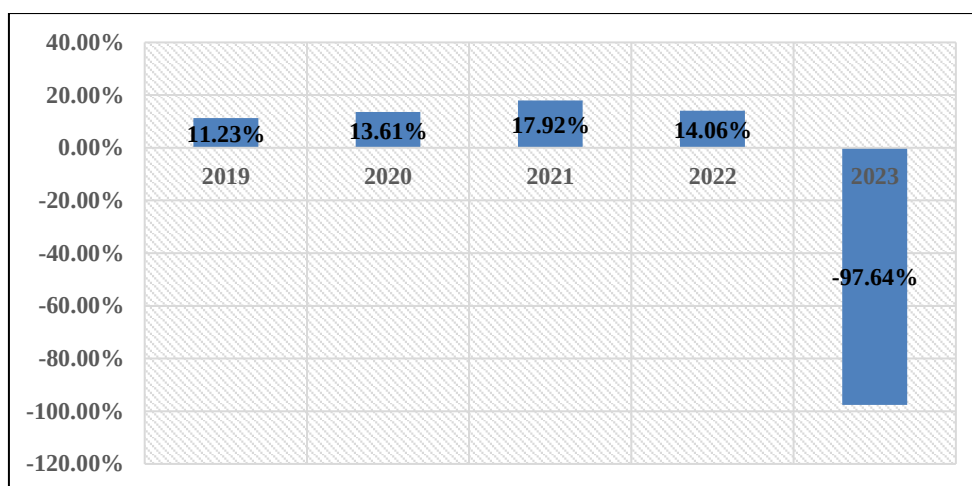


Figure 4.2.8: Net Profit Margin

Net Profit Margin:

The Net Profit Margin (figure 4.2.8) helps to understand how much profit an NBFI makes from its total income after all expenses. For Bangladesh Finance Limited, the margin followed a strong upward trend from 2019 to 2021, increasing from 11.23% to 17.92%. This showed good profitability and efficient cost management during that time.

In 2022, the margin dropped slightly to 14.06%, but it was still strong and higher than the earlier years. However, in 2023, the situation changed completely, with the net profit margin falling sharply to -97.64%. This large negative value clearly indicates that BFL faced a major financial loss that year. Interestingly, although the NPL ratio in 2022 was also concerning, the profit margin was still much higher compared to 2023. This shows that BFL likely kept its provisions low in 2022, which helped to show better short-term profits. But in 2023, with a significant increase in provisions and efforts to improve NPL levels, the company had to sacrifice profitability. This indicates that BFL chose a more conservative approach in 2023 by focusing on reducing credit risk instead of maintaining short-term profits.

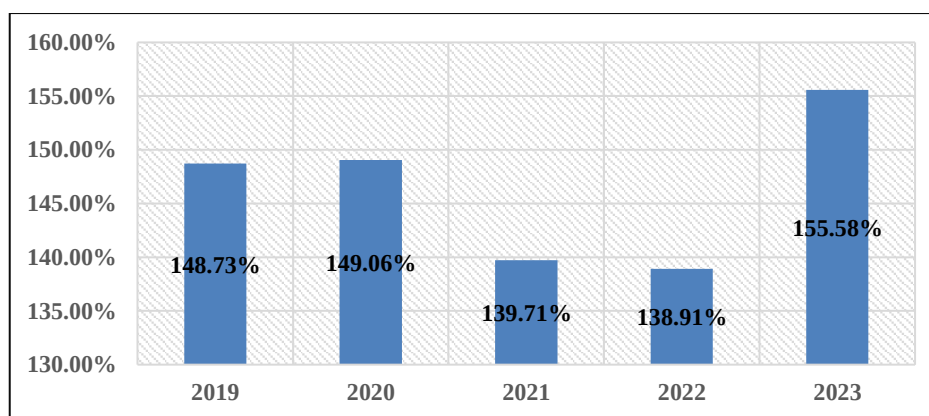


Figure 4.2.9: Loan to Deposit Ratio

Loan to Deposit Ratio:

Credit-Deposit Ratio (also known as Loan to Deposit Ratio) describes how much from deposits does a Non-Banking Financial Institution use to disburse loans. The higher the ratio is, the more aggressive its lending; on the contrary, the lower it is, the more cautious or over-liquid the institution becomes. In the case of Bangladesh Finance Limited, the ratio has remained relatively high consistently for the five-year-long period. Between the years 2019 and 2022 (figure 4.2.9), it also stood above the mark of 138%, which meant that BFL was relying significantly on borrowing or other fund sources, as this ratio stands way above the benchmark of 100%. The year 2023 saw the ratio climb even higher to touch 155.58%, which marked its peak during the five years' period. This clearly depicts that BFL had become much more active in lending in comparison to deposits. Quite interestingly, this aggressive lending behavior is not in line with the more conservative approach BFL has adopted with respect to risk provisioning and high loan loss reserves as of 2023. That fact could imply that while the institution lent more, BFL might adopt a risk management strategy concerning credit risk alongside an increased provision coverage. This mixed strategy indicates that BFL tried to strike a balance between expanding its lending activities and being cautious about credit quality. Given that the NPL ratio increased significantly in 2023, this aggressive lending might have played a role in that. However, with higher provisions and monitoring in place, BFL has at least taken some responsibility to cover those risks. This also shows that the organization needs to be careful in the future with its loan-to-deposit management, as such a high ratio may not be sustainable without strong recovery systems.

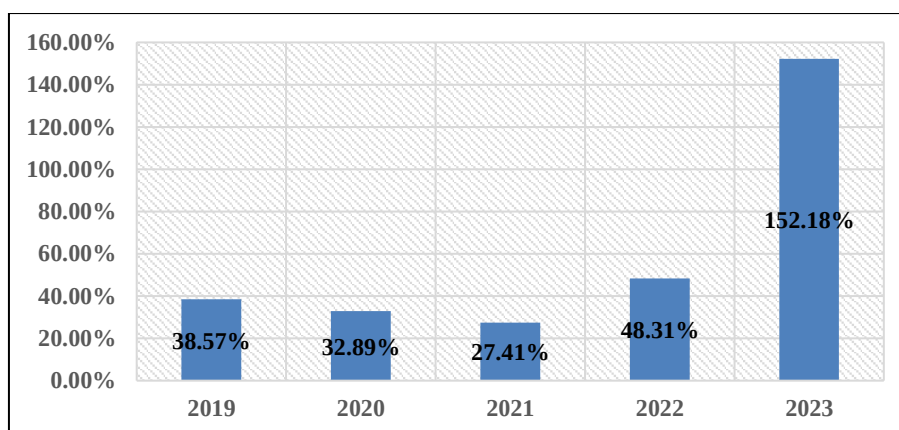


Figure 4.2.10: Cost to Income Ratio

Cost to Income Ratio:

Cost to Income Ratio (figure 4.2.10) is a significant measure of efficiency in operation cost management by a Non-Bank Financial Institution vis-a-bis income earned. A lower ratio indicates more effective utilization of the institution's resources so that it earns more profit for every unit of cost incurred. In the case of Bangladesh Finance Limited, the Cost to Income Ratio was seen to have a positive trend from 2019 to 2021, declining from 38.57% to just 27.41%. This steady decline of the ratio was seen to imply BFL's improvement in efficiency with regard to cost management, incurring such an expense that might help in the strong profitability derived in this period. But in the year 2022, the ratio jumped to 48.31% and in 2023, it rose to an even higher level of 152.18%. This is the highest recorded in the five-year range. This means that in 2023, BFL's operational costs became much higher than its income, resulting in major inefficiency. The heavy increase might be associated with higher provisioning costs, lower loan recovery, and overall financial pressure due to an increase in non-performing loans.

Credit Rating:

One interesting point about Bangladesh Finance Limited (BFL) is that, despite changes in other financial indicators like NPLs and profitability, their credit rating has remained stable and even improved in recent years. As per the rating declared by Credit Rating Information and Services Ltd. (CRISL), BFL retained at short-term rating of ST-2 between 2019 and 2021 and upgraded to short-term rating of ST-1 in 2022 and 2023. An ST-1 short-term rating indicates that the organization has the strongest ability to meet short-term obligations, considered top grade for institutions in Bangladesh. In the case of long-term rating, BFL retained an A+ rating in 2019 and it improved to AA- in the years 2020 and 2021 and further to AA in both the years 2022 and 2023. Long-term AA rating indicates that the institution is having very low credit risk with healthy finances in the long-run period. Such consistency and improvement in credit ratings just represents that BFL is still considered financially sound in the eyes of rating agencies as some other risk indicators like NPLs have worsened in 2023.

From the analysis of Bangladesh Finance Limited's financial ratios and credit risk indicators over the five-year period, it is evident that the institution maintained a reasonably consistent and structured credit risk management system especially between 2019 and 2021. During this period, the NPL ratio remained low, provision coverage was strong, and profitability ratios like ROE, ROA, and net profit margin showed healthy growth. These figures suggest that the company had effective risk controls in place and was able to manage its loan portfolio quite efficiently.

The scenario changed in 2022 and dramatically in 2023; the NPL ratio jumped above 11.20% during 2023, whereas the other indicators of the performance such as Loan Loss Provision (LLP) Ratio, Cost-to-Income Ratio and Net Profit Margin also displayed the pressure which came from quality deterioration in loan. Despite the proactive steps taken by BFL-like increasing provisions, maintaining a good provision coverage ratio and improving credit ratings, the dramatic decline in profitability and capital adequacy proved that existing credit risk management strategies were not really effective under stressed conditions. This decline does not entirely negate their credit risk framework, but it does highlight a gap between policy and execution. It

appears that BFL has the required processes in place, such as internal credit rating models, risk-based provisioning, and early warning systems. However, these measures may not have been completely effective in identifying or controlling the rising risk in their loan portfolio during more volatile years.

Overall, from looking at the ratios and discussing them, we can determine that Bangladesh Finance Limited showed partially effective Credit Risk Management. While the early years showed strength and consistency, recent performance especially in 2023 indicates clear weaknesses in execution and adaptability. This means that their credit risk management practices need to be improved further, especially in real-time monitoring, stress testing, and proactive restructuring of weak assets. Thus, we can conclude that effective credit risk management will have impactful results on the NBFI's performance.

Chapter 5: Recommendation & Conclusion

5.1 Recommendations

Based on the findings and the recent financial trends of Bangladesh Finance Limited, the following recommendations are proposed to improve the effectiveness of credit risk management and overall institutional performance:

- **Streamline Client Onboarding and Leverage Technology:** During my internship, I observed that the credit approval process and onboarding of clients tend to be lengthy and sometimes complex. This can lead to inefficiencies and may cause important borrower information to be overlooked. To address this, BFL can consider partially automating the onboarding process using digital forms, pre-screening tools, and client information systems. This would make the process faster, reduce client fatigue, and ensure that crucial credit information is accurately captured and analyzed. Also, Bangladesh Finance Limited should consider advanced analytical tools and machine Learning algorithms that have the capacity to study borrower behavior, repayment habits, and sectoral trends which will strengthen the early warning systems, reduce the occurrence of human errors, and consequently improve credit scoring models.
- **Enhance Specialization through Team Segregation:** Although BFL already has dedicated teams such as the Credit Risk Management team and the Special Asset Management (SAM) team, further specialization can be beneficial. Creating sub-divisions focused on early warning systems (EWS), loan restructuring, and real-time monitoring could improve proactive risk management. These teams should collaborate closely with the recovery unit, ensuring faster identification and resolution of stressed assets, even if it means sacrificing a bit of processing speed.

- **Maintain an Optimized Loan Loss Provisioning Strategy:** The sudden rise in NPLs and LLPs ratio in the year 2023 highlights that the prior provisioning strategy of BFL may not have been adequate for growing credit risk. While increased provisions put pressure on immediate profits, the strategy of being conservative with optimized provisioning allows a financial cushion in times of economic hardship. For now, BFL needs to continue sustaining adequate coverage provisions that are in sync with loan performance trends for long-term financial viability.
- **Focus on Asset Quality over Aggressive Lending:** High Loan to Deposit Ratio (155.58% in 2023) and RWA to Total Assets ratio (107.26% in 2023) indicate aggressive lending behavior that has possibly led to an increase in NPLs. BFL needs to review its credit portfolio and maintain a balance between extension and risk. At the same time stricter borrower screening and conservative disbursement practices will keep the focus on asset quality, not quantity.
- **Review and Update Credit Risk Framework Periodically:** BFL already has a structured policy regarding credit risk; however, 2023 performance tells us that there exist execution gaps. Thus, the credit risk framework should be assessed on a regular basis using feedback from field-level teams and adjusted in response to market dynamics, economic situations, and regulatory revisions. Internal audits and external consultants may also be hired for an objective examination.

5.2 Conclusion

This study emphasizes that appropriate credit risk management for organizations such as Bangladesh Finance Limited is vital to achieve long-term financial stability for Non-Banking Financial Institutions (NBFIs). Given that NBFIs generally are involved in lending activities that usually carry certain risk weights, especially in a developing economy, a strong risk management regime does help shield them from significant financial losses. The findings suggest that for credit risk strategies to be able to work really well, they need to have the backing of proper planning, continuous monitoring, and a persistent effort to adjust according to loan performance and market conditions. To conclude, when an NBFI has a strong credit risk system in place, it can avoid major losses from bad loans and continue to offer credit to reliable customers, helping both the institution and its clients grow. This balance between taking risks and protecting financial health is key to long-term success. That is why credit risk management should always be treated as a top priority for institutions like Bangladesh Finance Limited, and the policies should be updated regularly to match new challenges and changes in the financial environment.

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INTERNSHIP PROPOSAL FORM

Name:	Akash Ali
ID:	212011054
Department:	ULAB School of Business (BBA)
Supervisor's Name (Faculty):	Md. Kamal Uddin, PhD
Organization Name:	Bangladesh Finance Limited
Internship Title:	"Credit Risk Management in Non-Banking Financial Institutions: A Case Study on Bangladesh Finance Limited."

Akash Ali

Student's signature & date
signature & date

Supervisor's

Ref: BF/REF/HRD/2024/DEC/43533
Date: December 24, 2024

Mr. Akash Ali

Chondrima, Avenue 01, Muhammadpur, Dhaka

Mobile: +8801824-828101

Subject: Appointment Letter for Internship Program

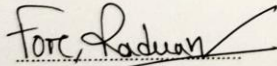
Dear Akash Ali,

We are pleased to inform you that you have been selected for enrollment in the internship program at Bangladesh Finance subject to the following terms and conditions:

- Your internship will be for a period of three (3) months starting from **1st January 2025 to 31st March, 2025**.
- You will work under your supervisor in the **Financial Administration Department** at Head Office during the course of your internship.
- You will be eligible to an all-inclusive allowance of **TK. 7,000 (Taka Seven Thousand)** only per month.
- You are required to demonstrate utmost care and sincerity in performing the duties and responsibilities assigned to you by the management from time to time as per the company policy.
- You must maintain confidentiality regarding Bangladesh Finance's business affairs and agree not to disclose/discuss with anyone outside Bangladesh Finance both during and subsequent to your internship with Bangladesh Finance.

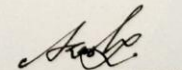
If the above terms and conditions are acceptable to you, please sign the duplicate copy of this letter to the department of Human Resources.

Sincerely,



Md. Ashikul Arifin Patwary
Acting Head of Human Resources

Full Name: *Akash Ali*
NID: *33150 79280*

Signature with date: 
24.12.24

Internship Report PART-B (AKASH ALI 212011054)

ORIGINALITY REPORT

5%	4%	3%	2%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	Ajufunbaya, Kamaldeen Olaitan. "Credit Risk Management, Financial Reforms and Financial Performance of Selected Deposit Money Banks in Nigeria", Kwara State University (Nigeria), 2024 Publication	1%
2	fastercapital.com Internet Source	1%
3	www.analystinterview.com Internet Source	<1%
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5	www.coursehero.com Internet Source	<1%
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7	Submitted to University of Leicester Student Paper	<1%
8	www.ceocongress.org	