



# DRIVING ECONOMIC GROWTH

## SAUDIA AFRIN

Constructing a resilient financial system is paramount for a nation's economic advancement. In Bangladesh, Non-Banking Financial Institutions (NBFIs) have been playing a pivotal role alongside banks in stimulating economic activity. They offer tailored financial services that not only foster business expansion but also enhance individual welfare, thereby enriching the financial landscape of the country.

The financial solutions provided by NBFIs help large companies manage cash flow, invest in new projects, and expand operations, thereby fostering innovation and growth within the industrial sector.

"The NBFIs originated in the 80s to support Bangladesh's incubation period of industrialization as an alternative source of finance. During that time, NBFIs had met the high demand for funds in the industrial sector, providing long-term financing, specific project loans, and popularized lease finance," said Md Golam Sarwar Bhuiyan, chairman of Bangladesh Leasing and Finance Companies Association (BLFCA), also managing director and CEO of Industrial and Infrastructure Development Finance Company Ltd (IIDFC).

"NBFIs encompass term loans aimed at facilitating project expansions, work-order loans aimed at streamlining business operations, and lease finance alternatives for procuring essential machinery and equipment. Through these diverse financial solutions, NBFIs effectively address the needs of businesses across various sectors, thereby making substantial contributions to their expansion and progress," said Rizwan Dawood Shams, Managing Director of IPDC.

The Industrial Promotion and Development Company of Bangladesh Limited (IPDC) has been instrumental in shaping the country's industrial landscape over the past four decades. In the fiscal year 2023, IPDC's loan, lease, and advance portfolio amounted to Tk 70,571 million, marking a 6.6% increase compared to 2022 and a remarkable 12.3-fold surge since 2013.

Serving a substantial clientele of 1,314 clients, the organization also disbursed Tk 13,077 million in the corporate sector during the same fiscal year. Notably, IPDC has partnered with numerous corporate entities and projects in Bangladesh, particularly during their formative stages. These collaborations have fostered pioneering ventures in the country, including Fantasy Kingdom, Apollo, Westin, Summit, Scholastica, and others.

In its illustrious 38-year history, IDLC has garnered a reputation for meeting the diverse needs of large institutions and capital markets. Beyond catering to the financing requirements of corporate giants, the NBFI's venture capital arm has invested in promising startups such as Pickaboo, Truck Lagbe, iFarmer, and Agora.

With a total loan disbursement of BDT 63,506 million, IDLC's proactive strategic planning facilitated a 4.21% deposit growth despite tight liquidity conditions and rising treasury yields. Furthermore, IDLC's loan portfolio witnessed robust growth, expanding

by 8.66% in 2023. Despite macro-economic and industrial challenges, IDLC continued to thrive. "Maintaining liquidity is vital for meeting our obligations to depositors, the market, and lenders. By adopting a balanced asset-liability management framework, we can effectively manage liquidity risks and ensure we meet both short-term and long-term financial commitments," said Jamal Uddin, CEO & Managing Director of IDLC Finance.

Among IDLC's top five sectoral contributors, four encompass various sectors, including trade and commerce, garments and knitwear, and food production and processing. The corporate portfolio composition stands at BDT 32,385 million, with total loans and advances amounting to BDT 115,656 million.

Throughout its six-year journey, Alliance Finance PLC has been dedicated to offering user-friendly digital financial services to its clients and implementing innovative technologies for secure and convenient money management. "Our focus differs slightly from traditional

enhancing financial inclusion.

Prioritizing financial inclusion, IDLC's micro-deposits offer monthly/weekly DPS via mobile financial services like bKash. "We mobilize deposits among the unbanked population. This initiative has helped us reach over 1 million customers, integrating more people into the formal financial system.

for the last 25 years with a mission to empower individuals to own their homes. "NHFIL's lending programs are designed to cater to diverse needs, offering a range of financing options to prospective homeowners. Whether it is facilitating the purchase of flats or providing financial support to build houses, the institution's customized solutions have



NBFIs.

We have a structural financing department and have identified significant prospects in infrastructure, where there is an opportunity to make substantial contributions through long-term investments. With this in mind, we have engaged in project financing for major private sector projects, such as the Investment Promotion and Financing Facility (IPFF) for the World Bank, providing long-term financing for infrastructure," said Kanti Kumar Saha, CEO of Alliance Finance PLC. He also highlighted the company's emphasis on syndication, refinancing, and preference shares, through which the institution aims to increase fee-based income.

Retail financing is a critical aspect of the services offered by Non-Banking Financial Institutions (NBFIs). These institutions provide a wide range of retail financing products tailored to meet the requirements of customers from various walks of life. Whether it's availing credit for micro-merchants, purchasing a new home, buying a car, or other needs, NBFIs play a major role in empowering individuals through access to funds while



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Ahsan H. Mansur

Our venture capital fund invests in startups, fostering innovation and job creation," said Masud Karim Majumder, CFO, IDLC Finance.

On the other hand, micro-merchants, an underserved segment, contribute significantly to Bangladesh's FMCG market and the broader economy. To support micro-merchants, IPDC has introduced a specialized product called IPDC DANA, a retailer financing platform that offers financing to enhance their operational capacity. "Through our product 'Dana,' we ensure a steady flow of funds to retailers so that the market demand for fast-moving products can be met," said Rizwan Dawood Shams, Managing Director of IPDC.

"It is easier to avail loans for homes and apartments in Dhaka and Chittagong, but accessibility to home financing in suburban and rural areas is challenging. IPDC lends to people from the lower middle-income group, such as school teachers, nurses, and security guards, living outside of Dhaka and Chattogram, through their home loan scheme 'Bhalobashar loan,'" added Rizwan of IPDC.

"DBH has already disbursed BDT 16,000 crore in housing finance. Presently, our focus is on providing affordable home loans to support middle-income individuals. For instance, with a loan of BDT 30 lakh, these individuals can fulfill their dream of owning a home," said Nasimul Baten, Managing Director & CEO of Delta Brac Housing Finance Corporation Ltd (DBH).

National Housing Finance and Investment Limited has been providing financial services

positively impacted the lives of numerous families," said Mohammad Shamsul Islam, MD of National Housing Finance and Investments Limited (NHFIL).

**More opportunities on the horizon**  
NBFIs are now encouraging green businesses through financing initiatives to adopt sustainable practices, thereby promoting environmental sustainability. Sectors like renewable energy, waste management, green building and industry, recycling industry, and similar areas are being prioritized in green financing. In the year 2023, IDLC's green disbursement amounted to Tk 6,681 million.

SFIL supports sustainability by providing loans to businesses producing environmentally friendly products under Bangladesh Bank's refinancing scheme at a lower rate of 6%.

Highlighting NBFIs' sustainable contribution to the economy, Ahsan H. Mansur, an eminent economist and executive director of the Policy Research Institute, emphasized that NBFIs should focus on specific sectors such as housing, SMEs, and ICT by leveraging their specialized knowledge. "Given their characteristics, these institutions are better positioned to offer specialized focus on any sector compared to traditional banks. By honing in on these core areas, NBFIs can play a significant role in driving economic growth. However, it's crucial for the entire NBFI sector to function effectively, as relying solely on a few institutions will not suffice," he added.