



Daffodil
International
University

**Legal litigation procedure for default loan recovery by
IDLC Finance PLC.**

Submitted To:

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Date of Submission: 13th December, 2025



**Legal litigation procedure for default loan
recovery by IDLC Finance PLC.**

LETTER OF TRANSMITTAL

Date: 13th December, 2025

To

Md. Arif Hassan

Assistant Professor

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Subject: Submission of Internship Report on “Legal litigation procedure for default loan recovery by IDLC Finance PLC.”

Honorable Sir,

It is a great honor for me, I Md. Razzak, to submit the internship report titled “**Legal litigation procedure for default loan recovery by IDLC Finance PLC.**” This report has been prepared as a requirement for the completion of the BBA program. I have given my best effort to compile all the relevant information, experiences, and insights gained during my internship at IDLC Finance PLC.

I sincerely hope this report meets your expectations and requirements.

Sincerely,



MD. RAZZAK

ID: 221-11-1666

Program: BBA (Major in Accounting)

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LETTER OF APPROVAL

This is to certify that the internship report entitled “**Legal litigation procedure for default loan recovery by IDLC Finance PLC.**” has been prepared by Md. Razzak, ID: 221-11-1666, as part of the requirements for the Bachelor of Business Administration (BBA) Program, Major in Accounting, under the Department of Business Administration, Faculty of Business and Entrepreneurship, Daffodil International University.

The report is an original work carried out under my supervision and is hereby recommended for submission.



Md. Arif Hassan

Assistant Professor

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DECLARATION

I am Md. Razzak, a student of Business Administration, having ID: **221-11-1666**, with Major in Accounting at Daffodil International University (DIU), and I do hereby declare that the report on the **“Legal litigation procedure for default loan recovery by IDLC Finance PLC.”** is truly written by me.

During the writing of this internship report I have not knowingly infringed any copyrights or breached any other corporate or university policy.

Also, I confirm that this report is my own work and has not been submitted in whole or in part for any other degree or diploma or any other similar qualification.



Md. Razzak

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My first and foremost gratitude is to Almighty Allah, who enabled me to complete this internship report successfully with patience and perseverance. I am also thankful to my family for their never-ending love and blessings along my educational path. I would like to extend my sincere thanks to my internship advisor, Professor Md. Arif Hassan, for his precious advice, comments and endless support without which this report would not have been accomplished. His knowledge and suggestions made the whole process more understandable.

My special thank goes to Sawgat Ibne Seraj, Head of Legal at IDLC Finance PLC for giving me the chance to serve as a Legal MIS Intern in IDLC Finance PLC. I would like to thank in particular for the advice, the resources and the motivation provided during my internship, and which made me learn a lot.



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EXECUTIVE SUMMARY

This is with disclaimer that this report might help to learn my Legal MIS department of best practices procedures that I conducted in the IDLC Finance PLC Legal implication in action to recover the loans from defaulter. Objectives of the Study The study intends to know how IDLC Finance Limited is managing its Non-Performing Loans under legal procedures according to Artha Rin Adalat Ain, 2003. I got to work with Artha Rin Aine Team and Legal MIS Team during that time. I was responsible for identifying which clients had defaulted on loans, preparing and sending dunning letters, filing cases with external legal counsel, monitoring updates on hearings, preparing various materials related to the auction, confirmation of receipt of legal invoices, receipt of payment, and maintenance of legal MIS system. I learnt how legal, operational, and fiscal closure work together to ensure a recovery mechanism is put in place.

This report highlights failures within the loans' assigned lifecycle and the following implications: limited pre-loan review analysis, failure to monitor on an on-going basis, failure to adequately assess the economic/market environment, misappropriation of the borrowers' economic resources, and failure to properly assess the value of defaulted collaterals. Even so, IDLC has been able to address such challenges and improve loan recovery through actions taken legally and through collaboration with external partners.

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CHAPTER ONE:
Introduction

1.1 Background

Among the requirements of the Bachelor of Business Administration (BBA) Degree program lies the need to complete an internship. Internships help students gain practical exposure to the theories learned in class. We have the chance to learn the practical application of theories taught in class through the internship program.

Given its status as one of the most renowned non-banking financial institutions (NBFIs) in the country, with a strong reputation for professionalism, transparency, and effective regulatory and financial frameworks, my choice for an internship was IDLC Finance PLC. In accounting, I found IDLC an ideal organization to gain insight into the intertwining practices of financial management and legal compliance, in particular, default loan recovery.

During my internship, I got the opportunity to work with the Legal Litigation Department that carries out the process of related loan-seeking under different legal mechanism as mentioned in the Artha Rin Adalat Ain, 2003. The exposure gave me an understanding on how to reduce legal defaults and how binding documentation should be in the context of recovery.

The report provides a short profile of IDLC Finance PLC under “Legal Litigation Process for Defaulted Loan Recovery.” Discusses the phenomenon of loan defaulting and addresses the legal recovery process, and then offers the intern's comments and findings, and provides recommendations.

1.2 Statement of the Problem

One of the problems I have identified during the internship at IDLC Finance PLC have been the increasing number of loan defaults due to the fact that clients’ evaluations and financial capabilities have not been properly assessed before approving the loan.

In many instances, clients that have defaulted on their loans have had questionable repayment abilities, yet, loans were granted to them regardless. It stands to reason that if the organization had more thoroughly assessed the financial stability and repayment capacities of their clients, numerous defaults could have been avoided. The lack of funds, and inadequate evaluations and screenings during the

loan granting process clearly indicate that the organization had little understanding of the financial capabilities of their clients.

The result is that the Litigation Section is under greater pressure to recover what amounts to lost funds. The purpose of this report is to show how poor evaluation and documentation of clients causes loan defaults, which in turn, results in more caseload on legal recoveries.

Literature Review

Past research has indicated that loan defaults are commonly found when financial institutions do not adequately evaluate the financial strength of the borrowers prior to sanctioning loans. An even **Kumar and Singh (2020)** observed that lack of robust credit risk assessment mechanism leads to increase in NPA, as many customers are sanctioned without ascertaining their actual repayment capacity. They posit that implementing a systematic and quantitative approach to credit assessment can lower the risk of loan default.

In the same way, it was found out by **Rahman and Sultana (2019)** that poor client screening and verification practices are the key factors for increasing loan defaulters in the case of non-banking financial institutions of Bangladesh. Their results imply that better documentation, background checks, and ongoing client monitoring may improve repayment performance and reduce the pressure of legal recovery on institutions.

1.3 Objectives of the study

My internship's main purpose is to understand and obtain some hands-on experience observing how IDLC Finance PLC practices legal procedures for defaulted loan recovery and integrating accounting concepts with legal and financial practices with real-life applications.

Objectives:

- To analyze the overall legal litigation procedures followed by IDLC Finance PLC in recovering default loans under the *Artha Rin Adalat Ain, 2003*.
- To identify the key causes of loan defaults and to evaluate how effectively the Legal Litigation Department manages these challenges to ensure efficient loan recovery.

1.5 Methodology of the Study

This report is prepared based on both primary and secondary data sources.

Primary Data:

- Direct observation of loan recovery and litigation processes during the internship.

Secondary Data:

- Official documents and case reports from IDLC Finance PLC.
- The company's website and annual reports.
- Relevant articles related to loan recovery
- Artha Rin Aine 2003

1.6 Limitations of the Study

While the internship experience was highly beneficial, the study faced certain limitations:

- Confidentiality policies restricted access to sensitive financial and legal information.
- The internship duration (May 22 – August 22) was limited, preventing observation of all stages of the litigation process.
- Some analyses are based on secondary or summarized data due to confidentiality.
- Time constraints limited the scope of deeper investigation into specific default cases.

CHAPTER TWO:
Company Overview

2.1 Company Profile

Since the beginning of its history in 1985, IDLC Finance was the first Non-Bank Financial Institution in the country. It is the biggest multi-product NBFIs with a robust and Diverse market presence in the country. The International Finance Corporation (IFC) had the joint venture with Korea Development Financing Corporation, German Investment and Development Company (DEG), Kookmin Bank, The Aga Khan Fund for Economic Development, The City Bank Limited, IPDC of Bangladesh Limited, Sadharan Bima Corporation and other local and multinational financial institutions initially to set up IDLC Finance. First time the foreign investor had 49 percentage of shares in the company which was withdrawn when the company progressed. Over time, the international shareholders dissipated as domestic sponsors acquired majority shareholding of the firm in 2009. In 2012 the organization changed its name to IDLC Finance Limited, replacing the former name of the organization which was the Industrial Development Leasing Company of Bangladesh Limited.

In the long run, IDLC Finance has concentrated on diversification of income and developed their business in Bangladesh Corporate, SME, Retail and Capital markets. IDLC Finance provides a pool of financial services and solutions to meet the requirements of the customers that constitute Lease Finance, Term Finance, Short Term Finance, Corporate Finance, Real Estate Finance, Merchant Banking, Term Deposit Schemes, Debentures and Corporate Advisory Services. Among its major products and services of the portfolio are Corporate and Structured Finance solutions to local and multinational corporate houses, Personal financing products like Deposits, Home loans, Car loans, Personal loans, financing solutions to Small and Medium Enterprises, Merchant Banking solutions like Portfolio Management and Investment Banking (IPO, Bond Issuance, Rights Shares Offering, and so on, supply chain finance for value chain financing, women entrepreneur loans program named Purnota and Brokerage services. Recently IDLC Finance has established an MFS based Digital Savings Program which was very popular in the market.

The strategic overview of IDLC Finance PLC states that the organization provides the following guiding statements:

Vision: "We will be the best financial brand in the country".

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

All these statements relate to the vision of IDLC to be the top financial brand in Bangladesh through sustainable growth, customer delights and responsible business conduct.

Currently, IDLC Finance is the largest NBFIs in Bangladesh with three wholly owned Subsidiaries including

- IDLC Investment Limited
- IDLC Asset management
- IDLC Securities Limited

Recently, IDLC Finance has been capable of sustaining the AAA credit rating since 2012 with an aim of being the best performing financial brand in the countries. They also have a policy that revolves around Superior customer service, Quality growth and sustainable business model. They also put the emphasis on ethical business and placing high value on customers with a slogan of “Financing Happiness”.

2.2 Management Practice:

Leadership: The leadership approach that is used in IDLC Finance is a mixture of Participative and Laissez- faire. Since an analyst makes his own analysis and offers his judgement on whether to accept or reject the loan request after being presented with a loan request. An analyst tends to employ subjective steps in order to study the client and present his or her decisions. The employees will also be encouraged to give their inputs on how to enhance the performance of the organization and make the loan experience of the customers successful.

Recruitment: IDLC Finance is a company that complies with all employment laws of Bangladesh that are approved by the board of directors. In addition, they have got greatest discriminatory free policy. IDLC Finance has come with a better and computerized tool to test the Capability of any candidates and assess them in an efficient and cost-effective way. The characteristics of candidates in terms of the person job fit are also assessed. The process of hiring junior officer and above involves screening of CV and taking aptitude test and finally evaluation with interview. Any recommendation of the HR committee will be forwarded to the board of the directors regarding any managerial position. Once an employee is hired, he or she will be on probation period of 6 months according to the policy.

The employees will be allowed to enjoy the benefits discussed in the HR manual once the probation period expires.

The compensation System: The HR department has a separate Compensation committee to help it administer and set fair compensation policy at IDLC Finance. The compensation committee had 8 meetings in 2025 regarding fair remuneration. Moreover, the company covered 60% of their operation cost in the compensation of the employees. Finally, IDLC Finance has taken the zero-pay cut strategy in order to motivate their staff.

Training: Once an employee works in IDLC Finance he/she is given aggressive training to build their skills and career. In the year 2021, IDLC Finance has spent 9530 hours on 185 training programs consisting of in house, Customized, foreign and online secessions. Other than the job duty training that is conducted during induction the employees are also trained in social awareness, leadership and career development and technical skills.

2.3 Marketing Practices:

The reason why IDLC Finance has many divisions and many subsidiaries is because they formulate different marketing strategies on different products and different divisions. In consumer loan they work on customer driven marketing strategy with the aim of being in a position to provide customized service to the clients. They also place emphasis on the advertisement on various media in order to lure consumer loan applicant. In addition, they depend heavily on the word-of-mouth strategy in order to establish the credibility among the customers. Other than this strategy they also extensively use social media marketing whereby they sponsor various online contents and events. In addition, they have an independent vetted Facebook and Linked-IN page whereby they can post their Digital marketing contents in various social media platforms.

2.4 Operations Management and Information Practice System:

The source of gathering information and disseminating useful information to the stakeholders and clients at the IDLC Finance website. In addition, much of the valuable information of the loan applicant has been incorporated on the site with EMI Calculator. A skillful staff also monitors the Site to enhance service. In the site, there is also adequate information on the application process of any loan and documents required.

In IDLC Finance, there exists a particular cloud-based site called OCAS where all the details of the applicant of loan are stored as internal and safe custody of the important data of customers. Regarding Loan processing, the gap is that there is no technological inclusion at IDLC Finance. But at IDLC Finance, HR department employs different software to store valuable data of the employee and to facilitate the recruitment process.

2.5 Industry and Competitive Analysis:

PORTER'S Five Forces Analysis:

Competition among the rivals: There are over 90 banks and financial institutions operating in the Bangladesh market to provide financial services to the customers in the Banking industry of Bangladesh. Therefore, the level of rivalry is intense in the financial institution in Bangladesh. In addition, switching cost among the customers is very low that increases the rivalry. So, I will rate rivalry 4.5 out of 5.

Buyer Power: Power of the buyer is high because there is more than one financial institution in the market and the interest rate charged by the financial institution is regulated by the Bangladesh bank. I will rank power of customer 4/5.

Supplier power: In the case of NBFIs such as the IDLC Finance the key suppliers are the banks. The power of supplier is low since the interest rate charged by the suppliers is also closely supervised by the Bangladesh bank with its refinancing scheme hence the low power of supplier. I would score 2 out of 5.

Threat of substitute: There is no substitute of loan product in the market. But in any kind of investment the greater amount of equity investment may be regarded as alternative. However, maintaining the existing economic scenario of the people of Bangladesh, people will depend less on equity investment. Thus, the threat of Substitute is low and will be rated as 2 out of 5.

Threat of new entrants: threat of new entrants is low since it involves a lot of investment and it needs governmental decision to get license. I will assign threat of new entrants 1.5 out of 5.

This concentration market analysis can also be referred to IDLC will not encounter any MAJOR CHALLENGES to survive in the long run. Nevertheless, the work of the financial institutions also greatly depends on the state of the economy of the country. In case the economy is booming they will perform better in case the economy is experiencing a downfall they will suffer in future.

2.6 SWOT Analysis

A SWOT analysis is a simple but powerful strategic tool which aids organizations to define their Strengths, Weaknesses, Opportunities, and Threats. It gives a clear understanding of what internal factors are favorable or hamper growth, even external factors that could bring growth or bring threats. This knowledge of these factors helps organizations make better decisions, formulate more effective strategies, and better adapt to changing conditions.

IDLC Finance prepare their financial statement as per GAAP and IAS. We also analyzed their level of competition within the market using the PORTERs Five forces and the level of competition was also analyzed. At last, we reviewed their SWOT to improve further.

Strengths	Weakness
<ol style="list-style-type: none"> 1. Good market reputation and strong grip in the market. 2. Various product line with effective customer service. 3. Concentrate on inclusion of fintech in business offering. 	<ol style="list-style-type: none"> 1. Small scale throughout the nation. 2. Insecure deposit management system. 3. Narrow investments range.
Opportunities	Threats
<ol style="list-style-type: none"> 1. Addition of Fintech to services and products. 2. Increase operation throughout the nation. 3. Exposure in Green banking and Islamic Banking. 	<ol style="list-style-type: none"> 1. A lot of rivalry in the market. 2. Their services can be rendered obsolete due to advance mobile banking and e banking.

CHAPTER THREE:

Internship Role, Responsibilities and Key Learnings

3.1 Role and Responsibilities

During my internship at **IDLC Finance PLC**, I worked under the **Legal Department**, where I was assigned to two specific units — the **Artha Rin Aine Team** and the **Legal MIS(Reporting)Team**.

My specific duties and responsibilities for each team are listed below under separate functions.

A. Artha Rin Aine Team

1. Default Detection: Among my key duties was to help identify those borrowers who had defaulted on their loans. This meant that I had to check the loan re-imburement system and liaise with officers to draw up a list of defaulters who should be taken to court under the Money Loan Court Act, 2003 (Artha Rin Aine).

2. Issuing Legal Notices: Post-defaulter identification, I was also a part of the legal notice issuance team to the defaulters. The notes demanded repayment of the money borrowed within a certain period, generally 15-30 days, and was an official notification to the company before beginning to take legal steps.

3. Case Filing through Law Firms: When borrowers ignored legal notices, I also helped in drafting complaints (case documents) for filing through our empaneled law firms for the Artha Rin Adalat (loan court) at IDLC. I was responsible for gathering the necessary items such as loan agreements, payment histories, and communications with customers to verify their accuracy and completeness.

4. Court proceedings: During the high court proceedings, the law firm will answer for IDLC and all the case legal aspects. The duration of hearings is usually from 1-3 months depending on the complexity of the case, availability of documents and availability of the court. In some cases, it may be postponed for gathering evidence or verification of documents or by court.'

5. Publication of Legal Notices: I have helped draft notices for publication in the newspaper

prior to property sales. These announcements are published to notify the public and bidders. I verified that property information, case numbers and auction dates were all included and accurate in the drafts of the publication.

6. Execution and Auction Process: When judgments were rendered in favor of IDLC but the borrowers still did not pay, I worked on post judgment execution. That involved including the preparation of public auction paperwork and making sure all pertinent information was included in the property auctions.

B. Legal MIS (Reporting) Team

1. Invoice Compilation and Validation: In the team what I had to do was first MEC- For collection and validation of Invoices that were sent to us either from Law firms or Newspaper agencies. Law firms filed bills for professional services (case filing and representation), and newspapers filed bills for publication of legal notices. I reviewed every bill meticulously on case files for the accuracy.

2. Preparation of Bills and Payment Processing: Upon verification of invoices, I helped in preparing bills for payments to the staff. Bills like these were sent to be paid and eventually paid by cheque or bank transfer. I was sure that all the supporting documents were enclosed and that the payment was made in accordance to the company policy.

3. Data input and Record Keeping My job duties included: Throughout the duration of my employment, I was tasked with keeping the Legal MIS updated, and dealing with a comprehensive data of ongoing and past cases, schedules, court rulings, financials, and more. Keeping this database up to date was immensely helpful in keeping consistency across all legal matters.

4. Report preparation: I helped in drafting the weekly, monthly and quarterly reports of entire legal work, payments and status of cases. These reports were used by higher risk user management for evaluating the department's effectiveness and monitoring case pace.

5. Liaison with Other legal team: I coordinated extensively with the Artha Rin Aine Team, the NI Act Team, and other departments to ensure synchronization of case information, billing, reporting, and other matters across the corporation. The skate between these offices were stable and superior from here on.

3.2 Rationale of Those Roles and Responsibilities

My duties at IDLC Finance PLC during the internship is to establish the efficiency, transparency and compliance to the laws and regulations in the organization's legal work. Reasoning and importance of each responsibility are given below team wise.

A. Artha Rin Aine Team

1. Detection of Default: Identifying the borrowers who defaulted on their payments is important to maintain the financial health of the institution. Detection of defaulter at an early stage reduces credit risk and legal team can immediately file recovery action against defaulter to minimize financial loss of company.

2. Sending Legal Notice: Borrowers are also given a fair chance to clear their dues before moving to the court by the way of sending formal legal notices. It protects the organization legally, and it also ensures that all collection efforts are conducted in due process, with responsibility and procedural transparency.

3. Case Filing via Law Firms: Submission is indeed the lifeline of a case. A well-documented case will give confidence to the latter, while lack/misuse of documents can even get the case dismissed. This process will guarantee that all of the evidence and related papers are filed in an orderly fashion.

4. Liaise with External Law Firms: Regular dialogue with outside counsel is crucial to remain apprised of developments, to monitor hearing schedules, and to act immediately as appropriate. Good coordination leads to good legal work and the timely recovery of losses.

5. Legal Notices to be Published: The notices shall be published in the newspapers in advance of the date of the sale of the property, which will render the process transparent and will inform the potential bidders adequately. Quick and correct reporting allows also legal compliance and reduces the possibility of challenging proceedings.

6. Execution, and sale through auction: It is also essential to protect the company's financial interest by properly handling the post-judgment liquidation procedures. The proper execution of this stage involves were as the legal remedies for recovery of dues through recovery of loan are implemented effectively and remaining dues are recovered legally.

B. Legal MIS (Reporting) Team

1. Collection and Verification of Invoice: We ensure accuracy and transparency in the finances by validating the invoices sent by the law firms and newspapers. This procedure prevents the company from inadvertent overpaying or errors from occurring, protects company funds, and holds the legal bills accountable.

2. Billing and Payment Remittance: Accurate bill preparation and compliance with payment process is very important for financial control. This duty guarantees that all payments for legal and publication services are handled properly, thereby upholding the financial integrity of the operations.

3. Data Entry and Record Keeping: Entering accurate data of all criminal cases, hearings schedules, transactions of money, etc., is essential in track cases, in reporting, and making administrative decisions in criminal cases. Well-ordered records also serve as dependable recourse for subsequent transactions and examinations.

4. Report Generation: Generating weekly, monthly, and quarterly report facilitates managerial control over legal. These deliverables allow senior management to have greater visibility into case progress, related costs, and department performance, enabling them to be more transparent and making more informed decisions.

5. Liaison with Other Legal Teams: Working closely with other legal arms help you maintain uniformity in files, prevent work duplication, and ensures effective communication lines within. This synergy improves the efficiency of operations and enables good governance in the Legal Department.

3.3 Example of the Task

During my internship at IDLC, I used to observe and help out in different legal matters. The following example is a matter which the company's Legal Department dealt with, which shows the complete procedure in the Artha Rin Adalat Ain, 2003 — from institution of case to settlement of advocate fees.

A. Case Identification (Default Detection): On 15th May 2025, the Legal Department has deemed the borrower **Mst. Rabeya Begum** along with the personal guarantors Md. Rafiqul Islam, **Mst. Asma Akter**, and **Sheikh Md. Abul Kalam Azad** defaulter. Upon verification of the loan repayment records, each outstanding amount was validated by its corresponding due date and the details of the client. The whole defaulter list was made as the sum outstanding was BDT 26,85,329.81 including principal and accrued interest. This was the potter required this to determine what clients had to be taken to court.

B. Issuing Legal Notices: Formal legal letters were therefore composed and sent on 18th May 2025 to the debtor as well as its guarantors. The notices allowed the defendants 30 days to pay their debts since the date of publication which was on 16th June 2025 the defendant had enough time to pay their debts. These notifications warned there could be further legal consequences under the Artha Rin Adalat Ain, 2003. With the Artha Rin Aine Team, we confirmed all letters and notices were correct and sent on a timely manner.

C. Submission of Cases via External Law Firms: Post the notification period, the case was readied for filing to the Money Loan Court by IDLC's designated law firms on June 20, 2025. The information pack contained the loan agreement, repayment history, borrower communications, along with copies of the legal notice. This made the case legally intact and made filing IDLCs

position in the court stronger.

D. Working with External Law Firms:

While in court, the Legal Department was in daily contact with the outside counsel representing it. Hearing dates, court orders and other requisites were also reported gathered and recorded in the Legal MIS between June 20, 2025 and July 10, 2025. So, it was under control the issue of Mst Rabeya Begum and the guarantors and the matter of their necessary steps to be taken on time”.

E. Notice of the Destruction:

The legal notices were published in the newspapers as per the directions of the court on 19th May 2025. To the names of the borrower and the guarantors, the notices adds case details, the due amount, and the time to present themselves in court. Coordination with The Daily Star and Prothom Alo facilitated us with timely and genuine publication of our advertisements as per our satisfaction and strict legal compliance.

F. Execution and Sale Process: Upon default of payment after court judgment, defendant company underwent post-judgment execution process initiated by the plaintiff on 25th July, 2025. This meant drawing up the auction papers and complying with all the legal formalities. With coordination of law firm and auction agency to reclaim Mst; Rabeya Begum’s property was successfully recovered legally.

G. Invoice Receival and Verification (Legal MIS Team): Dated 25th July 2025, invoices from the law firm and newspapers were receivable and verifiable. The law firm’s fees were BDT 50,000 for legal services; the newspapers’ bills were BDT 15,000 for publication. Prior to payment, each invoice was verified against the case file and Legal MIS records for completeness and accuracy.

H. Invoice Preparation and Settlement: On 28th July 2025, bills were generated and submitted to Finance for settlement. Attached with all original authoritative supporting paper works and payments were submitted successfully with bank transfer motion to the law firm and newspaper agencies. Thereby the financial arrangements for the case stood settled.

I. Maintenance and Reporting: In the end, all case information, including hearing date, court order, auction news and finance were updated in the Legal MIS database. Based on the case progress and payment, with the execution result in the focus, written reports were prepared and delivered to senior management on a weekly and monthly basis. This resulted in a properly fed, transparent, and sufficiently supervised by management legal process.

3.4 Important Learnings

Legal Recovery Process Insight: During my internship, I grasped how financial institutions handle legal recovery. I learned about identifying defaulted clients, drafting legal notices, and preparing case files with supporting documents. Observing loan recovery under the Money Loan Court Act showed me the practical side of legal procedures. This experience emphasized the importance of accuracy, timeliness, and thorough documentation for a successful recovery process.

Document Management and Compliance Skills: A key part of my role was preparing and organizing legal documents. Drafting notices, organizing case files, and ensuring compliance with legal standards and internal policies honed my documentation skills. This experience heightened my attention to detail and underscored the significance of compliance in avoiding legal issues.

Coordination and Communication Proficiency: Throughout my internship, I liaised with internal teams and external law firms, enhancing my communication skills. Regular updates on case progress, hearing dates, and documentation requirements improved my coordination abilities. Coordinating with newspaper agencies for legal notice publications underscored the importance of timely communication and teamwork in legal operations.

Data Management and Reporting Expertise: Working with the Legal MIS (Reporting) Team, I developed strong data management skills. Updating case information, payment records, and preparing reports for senior management enhanced my ability to handle data accurately. This experience highlighted the importance of organized information for monitoring performance and decision-making.

Financial Accuracy and Verification Skills: Invoice verification and bill preparation were integral to my internship. Verifying invoices, ensuring accurate billing, and attaching supporting documents improved my financial accuracy. This experience emphasized the significance of internal control and financial transparency in corporate settings.

Professional Growth and Work Discipline: The internship boosted my professionalism, time management, and work discipline. Meeting deadlines, handling legal documents responsibly, and maintaining effective communication with team members enhanced my workplace ethics. These qualities have made me more organized and prepared for future corporate roles.

3.5 Connection with Academia

During my internship, I got hands-on experience that matched what I learned in my Business Law classes. I dealt with loan defaults, legal notices, and court procedures under the Artha Rin Aine Team. Seeing how financial institutions apply laws for loan recovery in real life was eye-opening.

In the Accounting department, I found a direct link to my financial accounting and managerial accounting courses. Tasks like invoice verification, bill preparation, and payment processing mirrored what I studied. It was clear how crucial accounting principles are for maintaining financial transparency within a legal department.

My work with the Legal MIS Team tied in perfectly with my Management Information Systems courses. Updating case information, tracking payments, and preparing MIS reports aligned with topics like data accuracy and database management. I saw firsthand how MIS aids decision-making and boosts operational efficiency.

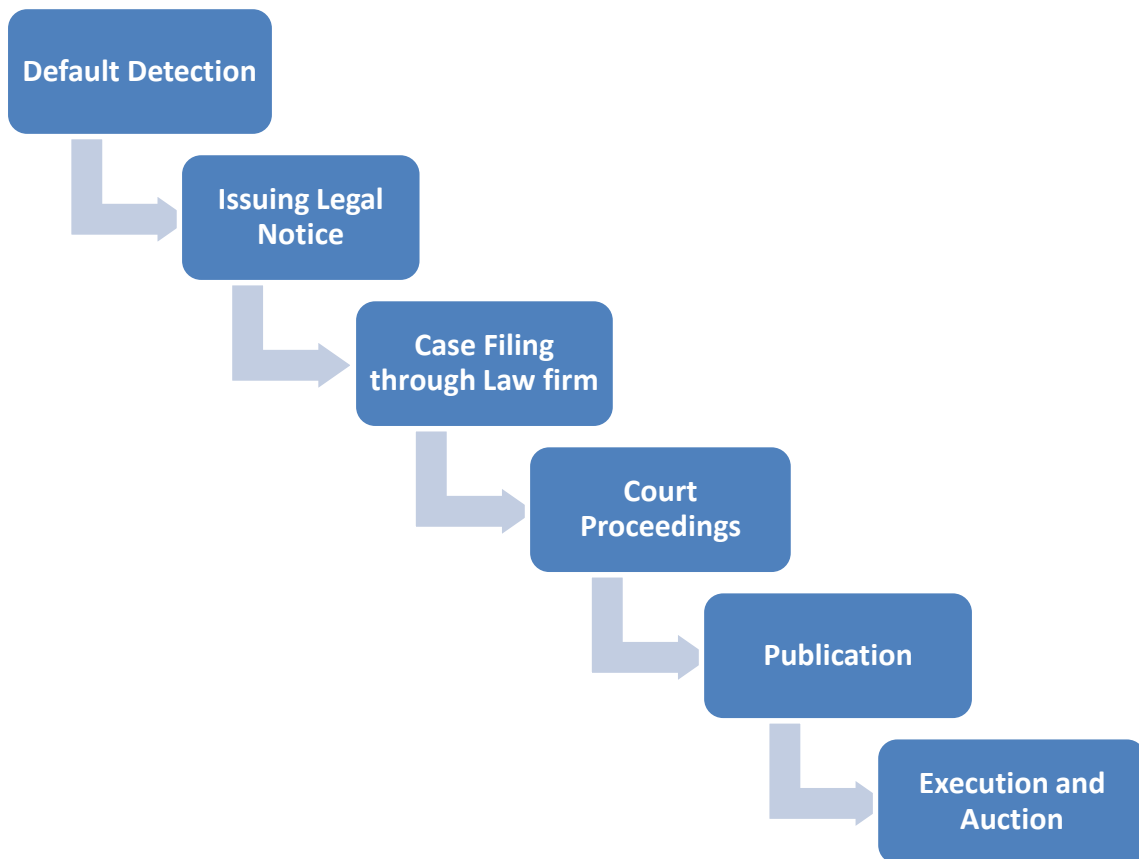
Collaborating with different teams and external parties allowed me to put into practice the principles of management and organizational behavior. I saw how tasks are divided, communication flows, and teamwork ensures smooth operations. It was a practical application of concepts like teamwork, communication, and leadership.

In terms of Business Communication, my internship involved writing legal notices, emails, and maintaining documentation. These tasks directly related to my Business Communication courses. I honed my formal writing skills and learned the importance of clear communication in a corporate setting.

Tasks like data accuracy checks and document verification during the internship honed my research and analytical skills. I used logical reasoning and evaluation techniques while updating the MIS database. This experience strengthened my analytical abilities and showed me how research-oriented thinking supports decision-making in legal and administrative settings.

CHAPTER FOUR:
Critique and Reflections

4.1 Default Loan Recovery Process



- **Default Detection:** A recovery process starts with detecting customers who have defaulted on their obligations. The section one of the Legal Affairs Team scrutinizes the loan repayment file to detect those who were overdue by analyzing their payment pattern and outstanding due along with the principal, interest, and penalties. The team works with the credit officers and branch managers to collect comprehensive detail of each defaulter account, including payment patterns and reasons for default. Based on this assessment, a complete list of clients who require legal action under the Money Loan Court Act, 2003 (Artha Rin Aine) is compiled, prioritizing those clients with high outstanding amount or defaults for long duration.
- **Issuing Legal Notice:** Once defaulters are identified, legal notices are sent in the company of legal professionals. These notices also contain borrower's information, loan account details, a due amount split up, and the demand for the payment within 30-15 days. The notice also

specifies the legal ramifications of the non-payment and is sent by registered post or courier to have those documents well. It is the borrower's last chance to pay off the dues before taking court action, he added and enables the fulfillment of the legal requirement of notice prior to a case filing. The reviews by the Legal Affairs in this period; pending to be watched.

- **Case Filing through Law Firm:** If the borrowers do not respond or make payment within the notice period, IDLC through its appointed external law firms files a case in the Artha Rin Adalat. The preparation consists of collating a set of documents which includes the loan agreement, the full history of payments, copies of legal notices, along with evidence of service, KYC, related securities/mortgage documentation, the guarantee, along with every other bit of communication. They check the case file for correctness and prepare the necessary court pleadings like plaint and affidavit and file the case in the court having jurisdiction. Then the court issues summons to the borrower.
- **Court Proceedings:** The designated law firm shall defend IDLC through the proceedings. Parties are heard during the hearings. The law firm also show the loan agreement, disbursal of the fund and the borrowers' non- payment even after reminders. The entire case is scanned by the court, and the court can call for more documents or evidence, or clarification. Normally Court proceeding will be 1~3 months in medium, however it depends because it may be takes long for case complexity, need for document verification or court adjournments. The law firm is in constant contact with IDLC and informs on the status of the case. If the court rules in IDLC's favors then the borrower is under the legal obligation to repay the loan amount along with interest and court costs.
- **Publication:** When the borrower does not pay even after the court order, IDLC goes for sale of mortgaged property. Prior to auction, the auction notice is announced in the daily Bengali and English dailies (nationally circulated newspapers). The PH includes extended property information, cases, auction date/time/location, reserve price, qualifications, earnest money submission process, terms of payment, inspection dates and contact information. To enable prospective purchasers to examine the property, the sale notice is published prior to the sale the entire process is transparent, true buyers are attracted, fair competition for better price is ensured and mandatory legal requirements are fulfilled.

- **Execution and Auction:** After expiration of the notice period, the auction proceeds judicially at a public place. Qualified bidders who have submitted earnest money then commence public bidding beginning at the reserve price. It sold to the highest bidder that qualified. The successful bidder shall pay the entire amount within 15 to 30 days and thereafter ownership is legally transferred by due registration. The recovered amount covers the principal amount of the loan, interests, legal ex-pen-ses and the cost of the court. Remainder is paid back to the borrower. If there is no sale then IDLC may opt for subsequent sale by auction or other means to recover the loan amount. Everything is tracked in detail for audit and compliance.

4.2 Loan Default and Recovery status (2022–2024)

The analysis bellow, provides a financial background of the workload and working environment of the Legal Litigation Department as observed during the internship, based on annual reports of IDLC Finance PLC.

Year	Total Loan Disbursed (₹ Million)	Defaulted Loan (NPL) (₹ Million)	Write-Off (₹ Million)	Recovery (₹ Million)
2022	122,515	4,490	1,267.28	80.26
2023	132,324	4,116	1,037.95	117.92
2024	146,214	4,310	1,084.37	149.65

Total Loan Disbursement: Growth Patterns and Year on Year Variations

The bank has steadily increased the loan disbursement for three years. The total loan disbursement was ₹122,515 million in 2022. In 2023, the amount rose to ₹132,324 million, an increase of ₹9,809 million from the previous year, representing a growth rate of 8.0%. Total loan disbursement increased again in 2024 to ₹146,214 million, up by ₹13,890 million (10.5 percent) from 2023. During the period of three years total loan disbursement increased by ₹23,699 million, which is a 19.3% growth. Such consistent growth shows that the organization is solidifying its position in the market

and is enjoying growing customer confidence.

Defaulted Loans: Analysis of NPL ratio and annual performance

The percentage of defaulted loans over total loans allows to have a clear view on the loan's quality. As of 2022, the defaulted loans amounted to ₺4,490 million, which is 3.66% of total loans. Defaulted loans stood at ₺4,116 million in 2023, accounting for 3.11% of total loans and decreased by ₺374 million (8.3%) compared to that in 2022. In 2024, non-performing receivables (defaulted loans) rose marginally to ₺4,310 million still accounting for 2.95% of total loans and growing by ₺194 million (4.7%) over 2023. The good news is the default loan ratio is showing non-stop decline – it was 3.66% in 2022, decreased to 3.11% in 2023 (a drop of 0.55 percentage points) and finally to 2.95% in 2024 (a drop of 0.16 percentage points). It indicates that the institution has been able to maintain the quality of the loan along with the growth in loan disbursements.

Write-Off: Percentage of Defaulted Loans and Yearly Trends

The share of write-offs on the total amount of defaulted loans can provide the insight whether the loans are well managed or not. The amount of write-offs was ₺1,267.28 million in 2022, equivalent to 28.23% of the default loans. It decreased significantly to ₺1,037.95 million for 2023 which is 25.22% of the defaulted loans and is also a difference of ₺229.33 million (18.1%) to the previous year. Q1-2024 Write-offs increased marginally to ₺1,084.37 million p a, 25.16% of the defaulted loans and up by ₺46.42 million (4.5%) to 2023 figures. The write-off to default loan ratio fell from 28.23% in 2022 to 25.22% in 2023 (falling by 3.01 percentage points) and by 0.06 percentage points to 25.16% in 2024. A dwindling figure such as this shows the bank has become more adept at retrieving defaulted loans and possibly by diverting towards other options prior to writing off loans.

Loan recovery: Rate of collection on defaulted loans and annual progress

The balance of recovery to defaulted loans indicates how efficient is the collection of the institution. Loan recovery recorded to be ₺80.26 million in 2022, which was a mere 1.79% of defaulted loans. Recovery soared to 117.92 million in 2023, accounting for 2.86% of defaulted

loans and 37.66 million (46.9%) higher than the previous year. In 2024, recovery increased further to ₺149.65 million, accounting for 3.47% of the defaulted loans and an upward of ₺31.73 million (26.9%) from 2023. Loan recovery improved by 69.39 million over three years, which equates to a growth of 86.5%. The ratio of recovery to defaulted loans is on the rise – in 2022 it was 1.79%, in 2023 is 2.86% (an increase of 1.07 percent points) and in 2024 is 3.47% (an increase of 0.61 percent points). This steady progress indicates that the institution has improved its recovery systems, its legal recovery procedures and has been more successful in its dealings with defaulting borrowers.

4.2 Reasons for Loan Default Observed

Based on the processes, case files, and outcomes observed in the Legal Litigation Department, the high volume of Non-Performing Loans (NPLs) can be attributed to the following detailed factors:

1. Inadequate Pre-Sanction Assessment:

Among the lenders, a significant reason for loan default is the lack of careful assessment of borrowers' financial strengths by them before sanction of the loan. Often, neither the financial statements are verified duly, nor the income sources are confirmed, the business is not inspected or the capacity to repay the loan is checked out to that extent. Consequently, such lending methodologies conclusions in granting loans to customers with no stable cash flow and without expected paid back capacity. This divergence of the borrower's financial capacity with the size of the sanctioned loan creates repayment difficulties in the long term, which increases the probability of default.

2. Weak Monitoring After Loan Disbursement:

A large default may occur because the lender does not effectively monitor the post-loan financial or business activities of the borrower. Periodic supervision, district level visits, repayment behaviors study, EW system etc. In the absence of ongoing surveillance, lenders miss signs of early stress on repayments—such as slumping business sales, cash flow squeezes, or missed payments—that could

have been averted had they stepped in sooner.

3. Poor Collateral Valuation and Appraisal:

Collateral assets are expected to reduce credit risk, however an erroneous or inflated collateral valuation greatly magnifies the lender's loss if a loan default. If the collateral was overestimated or the legal ownership was not sufficiently verified, the recovery amount will be significantly less than what was anticipated. Poor valuation results in the lender's security cover being inadequate and the legal recourse becomes difficult under the Artha Rin Adalat Ain and the like.

4. Documentation Errors and Legal Loopholes:

such as inaccuracies in mortgage papers, missing signatures, erroneous property descriptions, or fraudulent ownership can cause procedural delays in loan recovery. These lending frauds take advantage of defaults and documentation errors to delay legal remedies; they are the lender's most frequent form of legal impediment. The borrower's default triggers delay in legal proceedings, weakens the lender's case in damage suits, and ultimately may impair the lender's security.

5. Too Much Borrower Statements Without Verification:

Information on the has numerous investments based on casual comments made by companies regarding sales expectations, business growth, return on investments, etc. without independently verifying information of that nature. This in turn promotes the possibility of loans being granted based on padded figures or other unrealistic illusions, pull a loan, and then default when the borrower has not been able to produce the especially anticipated income.

6. Economic instability and business risk:

Adverse changes in market conditions, business losses, income diminution or general economic pressures could materially impact the financial condition of a borrower. A client's business may experience falling sales, increasing costs, or unforeseen economic shocks that leave it with a cash flow too small to make its regular installment payments. Consequently, the borrower loses the ability to repay in a staggered manner and ultimately defaults. Not only is this detrimental to the financial

health of the borrower, it also exposes the lender to higher risk of recovery and makes the overall recovery of the loan much more difficult.

4.4 Key Challenges Faced During the Entire Internship Period

As far as the intriguing challenging environment was concerned, the internship catered me to encountering multitude of challenges while I was in the legal and financial sector. These involved adjustments and discipline:

1. Confidentiality and Barriers to Information Access:

Since the legal and financial dealings of the organization are extremely sensitive, strict confidentiality rules apply. This is problematic because it frequently causes the withholding of access to important / vital financial and legal materials. As a result, the intern was unable to completely examine all the minutiae of certain complicated case files and follow the entire judicial undertaking.

2. Lag in Inter-Departmental Documentation Flow:

There was a (unfortunate) operational problem: documentation and communication "flowed" among the dept (Credit, Operations, Legal, etc.) that was sometimes – delayed. Some of the organizational tension could interfere with the cohesive flow of work within the team, and make it difficult to maintain a real-time sense of where you file stood in processing.

3. Inefficiency of Manual Procedures in MIS Reporting:

The reporting of Management Information System (MIS) reports for internal analysis and decisions, was noted to be highly manual. This absence of technology-based automation prolonged the duration for preparing reports and eventually brought in more possibilities for human mistakes, emphasizing a crucial point of improvement for the system.

4. Managing a Heavy and Changing Workload:

The division was kept busy, at times stretching to the breaking point, particularly during the "high

seasons" or periods of maximum activity. The intern had to learn how to pace themselves in a hectic environment that demanded organizational skills and multitasking.

5. Limitation of Short Internship Term:

The internship was for a short-term, limited duration (May 22 – August 22). This limited time period turned out to be too much of a straitjacket, because the entire legal litigation process for default loan recovery is a lot longer time period. As a result, the intern was unable to watch and to take part in the process as a whole until final resolution.

6. Large Number of Documents to be Reviewed:

I was a regular taskmaster for both paper and digital documents that needed to be gone over with a fine-toothed comb. Achieving this standard, randomly enough, involved a kind of patience, eye for detail and organizational skills that could actually meet this extremely detailed route for each of the files they saw legally case by case.

4.5. Learning from Challenges

The challenges were excellent learning experiences that made me dramatically more capable as a professional:

- **Precision and Control:** The work with documentation friction and monetary verification brought home the absolute requirement of precision, detail, and a strong system of internal controls. Even small mistakes, I learned, can lead to massive legal and financial liability.
- **Systemic Risk:** The high NPL volume underscored the fact that poor judgment in the initial lending stage carries a systemic cost, which I glean from observing the extremely high level of NPLs. This was to let me know that good risk management is about prevention (upstream due diligence) and not only cure (downstream litigation).
- **Professionalism and Adaptability:** I gained invaluable experience in professional communication, following up, and adapting in a large and complicated corporate entity whilst facing constrained data and multiple legal teams from both within and externally.

4.6 Overall Reflection

The placement under IDLC Finance PLC was transformative and fruitful period which paved the way to my career successfully.

- **Professional Development:** My career focus has been solidified around Financial Auditing, Corporate Compliance, and Management Accounting based upon my experience directly working in financial compliance, monitoring, and reporting. It gave practical and technical knowledge of legal and risk environment in NBFI sector.
- **Personal Development:** The rigors of detail-intensive, high-stakes work instilled a work ethic, accountability, and self-assurance that are second to none. I left with sharpened analytical skills and the professional confidence to tackle any challenging corporate environment.

CHAPTER FIVE:

Finding, recommendations and Conclusion

5.1 Findings

Recovery Process

- The legal process for a defaulted loan under the Artha Rin Adalat Ain, 2003 (Money Loan Court Act) equips the company's Legal Department with an effective tool for recovering debts
- The process, however, is bureaucratic, slow and protracted, which may result in capital turnaround delays and thereby put pressure on the company's liquidity.

Default Loans (NPLs)

- • A major vulnerability in the company's risk management system is the growing size of its Non-Performing Loans (NPLs) or defaulted loans.
- This high NPL ratio indicates insufficient risk assessment during loan evaluation.
- It points to inadequate due diligence, screening, and assessment of potential borrowers' financial viability.
- High levels of NPLs lead to capital erosion and weakening of overall financial health.

Write-Off and Recovery

- The ratio of loan write-offs to total defaulted loans has been steadily declining, which is a positive sign of increasing efficiency of the management of loans.
- The report shows this ratio decreasing from 28.23% in 2022 to 25.16% in 2024.
- This decline suggests the company is effectively utilizing alternative recovery procedures and legal means and then charge off the loan, therefore reducing asset loss.
- The company's loan recovery efforts have proven to be quite successful.
- The Recovery Rate, as a proportion of NPLs, has notably increased from 1.79% in 2022 to 3.47% for the year 2024, indicating an improvement of 1.68 percentage points in the efficiency of collection.

Reasons for Loan Default

- Deficiencies in the initial evaluation and verification of the borrowers' sources of income and financial statements.
- Limitations in the appraisal on proposed collateral.
- Poor follow-up and surveillance of the borrower's business and repayment conduct post disbursement of funds.

5.2 Recommendations

Recovery Process Improvement

- The Legal MIS platform should incorporate a complete automation for tracking of legal case to speed result in faster and more effective recovery.
- Periodic review meeting with external law firms to track cases should be held.
- An attached recovery surveillance cell for high-value or protracted cases should be set up.

Loan Default Prevention

- IDLC has to enhance its pre-sanction due diligence process to keep a check on the pace of NPLs growth.
- The selection of borrowers should be rigidly data-driven, with thorough financial verification and assessment of the borrower's capacity to repay based on reality.
- More focus should be placed on cash-flow stability analysis, rather than to trust to verbal comment.
- The introduction of an Early Warning System (EWS) will enable to detect borrowers already exhibiting initial indications of financial strain.

Write-Off and Recovery Management

- write-off is to be viewed as a last resort action, to be used only when all efforts to recover the debt have failed.
- Before approving any write-off, IDLC must verify that all legal procedures under the *Artha Rin Adalat Ain* have been properly concluded.
- The Legal MIS team can maintain a separate tracking dashboard for previously written-off accounts for continuous follow-up.

Addressing Default Causes

- Financial statements, business income sources, and repayment capacity must be thoroughly verified.
- Regular business inspections, tracking repayment behavior, and identifying early warning signals should be conducted.
- Property must be valued by certified and reliable valuation experts.
- A dual-verification mechanism should be introduced to ensure mortgage deeds, client signatures, and property descriptions are accurate.
- Stricter loan approval criteria and risk-based loan structuring should be introduced for clients operating in economically vulnerable sectors.

5.3 Conclusion

The process of legal litigation initiated by IDLC Finance PLC for recovery of default loan is consistent and governed by the compliance of laws through which the IDLC Finance PLC is protecting their end as well as making accountable the other party in the financial service industry. It was realized that, despite a robust legal and operational framework in IDLC they face the perennial problem of escalating Non-Performing Loans (NPLs) which could be better curbed by stronger preventive rather than corrective measures. Results of the study confirm that insufficient pre-sanction appraisal, poor post-sanction monitoring, gaps in valuation of collaterals, and non-adherence to documentation lead to many defaults which culminate into litigation.

The repeated use of the *Artha Rin Adalat Ain*, 2003 in the organization's favor reinforces the presumption of IDLC's lawful and transparent recovery mechanisms. Despite the fact that

litigation is a time-consuming matter, IDLC has managed to enhance its recovery performance these years through structured MIS reporting, tight coordination with external law firms, and stringent monitoring. The declining write-off ratio and the increasing recovery ratio (2022–2024) corroborated the effectiveness of those executive and legal actions.

This is a very rewarding internship, as it offers me the ability to explore the technicalities of law v. finance v. documentation v. MIS based reporting from the perspective of both theory and practice. It became clear that loan recovery was more than just looming large over - Granted, legal action alone is far from being the best solution for loan recovery, but it can play a crucial role, and I had never been able to use it made me think what really should determine successful loan recovery. Enhanced due diligence, baseline supervision, automation, and inter-institution collaboration will be essential in bringing about long-term financial viability and in reducing the risk of loan default in the future.

Collectively, the internship experience communicated how legal protection, documentation accuracy, and communication timeliness contributed to institutional resilience. The knowledge acquired and the skills developed in the course of this internship would remain instrumental for my career in financial auditing, corporate compliance and risk management.

CHAPTER SIX:
Implications

The standard loan collection process at IDLC Finance PLC is one through which gained a lot of practical understanding of the legal, financial, and administrative processing. It was a wonderful experience of linking the academic theories to practical application, through which you understand how financial institutions are inscribed in legal codes such as Artha Rin Adalat Ain, 2003, to shield their interests and facilitate orderly recovery.

Implications for Learning in Academic Contexts:

The BBA core subjects like Business Law, Accounting, MIS, Financial Management, etc were all utilized during the internship. Authorization mail for legal notices, case details and posting adjust invoices verification and MIS reporting made me realize how institution take actions on theoretical knowledge. The experience revealed this for clean data, good documentation and compliance in financial operations.

Effect on Organizational Efficiency:

Seeing some of the day-to-day operational issues that IDLC management such as manual MIS reporting, documentation delays, and communication issues between departments, was an eye opener and also showed me where some improvement can be made. The automation of legal case tracking, better linkage of legal, credit and operations teams and sophisticated monitoring tools can substantially reduce delays during recovery and mitigate risk exposure.

Implications for NBFI Sector:

Increasing rate of Non-Performing Loans (NPLs) in banking sector highlights that there is a need for strong pre-sanction assessment, constant monitoring and effective recovery measures. The internship explained how legal recovery processes are important in ensuring that the portfolio quality is maintained and the NBFI sector remains financially stable.

Impacts on Personal and Professional Life:

The internship improved my critical thinking, observation, professional communication and knowledge on company rules and regulations. Experience in legal document, MIS platforms, and liaising with external law firms, has equipped me for prospective positions in financial auditing

and corporate governance and risk management. The hands-on knowledge I've gained, particularly when it comes to precision in paperwork, report writing, and adhering to legal requirements, will be extremely helpful as I advance in my career.

Future Outlook:

Learnings from the internship likewise face emphasize the need for stricter due diligence, more sophisticated MIS automation, and continuous employee education in the area of legal and financial documentation. These changes may substantially improve efficiency of loan default and recovery. Keeping in mind my career long-term and personal growth, this experience has motivated me to get additional credentials in finance and compliance.

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