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Faculty of Business Administration
AMERICAN INTERNATIONAL UNIVERSITY-BANGLADESH (AIUB)

INTERNSHIP RESEARCH REPORT ON
“Credit Scoring in Credit Analysis of NBFIs”

An Internship Report Presented to the Faculty of Business Administration in Partial Fulfillment of the Requirements for the Degree of Bachelor of Business Administration (BBA)

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Letter of Endorsement

The Internship Research Report entitled "Credit Scoring in Credit Analysis of NBFIs" has been submitted to the Office of Placement & Alumni, in partial fulfillment of the requirements for the degree of Bachelor of Business Administration (BBA), Major in Accounting and Finance, Faculty of Business Administration on June 26, 2023 By Fariha Maharin, ID#20-42984-1. The report has been accepted and may be presented to the Internship Defense Committee for evaluation.

(Any opinions, suggestions made in this report are entirely that of the author of the report. The University does not condone nor reject any of these opinions or suggestions).

Asif Parvez
Internship Supervisor

Letter of Transmittal

Date: 26th June, 2023

Mr. R. Tareque Moudud, FCMA

Director, Office of Placement & Alumni (OPA)

American International University-Bangladesh

Kuratoli, Dhaka.

Subject: Submission of Internship Report on "Credit Scoring in Credit Analysis of NBFIs".

Dear Sir,

It is a great pleasure to present the internship report titled **"Credit Scoring in Credit Analysis of NBFIs",** which was assigned to me as a partial requirement for the competition of Bachelor of Business Administration degree.

It is my honor to work for a leading organization of Bangladesh and gain an in-depth knowledge on lending process and monitoring techniques. Throughout the study, I have tried with the best of my capacity to accommodate as much information and relevant issues as possible and tried to follow the instructions as you have suggested. I tried my best to make this report as much informative as possible.

I am grateful to you for your guidance and kind cooperation at every step of my endeavor on this report. I shall remain deeply grateful if you kindly take some pen to go through the report and evaluate my performance.

Sincerely yours

Fariha

Fariha Maharin

20-42984-1
Faculty of Business Administration
American International University-Bangladesh (AIUB)

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I express my sincere gratitude and all appreciation to Allah for everything in life. I want to thank American International University-Bangladesh administration for their support.

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My sincere gratitude goes out to Asif Parvez Sir who served as my honorary internship supervisor and helped me throughout the entire internship phase.

I wrote the research paper using my knowledge, concepts, and comprehension of the internship program. Along with being instructive, I attempted to make it clear and informative.

Executive Summary

The research paper is the result of my internship program, which I finished in order to fulfill a prerequisite for my BBA degree. The objectives of this study include being familiar with the actual working environment and acquiring some hands-on experience know the specifics of the work procedures used in the financing industry. They have been used to prepare these secondary sources of data. The initial section of this research contains an organizational section that has been established for the proper execution of the whole study. I have knows a lot of new things throughout this internship which I had never come across before.

One of Bangladesh's top non-banking financial institutions is IPDC Finance. A bank deals with cash, whereas a nonbank financial institution never does; this is the major distinction between the two types of institutions. Home loans, auto loans, personal loans, deposit and savings plans, small and medium enterprise loans, leasing, and corporate loans are all services offered by IPDC Finance. Women entrepreneurs are given special attention. By doing their work, IPDC supports the aspirations of many people and aids in the development of Bangladesh's industries.

There are risk issues since they deal with loans, primarily the credit risk. The risk of the borrower defaulting is referred to as credit risk. Members of their own squad go and check the address and sign of the clients. Then Credit Analysts thoroughly review all the documents, assess the financial situation, decide their loan amount that will be granted.

The authority runs a last check using software of the company to determine loan amount that has been approved. A specific authority group may only approve up to 5, 10, or 20 crores in order to reduce risk. It fluctuates the larger the sum, the greater the concern. For substantial loans, the board of directors had to approve them. After that, the operating department processes the loan and disburses the funds. For a mortgage, the square footage of the residence, the land, and the land records are examined. Personal loans are only granted to people with steady employment. They telephone and mail their client to remind them of the interest and loan payments. All of these actions are taken to guarantee payments and reduce the likelihood of default. After all of this, the special asset management team will take legal action if necessary. While doing my internship I realized the problem of credit scoring of the clients in a proper way there they had to face lots of limitations in the process of credit analysis.

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Chapter One

Introduction

1.1 Introduction

Non-banking financial institutions are companies that provide both individuals and corporations with a variety of financial services. By providing loans, credit, and other financial products, these organizations typically work to assist people and businesses in achieving their financial goals. Financial institutions are essential to the economy because they provide access to capital and financial services for both individuals and corporations. They also promote economic stability by reducing risk and providing financial security against unforeseen catastrophes.

The process of establishing a borrower's creditworthiness, or their ability to repay a loan or other sort of credit, is called credit analysis. The aim of credit analysis is to ascertain the likelihood of default or non-payment by the borrower. Credit analysts use a variety of tools and methods to evaluate a borrower's creditworthiness, including financial ratios, credit scores, credit reports, and cash flow projections. Additionally, they may examine real estate or other assets that the borrower is willing to use as security for the loan. The results of the credit analysis are used to determine the terms of the loan or credit agreement, including the interest rate, the time frame for repayment, and the collateral requirements. Lenders and other financial institutions use credit analysis as a crucial tool to assess the risk of lending money and choose whether to approve or deny credit applications.

Credit scoring is the process of figuring out a borrower's creditworthiness based on their credit history, financial behavior, and other relevant factors. Credit scoring algorithms take into account a number of factors payment history, as well as the borrower's credit utilization, categories of credit used, length of credit history, and most recent credit queries. For the purpose of deciding whether to approve a loan application or credit request and at what interest rate, lenders utilize a credit score that is derived from these factors. A high credit score shows that the borrower has a great credit history and is pay their debts on time, whereas a low credit score shows that the borrower may be a higher risk and may have a history of missing payments.

Credit scoring may be a helpful tool for lenders, but it's crucial to recognize its limitations and potential for bias and to make sure it's used in a fair and transparent manner.

However, people currently have little control over their own credit scores and even small power to challenge biased, unfair or inaccurate evaluation of their credit. The accuracy and impartiality of computerized credit scoring tools have been questioned. These worries have grown as new "big-data" credit-scoring problems have just entered in the market.

Lenders have increased their usage of big-data profiling methods since 2008. Every customer now leaves a digital footprint with the increased usage of cellphones, electronic payment methods and social media which businesses enroll lenders and credit scorers are avidly collecting and analyzing to better forecast consumer behavior. (Mapping, and Sharing, the Consumer Genome, June 16-2012). Big-data measurement tools also have the potential in how personal information is used in marketplace by using information of their credit history(preserving values, May 2014). Since they use a relatively small number of data points, traditional credit-scoring systems have long struggled with the issue of accuracy (ACCURATE CREDIT TRANSACTIONS ACT Dec. 2012).

1.2 Statement of the Problem

Credit scoring models rely on previously collected information about a borrower's credit conduct, which may be sparse or inaccurate. The borrower's creditworthiness may be misrepresented and the credit score may be inaccurate as a result credit scoring methodologies are frequently intricate and challenging to comprehend for borrowers, which can cause misunderstanding and mistrust. Many borrowers are unaware of the variables that go into calculating their credit score.

Since low-income borrowers and members of minority groups may have less access to credit or a shorter credit history, credit scoring models may be prejudiced against certain groups of people. Discrimination and unfair treatment may result from this. Credit scoring algorithms frequently only take into account a borrower's credit history and financial behavior; they may overlook other elements that may affect their capacity to repay a loan, such as their income, the stability of their work, or other aspects of their personal life. Credit scoring models might not be adaptable enough to take into account borrowers with special financial circumstances or who have gone through difficult situations, including a medical emergency or job loss. This may result in credit denial or unreasonable penalties for debtors.

To estimate the likelihood that a bad financial event, like a credit obligation default, will occur automated credit scoring way like which created by the Fair and Isaac Corporation (FICO) have turn into a crucial factor in determining financial success for the majority of people over the past three decades (First introduced its flagship score in 1981). Consumers are unlikely to be able to buy a house, build business without a sufficiently high credit score from one of the three major credit bureaus (Banking the Unbanked Jun. 14, 2013). Credit reports and ratings are utilized for more than just making loan choices. When choosing new hires or whether to promote an existing employee, many employers look at credit reports (Amy Traub, Feb. 2013).

Credit scoring tools that use hundreds of data points, the majority of which are collected without the consumer's consensus, pose significant transparency problem. Consumers have small little opportunity to notice and contest unfair credit choices, opportunity to understand what steps they should take to improve their credit. Recent studies have also shows the accuracy of the data used by these instruments, in some cases pointing up big errors that have a important impact on lending judgments. Big-data techniques runs possibility of creating a system of "creditworthiness by association" where a consumer's social, religious, and other ties indicates whether they are eligible for an affordable loan.

1.3 Significance of the Study

Credit scoring is crucial for non-banking financial institutions (NBFIs) because it helps them to assess the creditworthiness of potential borrowers. NBFIs provide various financial products and services, such as loans, insurance, and investment management, to individuals and businesses that may not have access to traditional banking services.

By using credit scoring models, NBFIs can evaluate the credit risk associated with lending to a particular borrower. This allows them to make informed decisions about whether or not to approve a loan or extend credit to an individual or business. It also helps NBFIs to set appropriate interest rates and other terms and conditions for their financial products and services.

Credit scoring can help NBFIs to manage their risk exposure by identifying borrowers who are more likely to default on their loans. By doing so, NBFIs can reduce the likelihood of financial losses due to non-payment of debts. This is especially important for NBFIs since they do not have access to traditional deposit funding sources, such as customer deposits, to fund their lending activities.

By conducting credit analysis, NBFIs can also manage their risks effectively and minimize the possibility of default. This, in turn, helps them maintain a healthy loan portfolio and build a strong reputation in the market. Overall, credit scoring is essential for NBFIs to make informed lending decisions, manage their risk exposure, and maintain a profitable business for these credit scoring should be done accurately.

1.4 Purpose of the Study

- The main purpose of this study to understanding difficulties in credit scoring while doing credit analysis in a non-banking financial institution.
- To discuss the credit scoring system of NBFIs.
- To identify issues and challenges NBFIs faced while collecting data of clients.
- To find out the problems NBFIs face while doing credit scoring of a clients.
- To recommend some suggestions to based on my findings.

1.5 Research Questions

From this research the question that I am hopefully going to answer is given below:

- What problems usually NBFIs face while doing their credit analysis?
- What are the systems of credit scoring?
- What challenges arise in the time of collecting data for credit scoring of a client?
- What are the main issues NBFIs face to do credit scoring?

1.6 Research Hypothesis

It is hypothesized that NBFIs credit scoring system will go smooth with their scoring system while doing credit analysis if the problem of data transparency is solved. Challenges that NBFIs faces can be minimized by collecting accurate data of the clients. Credit scoring development process systems can control issues of NBFIs.

1.7 Definition of the keywords

 NBFI: Non-Bank Financial Institution

 IPDC Finance Limited: Industrial Promotion Development Company

 CBS: Core Banking Software

 EMI: Equal Monthly Installment

 RM: Relationship Manager

 BEFTN: Bangladesh Electronic Fund Transfer Network

 GTS: Government Transaction System

 EDMS: Electronic Data Management System

 CIB: Credit Information Bureau

 GM: General Manager

 PO: Principal Officer

 ACR: Annual Confidential Report

 KYC: Know Your Customer

 BIBM: Bangladesh Institute of Bank Management

 CRM: Credit Risk Management

 FDR: Fixed Deposit Receipt

 MCC: Management Credit Committee

 NID: National Identity Card

 NPL: Non-Performing Loan

 TIN: Taxpayer's Identification Number

 SME: Small Medium Enterprise

1.8 Limitation and Delimitation

A research paper requires a lot of time and effort to complete because it requires extensive research and knowledge. There are several issues, obstacles and limitations so you can never get things organized properly or perform to your full potential. Because everyone is so preoccupied with their jobs, it is always challenging to ask for and write about the original data I needed. Such a vast concept needs to be observed for a while, which is not possible. People may respond to my questions in an interview, but they might not fully communicate or say what I really want to know or how they really feel or act. One cannot guarantee the validity. Non financing agency's internal data may be not accessed without permission. Some crucial data that was necessary for the research is not yet ready to be shared with an intern. I had to finish this research paper in addition to my office duties, so there was a lack of the most recent data and frequently, there was a lot of dispersed information that needed to be arranged in a short amount of time.

While collecting secondary data there is lots of journal and research paper I have to read cover on a limited time and did my research on this topic. To find the research Gap of this topic was a difficult task for me and latter on the related data collection while doing the analysis part takes a lots of effort to complete the research.

Chapter Two

Review of Related Literature

2.1 Industry Information

The banking industry in Bangladesh has undergone substantial growth and expansion in recent years (Hasan et al., 2023). Together, enterprises in the finance industry in Bangladesh control 26.54% of GDP and 43.82% of the country's total market value on the Dhaka Stock Exchange, which is a lot for a place like Bangladesh. Corporate transparency is regarded as a function of the financial industry and is crucial to the prosperity of a nation. Insurance and pension plans, the money and capital markets, , and finance all make up Bangladesh's financial sector. As of 2008, there were 29 non-bank financial institutions (NBFIs), 4 state-owned banks (SCBs), 5 state-owned specialized banks, 30 domestic private commercial banks, and 9 international commercial banks (Singh, D.R. and Ahuja,1983)

Financial entities known as NBFIs are not permitted to conduct the main banking activities. Nevertheless, some of their activities cross over with those of institutions. NBFIs are organizations that carry out financial sector operations; they could function as financial intermediaries or provide other financial services. NBFIs are organizations that are licensed and subject to regulation under the Financial Institutions Act of 1993 (FIA '93) in Bangladesh. The services include everything from loan and advance granting and deposit taking to investment banking activities, merchant banking and insurance(Durand, 1941). According to Bangladesh Bank Non-bank Financial Institutions are financial intermediaries that amass money by borrowing from the general public and lending it to satisfy specialized financing needs(Avery, 1977). However, they are not allowed to accept deposits payable on demand or by check, draft, or any other form of demand payment, and they are not allowed to run checking accounts for which their liabilities are not included in the money supply. Only leasing and financial companies are included in the Bangladesh Bank's definition. But a few other financial institutions are also referred to as NBFIs. In actuality, all merchant banks, securities firms, and insurance companies are NBFIs. A fire insurance firm founded in London in 1680 was the first non-bank financial institution (NBFI). The first NBFI in the private sector to operate in Bangladesh was the Industrial Promotion and Development Company (IPDC) (Md. Rizwan, 2013).

2.2 Research Gap

Bangladesh, similar to many other developing nations, confronts a range of environmental, social, and economic issues including pollution, deforestation, climate change, poverty, and limited educational attainment. In the context of Bangladesh, university students possess significant potential as they constitute a considerable portion of the younger demographic, playing an active role in shaping the nation's future and spearheading endeavours aimed at achieving sustainable development (Hasan & Chowdhury, 2023) in Banking Sector. For marketers, the ever-increasing availability of credit has huge implications for sales and profits, just as the availability of credit has significant implications for consumers' quality of life. Nevertheless, despite the increase in credit availability, many consumers are unable to access the credit they require and feel they are entitled to. Congress understood the significance of this issue and in 1974 passed the Equal Credit Opportunity Act, which forbade discrimination in credit decisions based on sex and marital status (ECOA, 1975). Race, color, religion, national origin, receiving income from a public assistance program, and age were added to the list of prohibited criteria in the Act's 1976 amendment. Furthermore, the Federal Trade Commission made the decision to allocate a sizeable portion of its then-increased resources in 1977 to the management of all issues related to credit abuse (Advertising Age, 1977).

The majority of the federal legislation was aimed at unfair credit-granting practices. Credit scoring, a novel methodology, was at the time gradually replacing judgemental procedures, which involve the use of an individual credit officer's judgment on a case-by-case basis. According to a recent estimate by William Fair, the majority of the very large credit granters, including banks and finance corporations, currently use credit scoring to make between 20 and 30 percent of all consumer credit decisions(Credit Card Redlining 1979). This essay analyzes credit scoring and generally supports credit scoring methodologies. It will be demonstrated that these approaches' use as well as their adoption have had a substantial impact on how credit decisions are made and raise important public policy concerns.

Many applicants are turned down for credit despite having excellent credit histories since credit history data only, if ever, enters credit scoring systems at the second stage (Credit Card Redlining 1979, p. 63-70). Their reputations are wrongfully damaged, and they may also experience serious psychological distress (Credit Card Redlining 1979, p. 135–136). When Congress passed the Equal Opportunity Act (ECOA), it outlawed traits that were either fixed (race, color, national origin, and sex) or essential to an individual's identity (religion, marital status). Number of dependents, age, occupation, and place of residence—characteristics that are still frequently used in credit scoring systems—seem to share many similarities with those that are prohibited, both in terms of being "irrelevant and unchangeable" and having little to no bearing on "merit" in the context of a credit decision ((Chandler and Ewert 1975).

Chapter Three

Research Methodology

3.1 Development of Research Questionnaires

The questionnaires of this research is developed from the previous research gap that I mentioned in the literature review. To fill the research gap or analysis I developed the research question in a manner so that I got the answers from the interviewers of the company.

3.2 Method of Data Collection

Primary and secondary data were both used in the study. Interviews with various officers and managers of non-bank financial firms served as the primary source of primary data collection. The study's population consisted of the total workforce working for NBFIs. I chose the financing business IPDC for the interview. For the interview, five officers from this institution were chosen based on convenience. The interviewees were chosen based on how much time they could spare for the interview. Secondary data were gathered from a variety of IPDC publications, journals, and websites, as well as from various non-bank financial institutions. For the intended use, the acquired data were tabulated and compiled. For this, a variety of statistical tools were employed.

Chapter Four

Data Analysis and Findings

4.1 Interpretation of results as per the study variables

A key step in the improvement of credit rating systems is the selection of item examples from the creditor's files. A credit scoring system simply adds the points given for the various application criteria to get a final score to evaluate a credit applicant. Depending on the system architecture, different approaches to handling this score may be used. The applicant's entire score is compared against a single cut-off point score in the single cut-off approach. If this score is higher than the threshold, credit is awarded; otherwise, the application is declined. Complex systems are built on a basis of a two-stage procedure. If the score falls between the two cut-offs, credit history information is acquired, scored, and the points are added to the overall score received from the application blank. If the new score is greater than the updated cut-off, credit is given; otherwise, credit is denied. Table 1 provides an illustration of a regionally based system used by a significant national analyst.

Table 1: Scoring table based on Application characteristics

Time at Present Address		**Time with employers**	
a maximum of six months	39	no longer than six months	31
6 to 12 months 5 month	30	5 years and 6 months 5 month	24
1 to 3 years and 5 months	27	5 years, 5 months, and 8 years, 5 months	26
	30		31
3.5 years and 7.5 years	39	15 years and 8 months 5 month	39
7.5 months to 12 years and 5.5 months	50	at least 15 years, 5 months	39
more than 12 years, 5 months	36	Homemaker	31
		retired and jobless	29
		not responded	29

Bank Reference		**Types of housing**	
Checking	0	Owns	44
Savings	0	Rents	35
Savings & Checking	15	Others	42
loan or bank name	0	Not responded	39

Absent bank references	7		
not responded	7		

The absence of an explanatory model in credit scoring is a key distinction between current credit scoring systems and other techniques of credit appraisal. In the table one from our analysis we have to score each applicant get based on their characteristics. These scores is not used in judgmental system which Credit scoring systems only care about statistical predictability because their explanatory model of credit performance is based on credit evaluators' models. Any specific quality that can be scored is acceptable because prediction is the only criterion., with the exception of those that are obviously illegal, has the potential to be included in a credit scoring system. Table 2 provides a brief summary of the qualities that creditors used to create their systems. Few of these factors have a direct causal connection to credit performance (credit card redlining 1979, p. 221).

Table 2: List of Factors Used to Develop Credit Scoring Systems

Using a home phone bank	Saving account at a bank
Own or rent a place to live	Zip code of home
Age	Age of the vehicle
Time at residence Address Employed in this industry	geographical region
Duration of employment	Reference to a finance firm
Time spent with a prior employer	Size of family
Number of dependents and the type of employment	Region code for phones
Various credit reference types Income	Address of relatives
Income	Number of children, life insurance ownership
References to savings and loans	Size of the item being purchased
Membership in a union	Various other
Age gap between the husband and wife	Payment each month
Using a phone at work	Ratio of debt to income
Last name's first letter	Length of the purchased item

sing a home phone bank	
Own or rent a place to live	

Candidates can have better scoring with those information of table 2, clients who rent their home are given fewer points than those who own or are in the process of buying a home. How long a candidate has lived in his or her present place or worked for their current employer are crucial factors. However, instead of more stable housing and employment being worth more points, the points awarded first decrease and then increase as stability increases. An important qualification is the applicant's field of employment. Having a job that pays well in the salary, outside work or driver categories however, does not grant you any more points than being jobless. Even if the applicant completes the application truthfully and admits to borrowing money from a loan provider, they still risk fines. Whether or not the loan was repaid on schedule is irrelevant. For a few of the qualities, leaving the question unanswered earns more points than many of the other answers. These create problems while deciding credit scoring because in this system if many questions is not answered one may get more point than the other one who had given all the question answer truthfully.

Table 3 lists a second system developed and in use by the finance department for their clients credit score count. Income is a crucial consideration. However, the points relationship does not rise monotonically as income increases rather, the points vary wildly. Regarding credit history, there are no variables. Owners of their own homes receive significantly more points than candidates with other living arrangements. Points are worth more and more when residential and employment stability increases. Age is a significant factor, and the points provided for age are curved. Occupation is a significant factor or the jobless range receives the good score. Regardless of the amounts maintaining a checking or savings account earns you a lot of points.

Table 3: Overall Scoring Table for credit clients

Unpaid Cash		**Age(years)**		**Income (monthly)**	
0-299	26	26-29	5	0-599	37
300-499	16	30-34	0	600-699	47
500-599	20	35-39	4	700-799	40
600-699	15	40-49	9	800-899	36
700 & above	4	50-54	14	900-1099	44
		55 & above	17	1100 & above	49

Time of present employer		**Financial information**	
Not more than 1 year	2	Major credit card	22
1-2 year	10	SME loan reference	7
3-5 year	12	Number of checking or saving account	18
6-9 year	16		
10 years and more	22		

The majority of the time, point values are assigned to samples that are too small to constitute accurate credit scoring systems. So, because the jobs of agricultural foremen and workers, enlisted personnel, officials, entertainers, farmers and landowners, as well as government and public officials who obtained minimal points, are measured by a credit score system employed by major firms. The technique shown in Table 3 was developed using some data points, which could partially explain the peculiar income relationship. With regard to the factors considered and the points given, credit scoring systems also have a number of other issues. There is a legitimate concern about deceiving the clients. Although one should anticipate that providing a financial reference can be evaluated, honesty is penalized in both of the systems mentioned above. Many applicants are turned down for credit despite having outstanding credit records and credit history data because of not giving the accurate data or not counting the score in appropriate system of credit scoring.

4.2 Findings of Study

Tools for credit scoring that adjust hundred data of clients, the larger part of which are gathered without the consent of the clients, pose significant transparency issues.

This conversation makes it very evident that the company's only concern in the creation of credit scoring systems is statistical predictability is of any consequence. Despite claiming to be committed to upholding the law, if statistical predictability could be established, it would be able to offer its customers credit scoring systems that discriminate on the basis of religion, sex, race, age, ethnic origin, marital status, economic factors like debts, income, living expenditures, and the other factors, and neither is credit history.

Though giving the proper information a client can have fewer credit score than the one who didn't gave all the information because of the credit scoring system. In this method a person can get less points because of giving the true information and the one who did not answered the question he will not get any points but in total this person will get more point then the first one cause the average score of the first will be less than then the 2nd person. The fact that current methods ignore credit history is not a justification for their use largely for those who have not yet entered the credit market and have no credit history are concerned. Making judgements about these candidates based on points arbitrarily given for characteristics of individuals already on the market is unjust and arbitrary.

Chapter Five

Recommendation and Conclusions

5.1 Recommendation

As credit scoring is one of the most important part of credit analysis so while doing credit analysis NBFIs should be careful and should not take decisions in terms of only those elements of our analysis while doing scoring of new applicants. From the analysis its very clear that current methods ignore credit history of a new clients as their information is not available on the market and make score arbitrarily which is not a justified. From the analysis we can see the score any individual get depended on their available information but because of the prediction method some information of creditors get included which can create vague in the scoring system. From the analysis we also have the data points which can improve the credit score of an individual so while borrowing loan any individual can use this information to get better credit score. A system should be establish for individual by limited basic credit limits and strong controls, according to the experience of companies to handle new applicants. They proper implementation of credit scoring is crucial for NBFIs.

5.2 Conclusions

However, NBFIs have already earned a lot of popularity in both developed and developing countries by providing extra and replacement financial services. These institutions support long-term investment and financing, that is usually challenging for the banking sector, on the other hand, and by expanding NBFIs, people and organizations with the financial means to invest have access to a wider range of goods. Through their operations, NBFIs can generate the long-term capital needed for the expansion of the equity, leasing, factoring, corporate debt markets, and venture capital. Another essential role that NBFIs play in an economy is acting as a temporary, particularly in times of economic difficulty. Furthermore, a strong NBFI sector lowers systemic risk and advances the overall goal of economic financial stability. The Bangladeshi NBFIs have been in existence for more than 2.5 decades. The industry has done brilliantly despite a lot of challenges, and their contribution to the economy should be adequately recognized. It is crucial to consider NBFIs as catalysts for economic growth and to give them the support they need. In NBFIs credit scoring is most important as they work with their clients and give them loan so they had to know the credit worthiness of a client. To know the credit worthiness appropriate system of scoring should be implemented and NBFIs should use proper data of the clients. To measure the score transparency of data is important and the data should be authentic to measure it correctly. To develop, NBFIs require the long-term thinking of all parties involved. The nation's economic growth will benefit more from NBFIs if they provided the proper support and information.

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Appendix

Questionnaire

Questions that I asked to the employees of IPDC Finance for my analysis given below:

1. What are the characteristics of an applicant's needed to measure his/her credit score?
2. What are the score of each characteristic?
3. How the scores evaluated while credit analysis?
4. What are the factors creditors used to create credit score in the system?
5. Which factor used to develop credit score of the applicants?
6. Why candidates can get fewer points?
7. Impact of occupation in credit scoring?
8. What is the final scoring of a clients according to different variables?
9. Which factors influence the credit scoring?
10. How a creditor's application can be denied because of credit score?