**Identify Inefficiencies and Improvement Opportunities in the loan application process of a digital bank**

**Task 1: Review the current process**

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|  | **Process steps** | **Description** |
|  | **Application submission** | Customers fill out an online form and submit it along with supporting documents |
|  | **Document verification** | Submitted documents are verified by the staff manually |
|  | **Credit check** | A credit check is performed after document verification to assess the applicant’s creditworthiness |
|  | **Approval decision** | Loan applications are reviewed by staff members. The loan application is either approved or rejected based on the findings. |
|  | **Funds disbursement** | If approved, funds are disbursed to the customer’s account |

**Task 2: Identify inefficiencies and improvement opportunities in the existing system**

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|  | **Process steps** | **Current process** | **Inefficiencies** | **Improvement opportunities** |
|  | **Application submission** | Customers fill out an online form and submit it along with supporting documents. | Filling out the online form could request repetitive information that could be included in the documents.  Customers may have difficulties in completing the form and may need guidance. | Only request necessary information that is not included in the submitted documents.  **Pre-filled forms:** Implement a system that pre-fills forms using data from previous interactions (for example, Know Your Customer (KYC) data).  **Chat assistant:** Introduce a real-time chat assistant to guide customers through the application process. |
|  | **Document verification** | Submitted documents are verified by the staff manually. | Verification by staff could take longer and is prone to errors. | A system for automatic checking of necessary documents against required criteria and completeness that gives feedback immediately.  **Automated document checks**: Use software that performs initial checks for completeness and correctness of the uploaded documents.  **AI verification tools:** Incorporate AI tools that can analyze and verify documents against predefined criteria (for example, ID validity). |
|  | **Credit check** | A credit check is performed after document verification to assess the applicant's creditworthiness. | This is an extra step that could be performed with the document verification.  When document is submitted, it’s not known if its valid till it is checked for validity. Therefore, verification is done for each document even if it’s not valid. This can lead to cost increases and delays. | The system for checking the documents could also incorporate a credit check to remove this extra step.  **Instant credit checks:** Partner with credit bureaus to automate credit checks instantly upon document verification completion.  **Feedback mechanism:** Provide immediate feedback on the credit check results to customers. |
|  | **Approval decision** | Loan applications are reviewed by staff members. The loan application is either approved or rejected based on the findings. | This is a redundant step since the credit check already makes the decisions. It makes the process slower while being prone human error leading to and inefficient process. | **Scoring system:** Develop a standardized scoring system that evaluates applications based on risk factors (for example, income, credit score, debt-to-income ratio).  **Conditional approvals:** Allow for conditional approvals where additional information can expedite decisions (for example, additional documentation requests) |
|  | **Funds disbursement** | If approved, funds are disbursed to the customer's account. | Fund disbursement can take many days. Banks usually take a few days to process funds and transfers. | Automatic disbursement  **Instant payment solutions:** Implement instant payment systems (for example, automated clearing house (ACH) transfers) for faster fund disbursement.  **Notification system:** Create an automated notification system (via SMS/email) that informs customers of their approval status and fund disbursement |

#### **Task 3: Identify metrics to validate your solution**

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|  | **Key performance indicators (KPIs)** | **Objectives** |
|  | **Average processing time** | Measure the time taken from application submission to funds disbursement. |
|  | **Reduction in errors** | Measure the percentage in errors or issues arising from automated checks versus manual reviews |
|  | **Customer satisfaction scores** | Use surveys to gauge customer satisfaction before and after implementing changes |
|  | **Approval rate** | Track the percentage of applications approved versus submitted |