

GhanaLoanConnect

Overview

GhanaLoanConnect faces a critical sustainability challenge with a 16.01% loan default rate more than twice the global average. This high default rate undermines investor confidence and limits capital availability, especially for small businesses and underserved borrowers. This analysis utilizes extensive borrower financial data, credit history, and loan characteristics to identify root causes of default. The goal is to develop a predictive, data-driven risk management framework that restores portfolio health and secures GhanaLoanConnect's role in advancing financial inclusion across Ghana.

Objectives

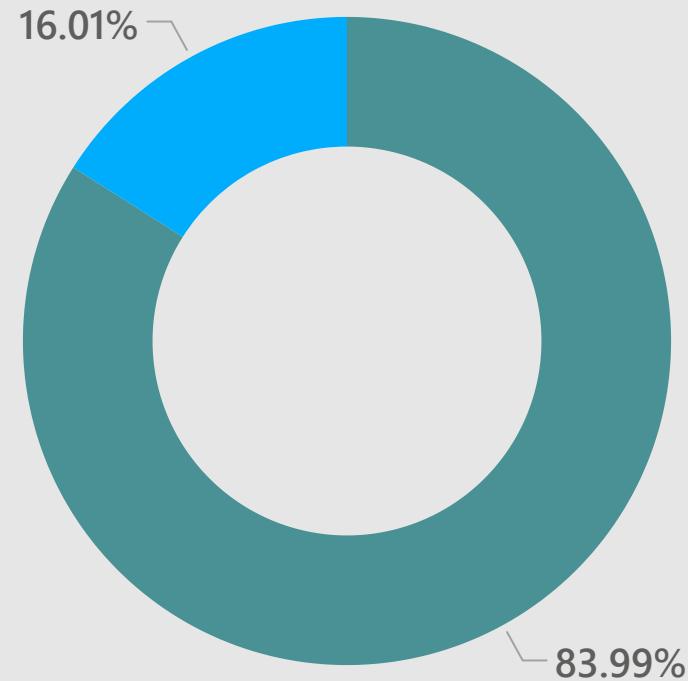
*Identify High-Risk Segments: Pinpoint the top three sectors and borrower profiles with the highest default risk by analyzing loan purpose, geographic location, and credit tiers.

*Diagnose Root Causes: Perform detailed analysis of key factors contributing to repayment challenges, including:
Borrower-specific metrics: Debt-to-Income ratio, FICO score, recent credit inquiries
Loan-specific conditions: Interest rate, loan-to-value ratio, installment amount
Behavioral indicators: Delinquency history, revolving credit balance

*Develop Mitigation Strategies: Recommend actionable, data-driven strategies such as enhanced loan approval processes, targeted borrower support programs, and a revised risk-based pricing model to strengthen the credit risk framework and reduce defaults.

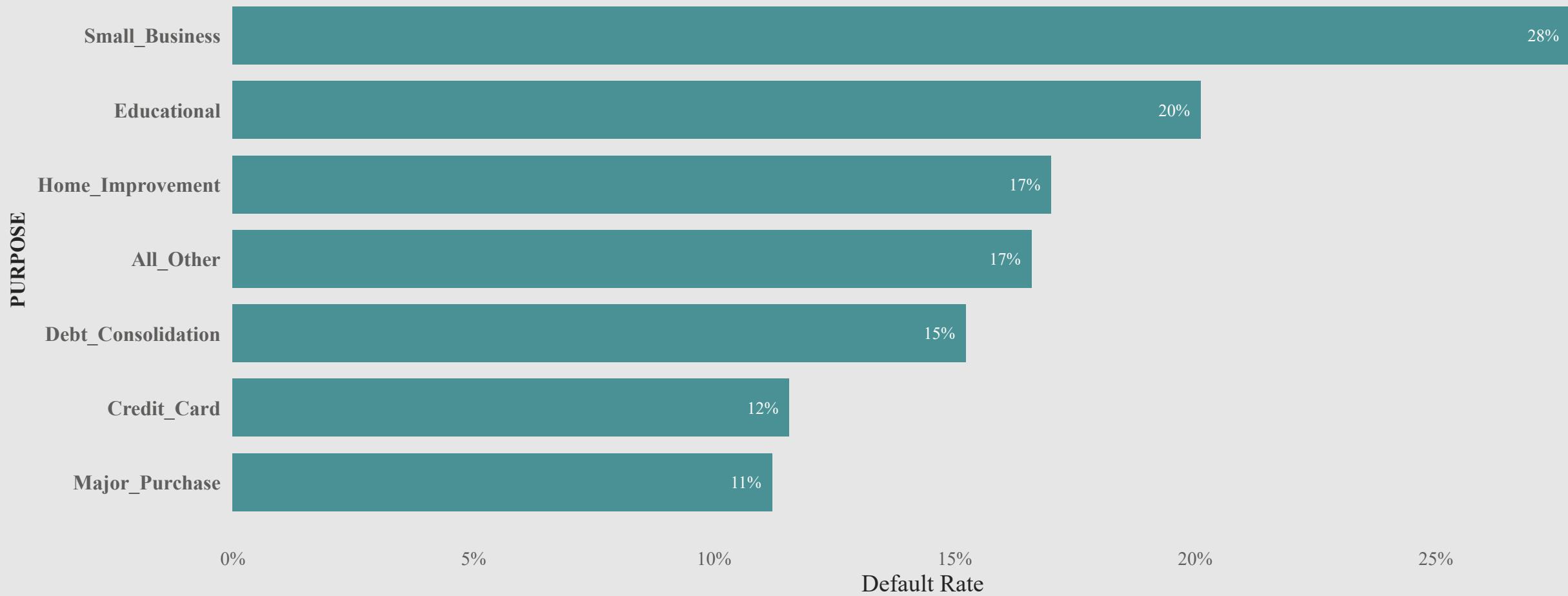
LOAN STATUS

Loan Status • Paid • Defaulted



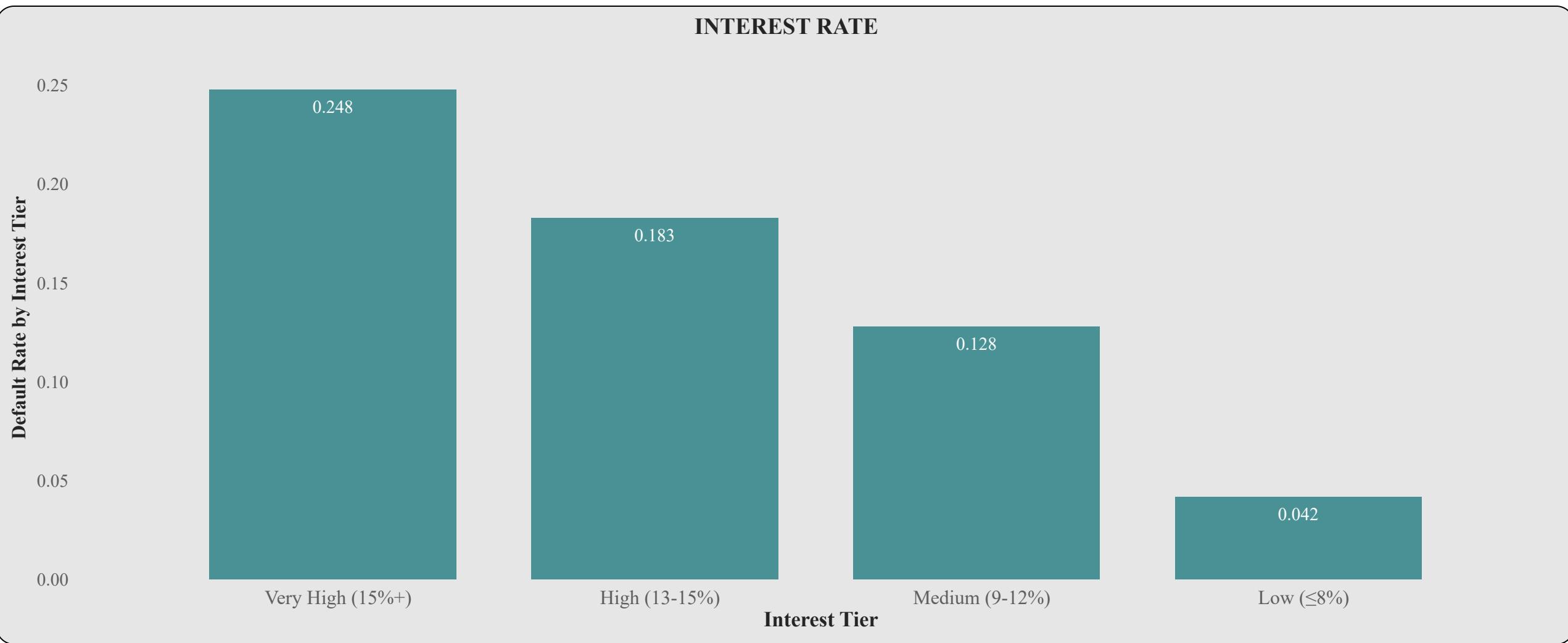
The donut chart highlights that 16.01% of GhanaLoanConnect's loans have defaulted, a rate well above industry norms. This visual underscores the urgent need for robust, data-driven risk management to curb losses and rebuild investor confidence. It also serves as a clear baseline to measure future improvements from mitigation strategies.

DEFAULT BY PURPOSE



Sector Risk Concentration

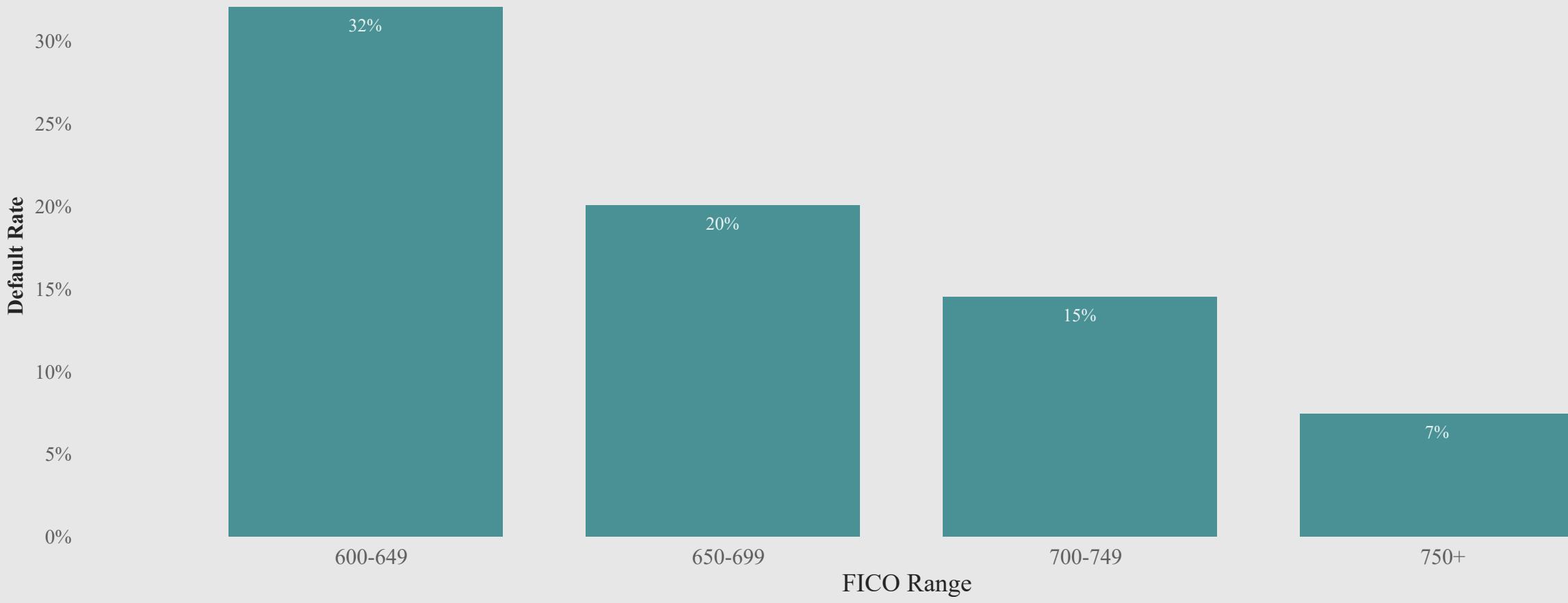
Small Business loans have the highest default rate at 28%, followed by Educational loans at 20%. Major Purchase and Credit Card loans show much stronger repayment performance. This disparity calls for GhanaLoanConnect to implement sector-specific lending policies. Immediate focus should be on tightening underwriting for high-risk segments and expanding in lower-risk categories.



Interest Rate Risk Analysis

Default rates increase sharply for loans with interest rates above 15%, revealing a risk-pricing spiral that strains borrowers and raises delinquency. This trend shows that current pricing may worsen, not reduce, default risks. GhanaLoanConnect should refine its pricing model to avoid overburdening high-risk borrowers. A more nuanced risk assessment will help break this cycle and enhance portfolio quality.

CREDIT SCORE



Credit Score Impact Analysis

Credit scores demonstrate a powerful inverse relationship with default rates, serving as a critical predictor of borrower risk. Borrowers in the 600-649 FICO range default at 32%, while those above 750 show only a 7% default rate. This clear gradient establishes credit score as one of the most reliable indicators for loan performance. GhanaLoanConnect can significantly mitigate risk by implementing stricter credit score thresholds in its approval process. Prioritizing applicants with scores above 700 will directly enhance portfolio quality and reduce defaults.

GHANALOAN CONNECT DASHBOARD

9578

Total Loans

16%

Default Rate

710.85

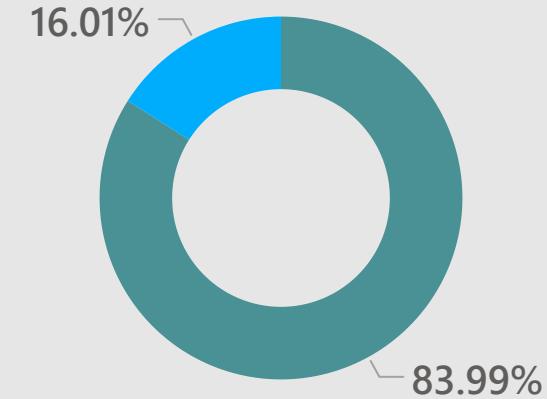
Average of fico

GH₵525.49K

Money Lost

LOAN STATUS

Loan... • Paid • Defaulted



PURPOSE

- purpose
- All_Other
 - Credit_Card
 - Debt_Consolidation
 - Educational
 - Home_Improvement
 - Major_Purchase
 - Small_Business

Risk Group

- High Risk
- Low Risk
- Medium Risk

fico_category

- Excellent
- Fair
- Good

DEFAULT BY PURPOSE

Small_B... 28%

Educatio... 20%

Home_I... 17%

All_Other 17%

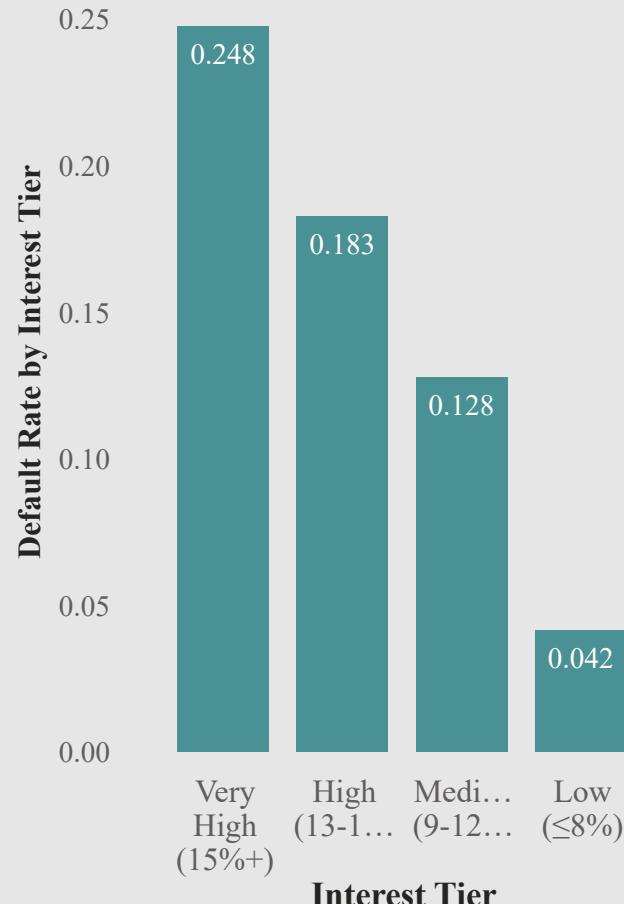
Debt_Co... 15%

Credit_C... 12%

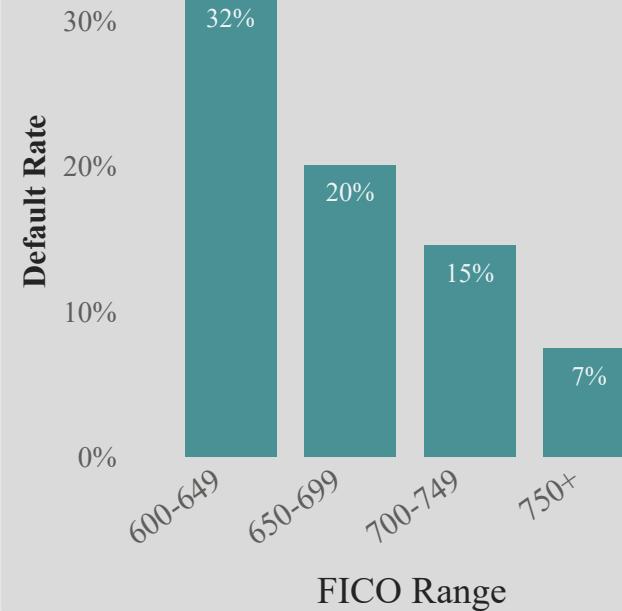
Major_P... 11%

0% 20%
Default Rate

INTEREST RATE



CREDIT SCORE



Strategic Recommendations & Implementation Plan

1. Enhance Proactive Risk Management

- . Risk-Based Loan Approval: Integrate the predictive model to automate approvals for low-risk applicants and flag high-risk cases (e.g., FICO < 650, DTI > 15) for manual review.
- . Early Communication: Implement an automatic payment reminder system via SMS and email, triggering notifications 3 days before and on the due date to prevent delinquencies.
- . Customized Repayment Plans: Proactively offer tailored repayment plans (e.g., extended terms, graduated payments) to borrowers showing early signs of financial stress.

2. Strengthen Borrower-Centric Support

- . Financial Literacy Workshops: Develop mandatory, short online modules for high-risk borrower segments (e.g., Small Business, Educational loans) focused on debt management and cash flow planning.

3. Optimize Portfolio & Pricing Strategy

- . Sector-Specific Underwriting: Apply stricter criteria for high-default sectors (Small Business, Education) while strategically growing lower-risk segments (Major Purchases, Credit Cards).
- . Tiered Risk-Based Pricing: Calibrate interest rates to reflect true risk, offering competitive rates ($\leq 8\%$) to high-credit borrowers to attract quality business, instead of over-pricing all risky loans.

Expected Outcomes

- . Reduction in default rates from 16.01% to ~13%.
- . Estimated annual savings of GHC 6.3 million and a 225% ROI.
- . Improved portfolio resilience and strengthened investor confidence.