

# Business Summary Report: Predictive Insights for Collections Strategy

Prepared by: Rehan Khan

Role: Intern, Tata GenAI-Powered Data Analytics Program

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## 1. Summary of Predictive Insights

Our predictive analysis using logistic regression identified critical risk indicators and customer segments prone to delinquency. The model highlights the importance of credit behavior and payment history in predicting future defaults.

**Key Insights:**

- Missed Payments** and **Credit Utilization Rate** are the strongest predictors of delinquency. Customers with 2+ missed payments and utilization over 70% show significantly higher default risk.
- Young Customers (<30 years)** with irregular payment history represent a high-risk segment, especially when combined with rising balances and late payments.
- Delinquency often clusters** among customers with a low number of total open trades and a short credit history—indicating inexperience or recent onboarding

Key Insight	Customer Segment	Influencing Variables	Potential Impact
High credit utilization increases delinquency risk	Age < 30, high utilization, 2+ late pays	Credit utilization, age, total missed payments	Early outreach to these customers can reduce 30-day delinquency by up to 10%

## 2. Recommendation Framework

**Restated Insight:** Customers under age 30 with 2 or more missed payments and high credit utilization (>70%) are significantly more likely to become delinquent within the next billing cycle.

**Proposed Recommendation:** Launch a targeted SMS campaign to proactively engage this high-risk group.

- Specific:** Initiate a personalized SMS reminder and education campaign for customers under 30 with 2+ missed payments and utilization >70%.
- Measurable:** Aim to reduce 30-day delinquency rates among this group by **10%** over the next billing cycle.
- Actionable:** Use model predictions to flag this segment weekly and send automated yet personalized messages via SMS.
- Relevant:** Focuses on a high-risk, high-volume customer group that drives a large portion of delinquency losses.
- Time-bound:** Run the campaign for **6 weeks** and evaluate impact at the end of the second billing cycle.

**Justification and Business Rationale:**

This action is cost-effective, minimally invasive, and can be integrated quickly using existing messaging infrastructure. It addresses delinquency early, potentially improving repayment rates and reducing the cost of collections interventions downstream

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### 3. Ethical and Responsible AI Considerations

#### *Fairness & Bias:*

- The model may reflect historical bias against younger customers or those with limited credit history.
- **Mitigation Strategy:** Regularly monitor prediction distributions across age, gender (if collected), and income bands. Use fairness-aware metrics to adjust thresholds if disparities arise.

#### *Transparency & Explainability:*

- We use a **logistic regression model**, which is interpretable and allows us to clearly explain predictions to non-technical stakeholders.
- Example: "Your high credit usage and missed payments suggest a higher risk of delayed repayment." (plain-language explanation)

#### *Responsible Decision-Making:*

- We recommend using model outputs to **support**, not replace, human decisions.
  - Interventions (like payment reminders) are supportive and non-punitive, respecting financial dignity.
  - **Data Privacy** is maintained — no personal identifiers were used beyond those already permitted by Geldium's customer consent framework.
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### Conclusion:

By combining **data-driven insights** with **ethical AI practices**, this report delivers a **strategic, fair, and future-ready collections framework** for Geldium. The predictive model not only improves the **early detection of delinquency risk** but also enables the Collections team to take **targeted, customer-focused actions**.

#### *Key Takeaways:*

- **Improved Risk Detection:**  
High-risk customer segments—identified based on **credit utilization, payment history, and income level**—allow for **early outreach** and more effective recovery efforts.
- **Ethical AI Integration:**  
The model promotes **fairness, transparency, and bias mitigation**, ensuring all customer groups are treated equitably and responsibly.
- **Business Value Alignment:**  
The recommendations are directly aligned with Geldium's core objectives—**reducing default rates, boosting collection efficiency, and preserving long-term customer relationships**.

This stakeholder-ready report offers a **responsible, scalable, and results-oriented roadmap** for applying predictive modeling in financial services—advancing both **operational success** and **ethical standards**.