

# Case study – Banking

## NPA

**Non-Performing Assets (NPAs) are loans or advances issued by banks or financial institutions that no longer bring in money for the lender since the borrower has failed to make payments on the principal and interest of the loan for at least 90 days.**

Calculate NPA Percentage

NPA %= NPA/TOTAL AMOUNT

### Current State:

Stakeholder- The credit risk team at xyz bank.

Responsibility – Assessing customer risk and making final loan approvals

Current Scenario – Increase in Non-Performing Assets(NPS) rate to concerning level.

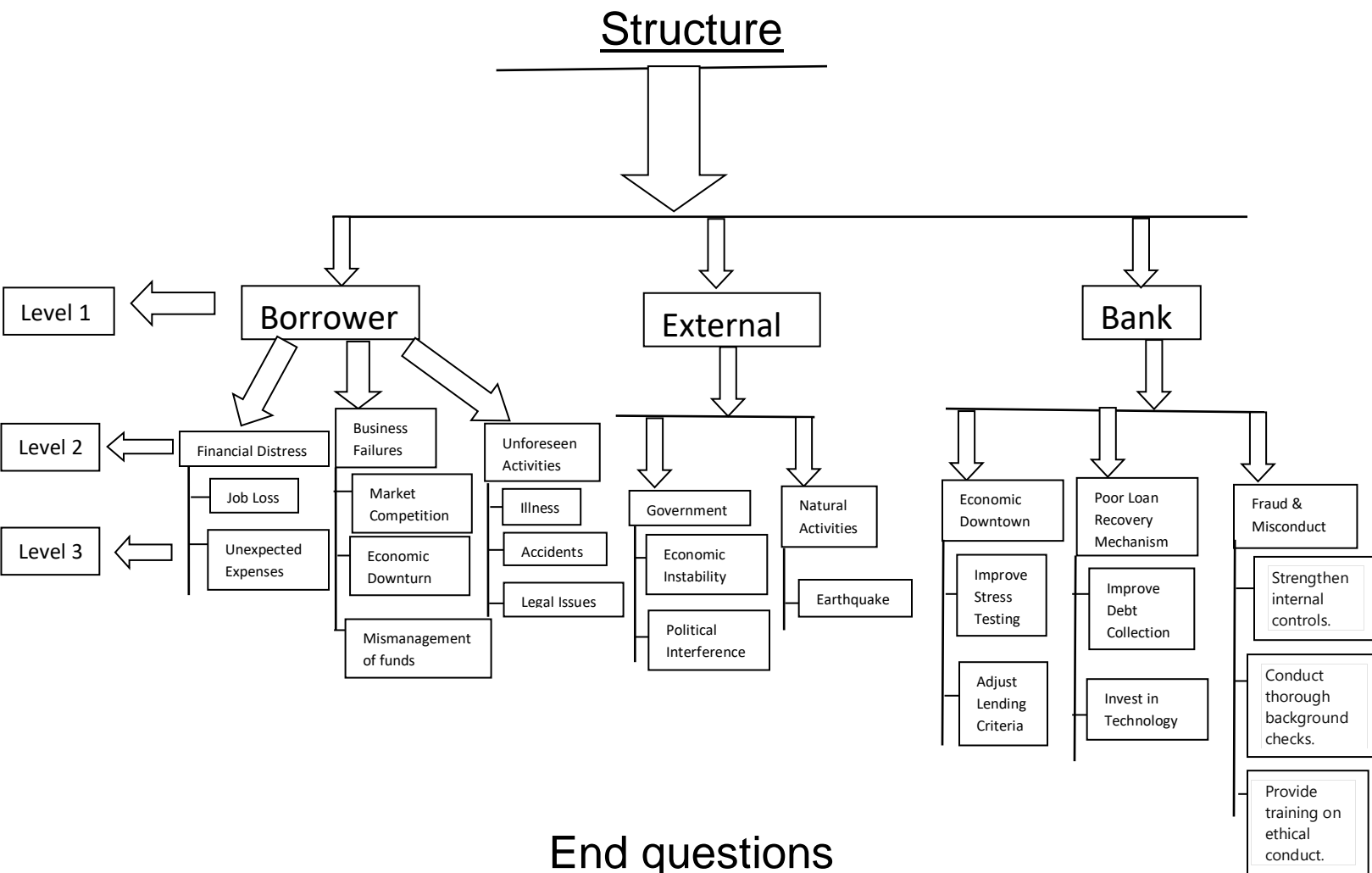
### Future State:

#### Expected Outcome-

- Lowering the NPA rate.
- Enhancing the risk evaluation process

### Gap

Factors affecting increase in NPA rate?



## Borrower

Job Loss \_ Give the challenge of job loss affecting loan repayment?

Unexpected Expenses \_ how do you plan to handle them while also managing your loan payments?

Market Competition\_ How do you plan to deal with competition and keep your business going while also repaying your loan on time?

Economic Downturn\_ How do you plan to handle your loan payments during an economic downturn?

Mismanagement of funds\_ How will you fix any problems with managing your money and still pay back your loan?

Illness\_ How do you plan to handle your loan payments if you get sick unexpectedly?

Accident \_ How do you anticipate managing your loan payments after an unexpected accident?

Legal Issues\_ How will you handle paying back your loan if you're dealing with legal problems?

### External

Economic Instability\_ How do you anticipate economic instability affecting your ability to repay loans?

Political interference\_ How might political changes affect your ability to repay your loans?

Earthquake\_ How do you think the earthquake will affect your ability to pay back loans?

### Bank

Improve stress Testing\_ How do you plan to ensure loan stability during economic downturns with improved stress testing?

Adjust Lending criteria \_ How do you think changing our loan requirements can help reduce loan problems during economic downturns?

Improve Debt Collection\_ How will making debt collection better help us deal with loan problems during tough times?  
Do you need our help with this?

Invest In technology\_ How can using better technology help us handle loan issues when the economy is not doing well?

Strengthen internal controls: How do you think making our internal controls stronger can stop fraud and lower loan problems?

Conduct internal controls: How do you think checking our systems better can stop fraud and lower loan problems?

Provide training on ethical conduct: How do you think providing training on ethical conduct can help prevent fraud and reduce loan issues?