BUSINESS REQUIREMENT DOCUMENT (BRD)

Project Name: Retail Loan Processing Optimization
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Prepared By: G YASASWINI
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1. Executive Summary

This document outlines the business requirements for optimizing the retail loan processing workflow. The current system exhibits operational inefficiencies resulting in an average turnaround time of 8.4 days, with approximately 47% of applications exceeding the Service Level Agreement (SLA) of 8 days. The objective of this project is to streamline the process, reduce delays, and improve overall operational efficiency while maintaining regulatory compliance.

2. Background

The bank's retail loan approval process involves multiple manual verification and approval stages. Key contributors to delays include manual KYC verification, centralized risk assessment, and multi-level approval hierarchy. These inefficiencies lead to SLA breaches and reduced customer satisfaction.

A process analysis conducted on sample loan data identified:

- Average processing time: 8.4 days
- SLA breach rate: 47%
- Major delay contributors: KYC verification and Risk Assessment

3. Business Problem Statement

The current loan processing workflow is heavily dependent on manual interventions, resulting in:

- High turnaround time
- Frequent SLA breaches
- Operational inefficiencies
- Increased workload on risk and operations teams

The existing process lacks automation and optimized decision routing.

4. Business Objectives

The objectives of this initiative are:

- Reduce average loan processing time from 8.4 days to ≤ 5 days
- Reduce SLA breach rate to below 10%
- Improve operational efficiency through automation
- Introduce risk-based decision segmentation
- Maintain compliance with regulatory and audit standards

5. Scope

5.1 In Scope

- KYC verification process optimization
- Risk assessment workflow enhancement
- Approval hierarchy restructuring
- Automation opportunities for low-risk applications

5.2 Out of Scope

- Loan marketing processes
- Post-disbursement servicing
- Collections and recovery process
- Changes to core credit policy framework

6. Current State (As-Is Process Summary)

The current workflow includes:

1. Application Submission
2. Manual KYC Verification (2–4 days)
3. Credit Bureau Check (Batch Processing – 1 day)
4. Risk Assessment (2–4 days depending on backlog)
5. Branch Manager Approval (1 day)
6. Regional Manager Approval (1 day)
7. Disbursement

Identified inefficiencies:

- Manual document rework cycles
- Batch credit check delays
- Manual risk review for all applications
- Redundant approval layers

7. Proposed Future State (To-Be Summary)

The optimized workflow proposes:

1. Automated KYC validation via API
2. Real-time credit bureau integration
3. Risk segmentation engine
   - Low-risk applications → Auto-approval
   - High-risk applications → Manual review
4. Single-level approval for low-risk loans
5. Full audit trail and compliance logging

Estimated outcome:

- Reduced processing time to ~5 days
- Lower SLA breach rate
- Improved operational throughput

8. Stakeholders

- Operations Team
- Risk Management Team
- Branch Manager
- Regional Manager
- IT Development Team
- Compliance & Audit Team
- Business Leadership

9. Assumptions

- API-based KYC integration is technically feasible
- Credit bureau supports real-time response

- Risk scoring model can be implemented within current infrastructure
- Regulatory approval will permit process automation

10. Constraints

- Regulatory compliance requirements
- Data privacy laws
- Existing core banking system limitations
- Budget and resource availability

11. Risks

- Resistance to process change
- Integration challenges with legacy systems
- Incorrect risk segmentation leading to credit exposure
- Delays in technical implementation

12. Success Criteria

- Processing time $\leq$ 5 days
- SLA breach rate < 10%
- Reduction in manual intervention
- Improved customer satisfaction metrics