CREDIT RISK ANALYSIS
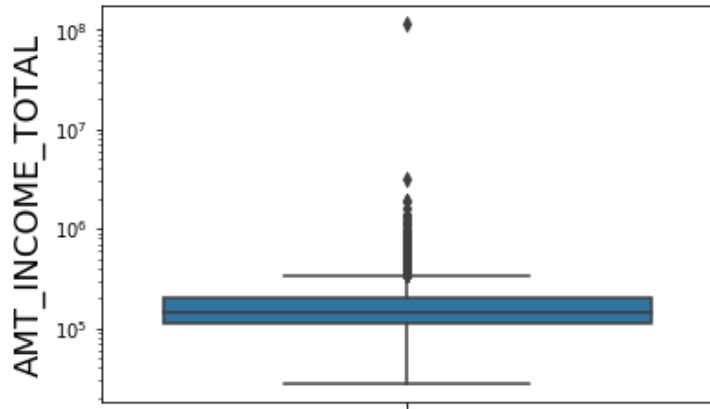
- Abhirami S
- Mohammed Anas J

RISK ANALYSIS CONDUCTED ON FOLLOWING PARAMETERS
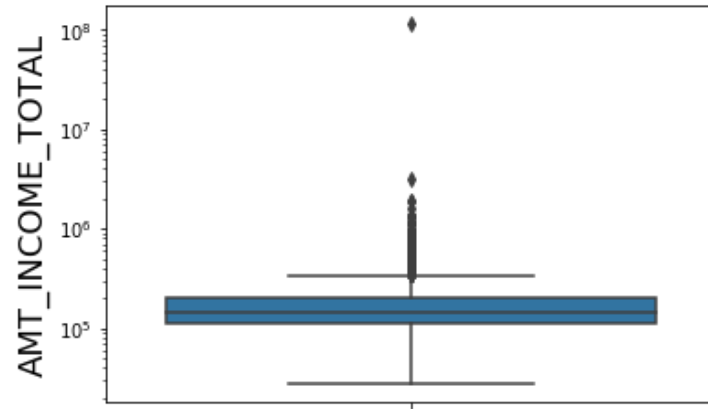
» Customer Income & Credit Amount

» Education Status of customer and Income

» Education Status of customer and Credit Amount

» Loan Purpose and Approval Status

» Organisation based on non-default customers

» Previous credit of customer against loan purpose

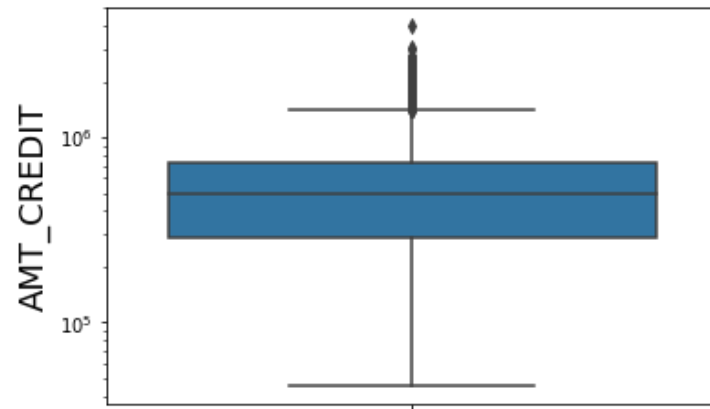» Previous credit of customer against housing

CUSTOMER INCOME & CREDIT AMOUNT

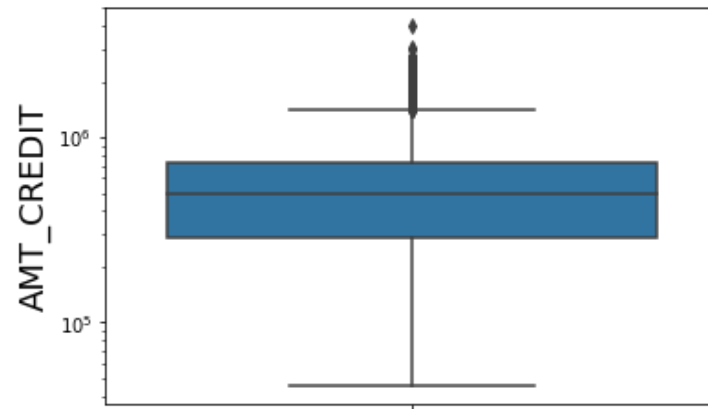The Credit amount & Income of customer is independent of loan credit risk.

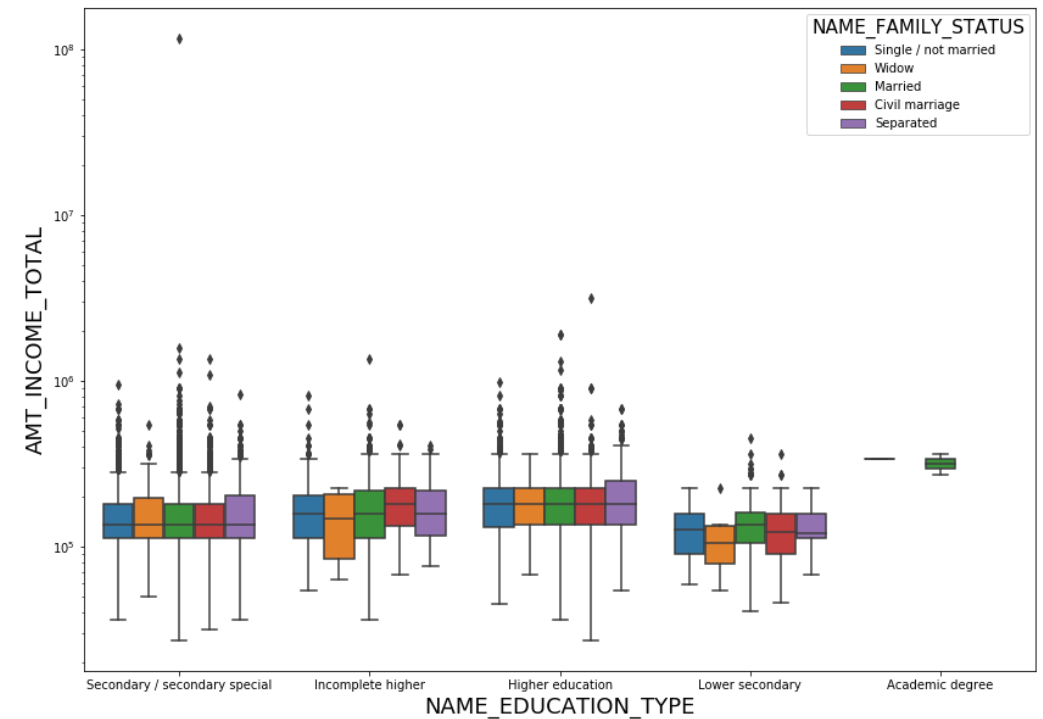# EDUCATION STATUS OF CUSTOMER AND INCOME

The higher amount of clients who have payment difficulties are those who have incomplete higher education.

We can infer from the below graph, the most likely defaulters are those with incomplete higher education, especially widows.

Education Status vs Income amount for non-default clients
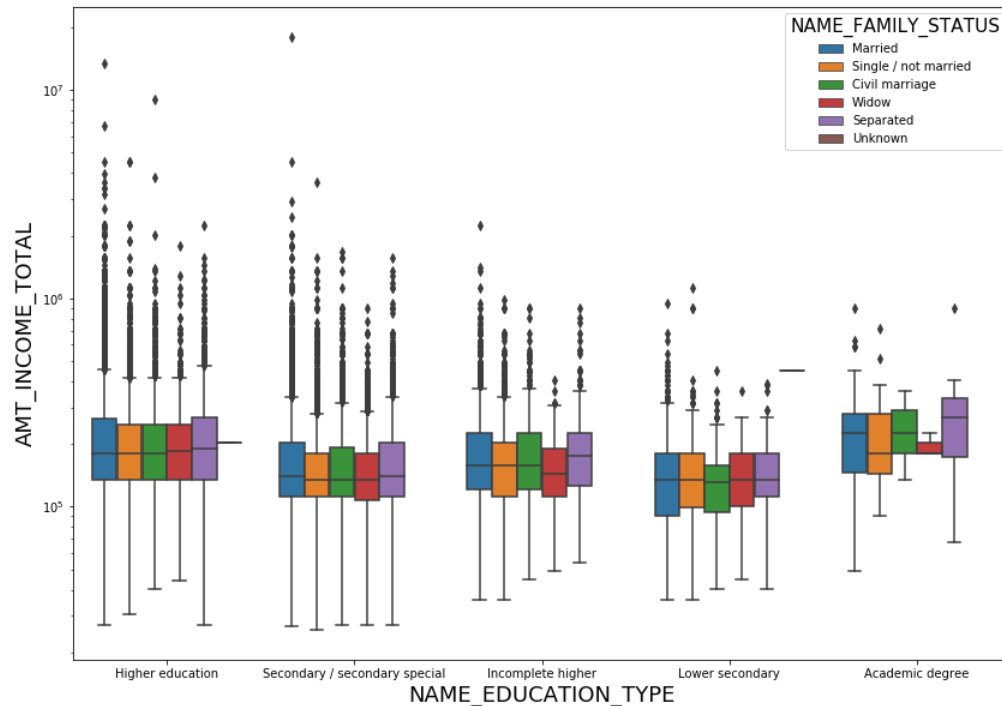
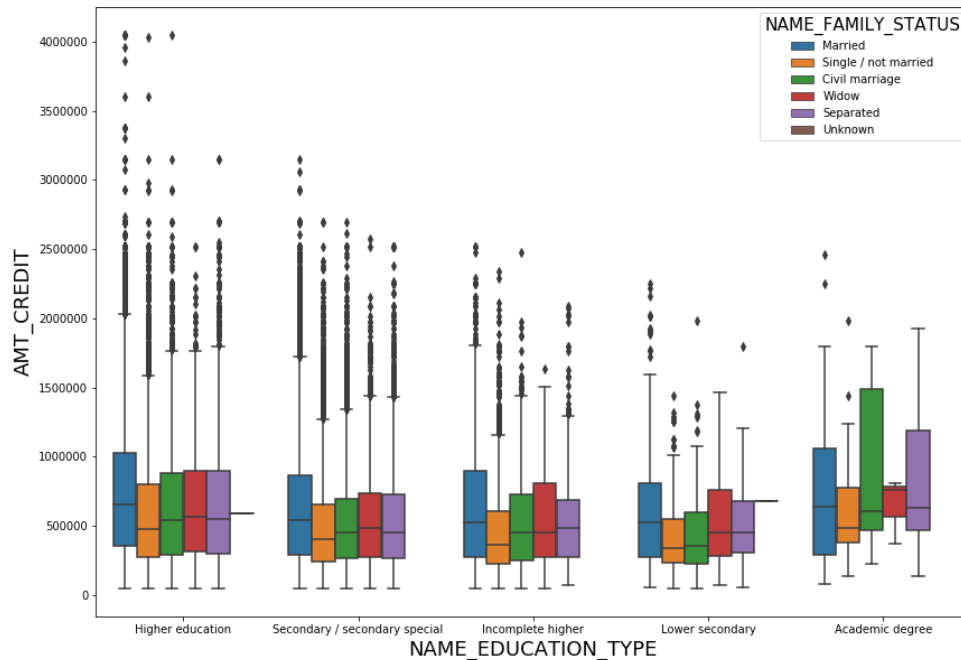Education Status vs Income amount for client with payment difficulties

# EDUCATION STATUS OF CUSTOMER AND CREDIT AMOUNT

Customers with martial status Married and with an Academic degree are the largest defaulters as well as the largest pool of credit takers.

Which means they are the largest target group to take a loan but as unlikely as to pay it back.

Education Status vs Credit amount for non-default clients

Education Status vs Credit Amount for client with payment difficulties

Contract status with purposes
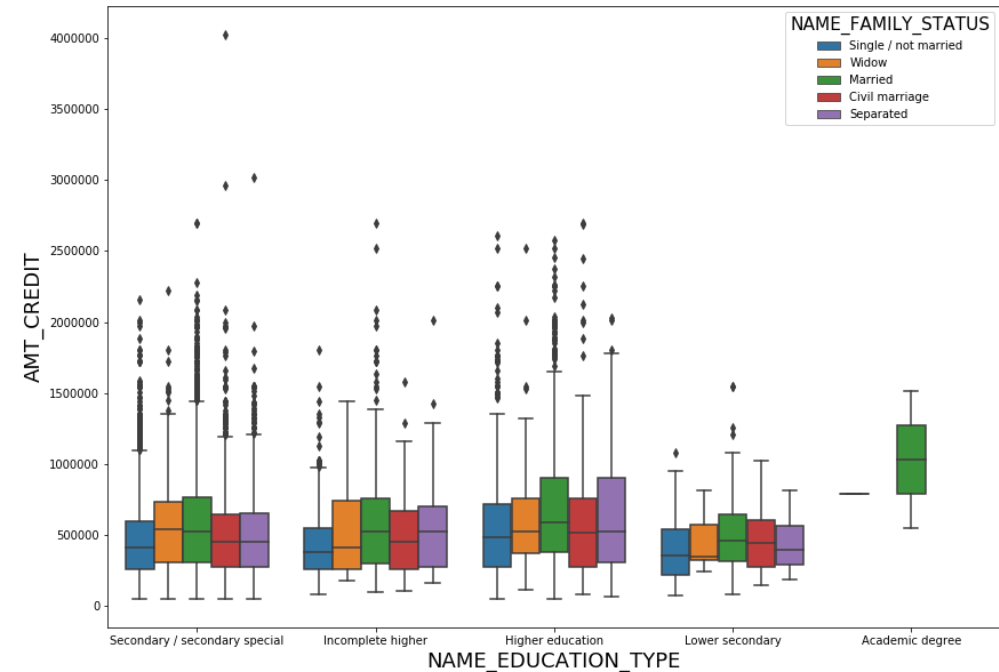
LOAN PURPOSE AND APPROVAL STATUS

We observe that majority of the loans were taken for Repairs purpose.

We also observe that, the rejection rate for "Payment of other loans" is higher compared to its approval rate.

Organization type || target ZERO
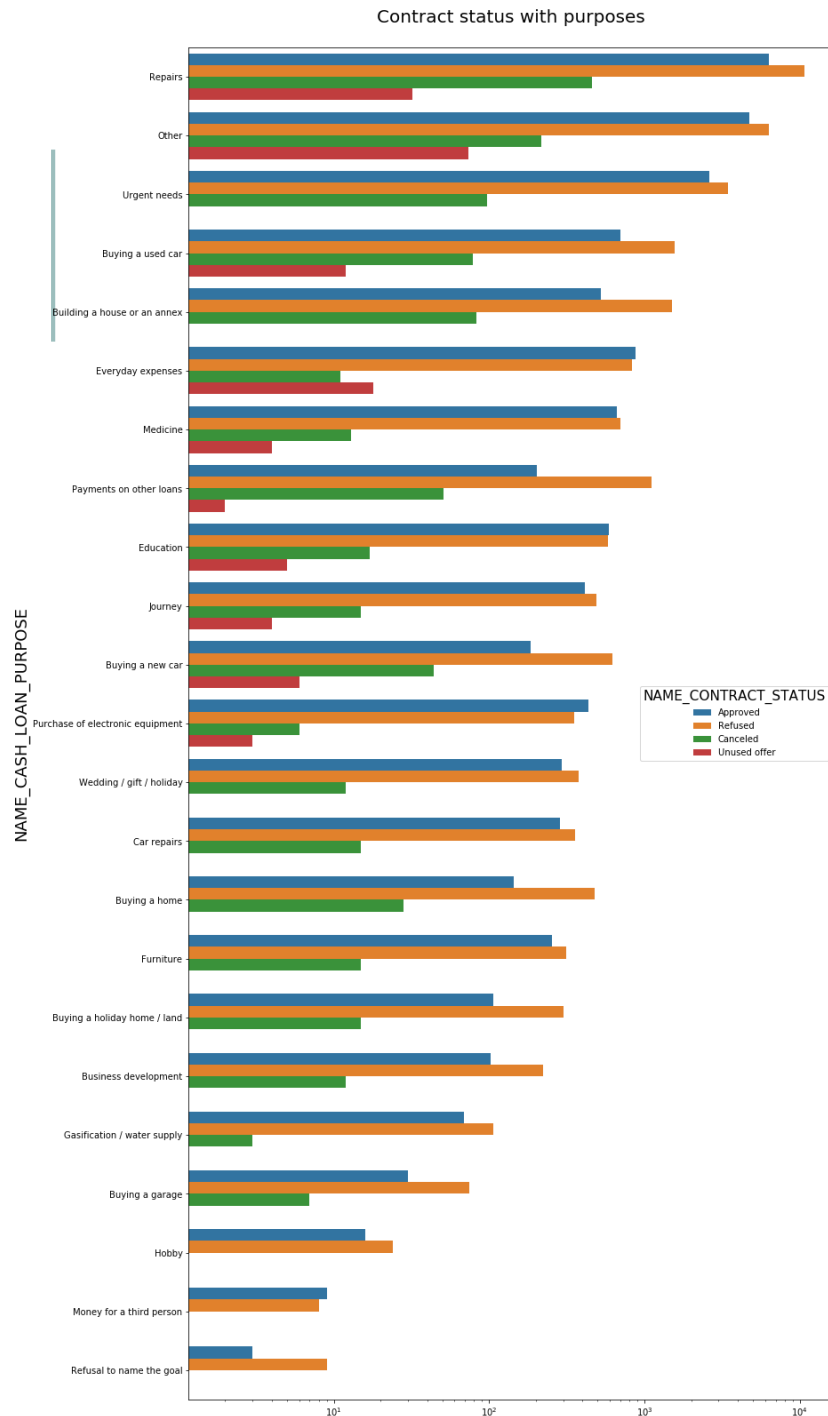
ORGANISATION BASED ON NON-DEFAULT CUSTOMERS

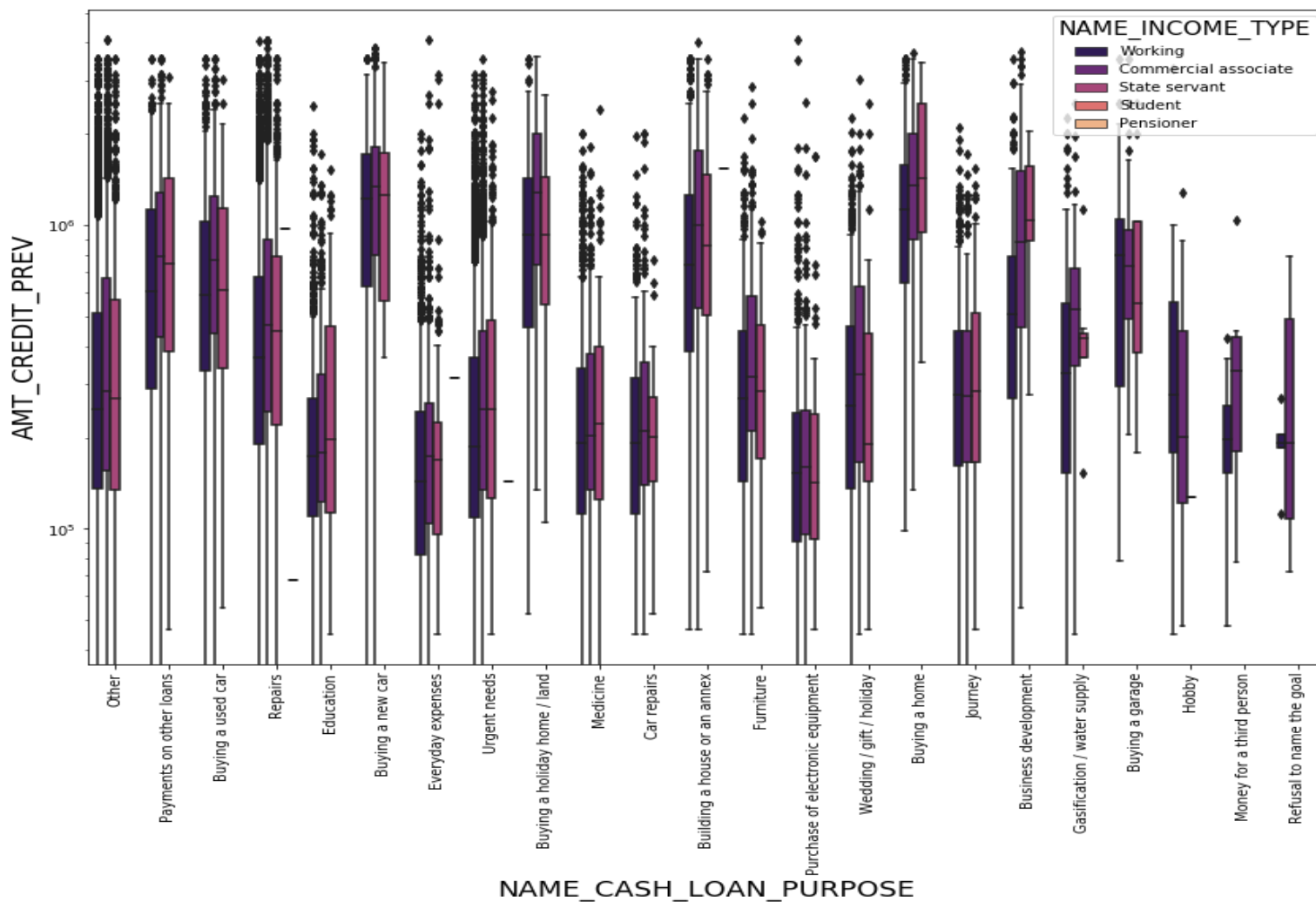Industry type's, trade and religious institutions have a higher percentage of risk

Business entity - type 3, Self employed, other and Medicine are the safest categories to loan money
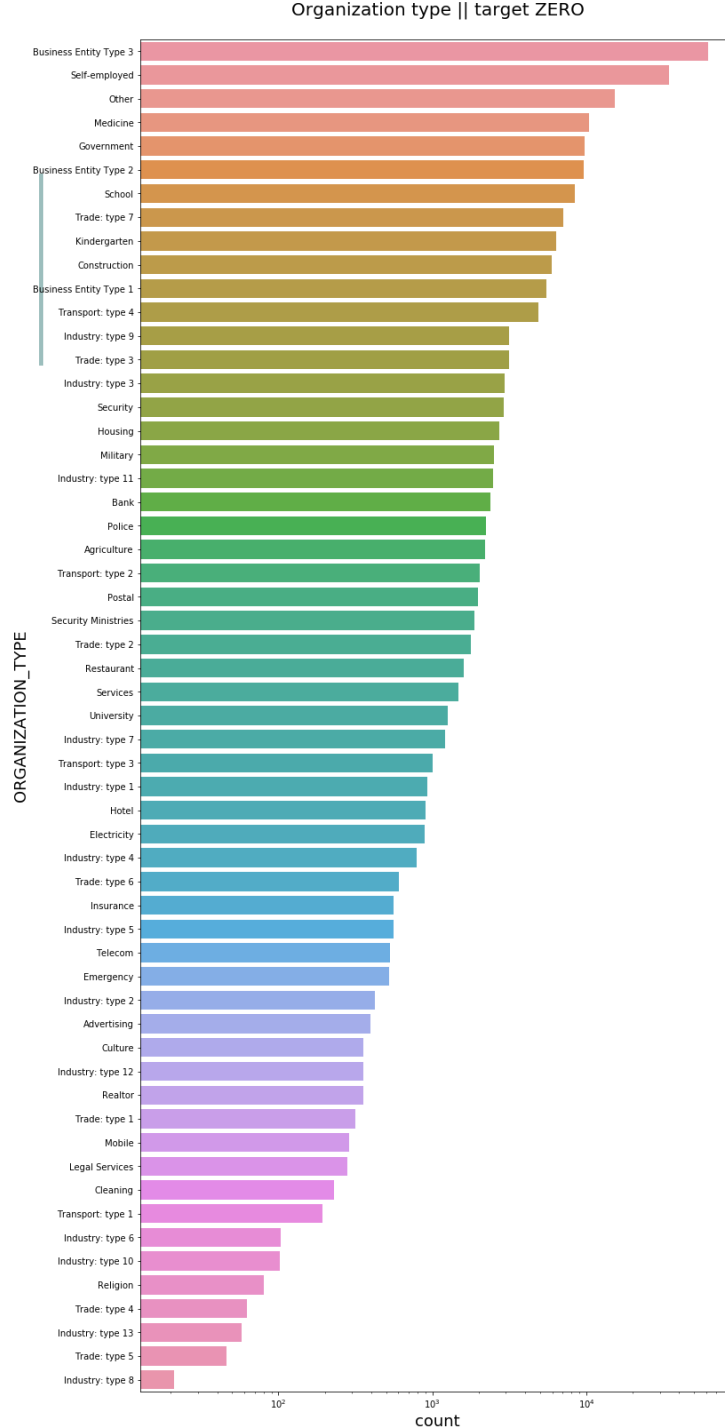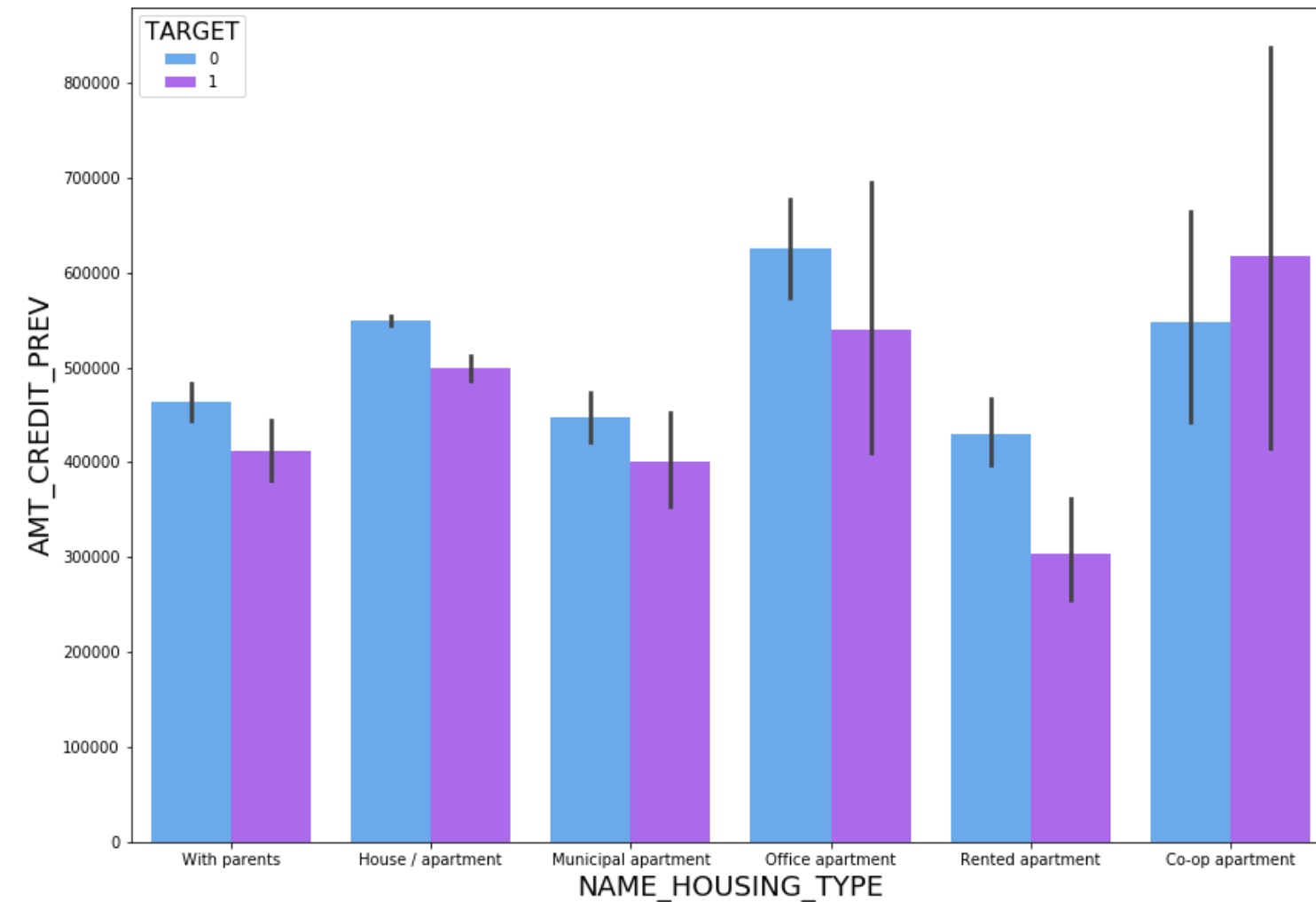
PREVIOUS CREDIT OF CUSTOMER AGAINST LOAN PURPOSE

Previous Cred amount verses Loan Purpose

- We observe that in previous credit, the highest amount of credit was taken for buying house by the State servant income type.

- The maximum credit amounts were taken for buying assets like home, car and land followed by payment for other loans and buying used cars. The uptake for buying a garage is also high.

- A recommendation would be to promote loan for car and garage together to increase the uptake of the latter.

- Also, the used car segment can be promoted widely to Students as the uptake is highest there.

Previous Credit amount VERSES Housing type

PREVIOUS CREDIT OF CUSTOMER AGAINST HOUSING

Those living in rented or office apartments have lesser default ratio.

CONCLUSION

As per above observations, the following have been identified as drivers of default:

1. Client with incomplete higher education
2. Clients with Family status as Widows
3. Clients housing in Co-op apartments

It was also observed that,

1. Maximum credit amounts were taken for buying assets like home, car and land followed by payment for other loans and buying used cars.
2. Based on organization type, Business entity - type 3, Self employed, other and Medicine are the safest categories to loan money.
3. Customers with martial status Married and with an Academic degree are the largest defaulters as well as the largest pool of credit takers.