ANALYSIS OF DRIVING FACTORS BEHIND LOAN DEFAULT

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AGENDA

Objective

Background

Key Findings

Techniques Used

OBJECTIVES

- Able to identify the risky loan applicants, thus helping the institute in cutting down the amount of credit loss.

- Finding the driving factors (or driver variables) behind loan default, i.e. the variables which are strong indicators of default. The company can utilize this knowledge for its portfolio and risk assessment.

KEY FINDS :-

- We have found that the loan distribution is mostly concentrated to "dept_Consolidation". So, diversification is needed to reduce the risk of loan default specific to one category

- Applicant who are living on rent or mortgage are more likely to default on loan

- Customer who has annual income less equal to 10 lakhs are more likely to default.

- Like above conclusion person with more experience are less likely to default as they earn more. This also can indicate the customer who recently have started working are taking loan to full fill their needs without consideration their income.

- Mostly of the loans are taken for amount less than 20k to 25k

Pie chart representing the loan distribution

Here we can see that the loan distribution sum amount is mostly concentrated to small business category. Diversification of loan reduces the loan default risk
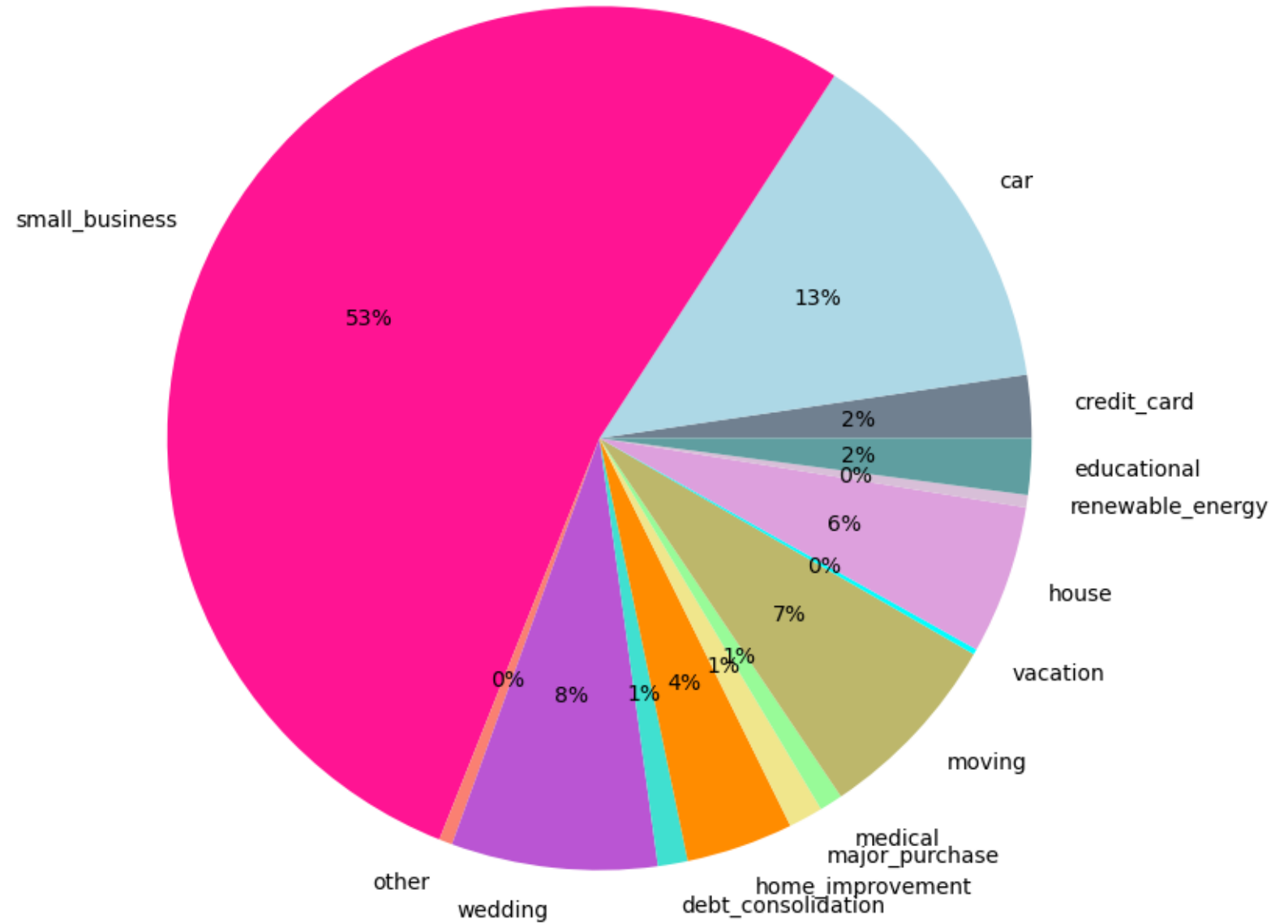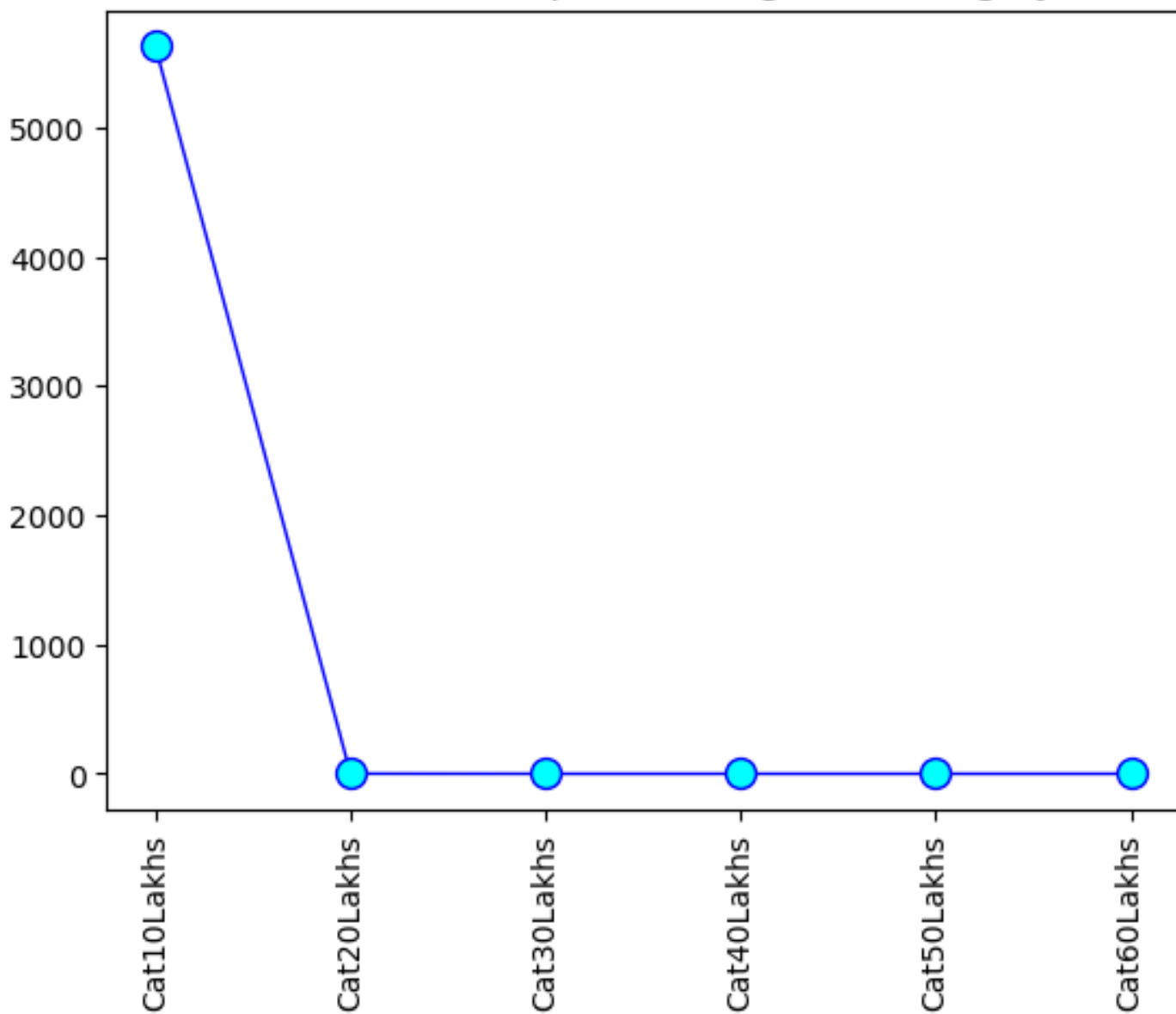
Here you can see that people whose income is near about 10 lakhs are more likely to default

```
Income_Category    Loan_Status
Cat10Lakhs         Charged Off          68095600
                   Current              19441550
                   Fully Paid          357917650
Cat20Lakhs         Charged Off             15775
                   Current                     0
                   Fully Paid              93625
Cat30Lakhs         Charged Off                 0
                   Current                     0
                   Fully Paid               8450
Cat40Lakhs         Charged Off                 0
                   Current                     0
                   Fully Paid              25000
Cat50Lakhs         Charged Off                 0
                   Current                     0
                   Fully Paid                  0
Cat60Lakhs         Charged Off                 0
                   Current                     0
                   Fully Paid               5000
Name: Final_Loan_Amt, dtype: int64
```
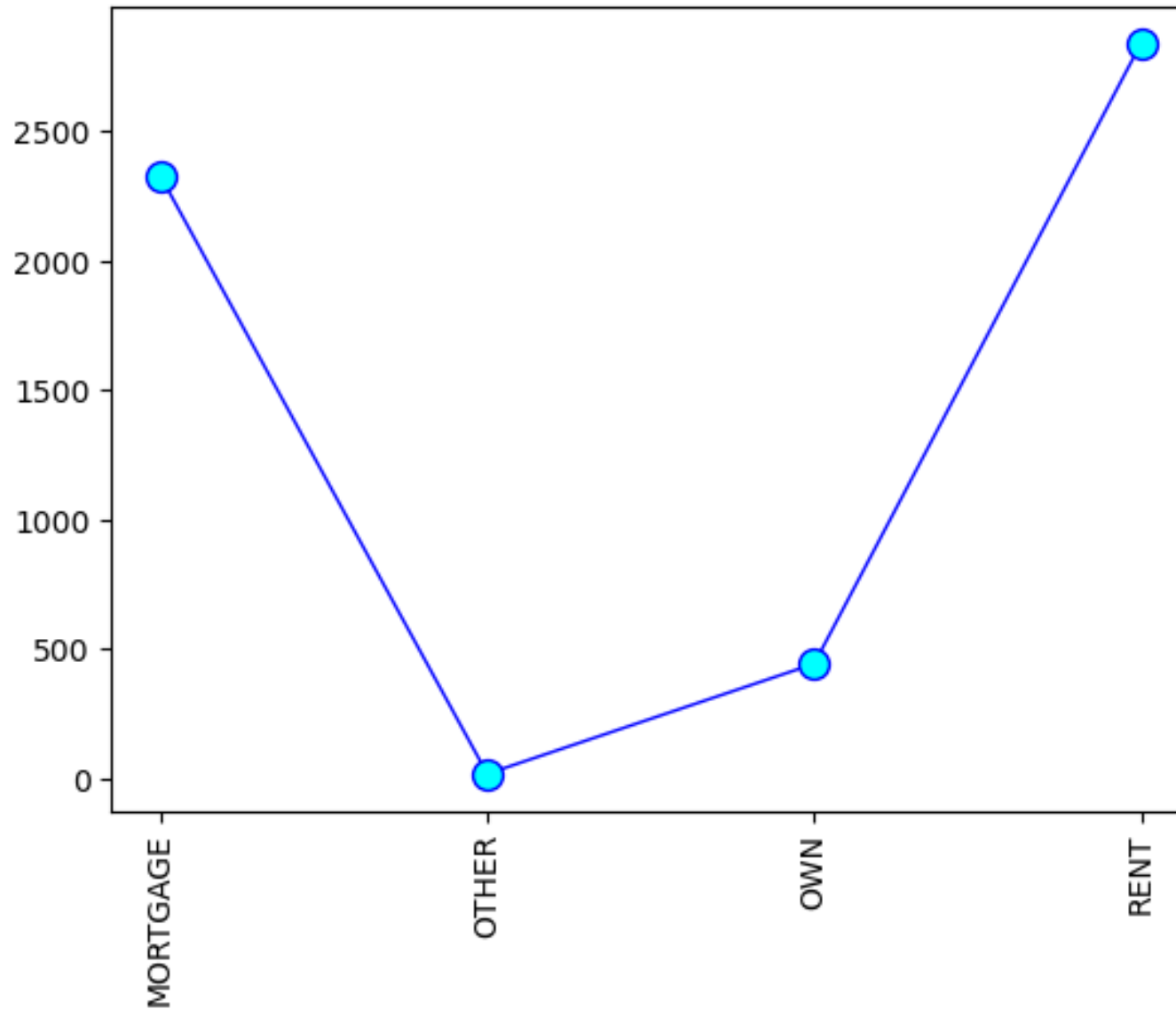
Loan-Imcome Graph For ChargedOff Category

Here you can see that defaulter are mostly people whose income is under or near about 10 lakhs per year

Loan Default and House Ownership Relation

Applicant who lives on rent or has mortgage are more like to default on there loan

THANK YOU