Problem Statement - I

Introduction

This case study aims to give you an idea of applying EDA in a real business scenario. In this case study, apart from applying the techniques that you have learnt in the EDA module, you will also develop a basic understanding of risk analytics in banking and financial services and understand how data is used to minimize the risk of losing money while lending to customers.

Business Understanding

The loan providing companies find it hard to give loans to the people due to their insufficient or non-existent credit history. Because of that, some consumers use it as their advantage by becoming a defaulter. Suppose you work for a consumer finance company which specializes in lending various types of loans to urban customers. You must use EDA to analyze the patterns present in the data. This will ensure that the applicants can repay the loan are not rejected.

When a client applies for a loan, there are four types of decisions that could be taken by the client/company):

Approved: The Company has approved loan Application

Cancelled: The client cancelled the application sometime during approval. Either the client changed her/his mind about the loan or in some cases due to a higher risk of the client he received worse pricing which he did not want.

Refused: The company had rejected the loan (because the client does not meet their requirements etc.).

Unused offer: Loan has been cancelled by the client but on different stages of the process.