

# BANK LOAN REPORT

## DOMAIN KNOWLEDGE

Bank loans are a core financial product that enables individuals and businesses to meet short-term and long-term financial needs. Understanding loan processes, risks, and borrower behaviour is essential for banks to make informed lending decisions and manage profitability.

### Sources of Bank Loan Data

- Loan Applications – Personal, employment, and financial details submitted by borrowers.
- Credit Reports – Credit history, credit score, existing loans, and repayment behaviour.
- Internal Bank Records – Loan disbursements, repayments, and status updates stored in databases.
- Online Banking Portals – Digital loan applications, payments, and customer interactions.
- Third-Party Data – External income verification and identity validation services.

### Process of Granting a Loan

1. Loan Application – Customer submits a loan request through online or offline channels.
2. Application Review – Bank reviews documents such as income proof and identification.
3. Identity Verification – Confirms applicant identity to prevent fraud.
4. Credit Check – Evaluation of credit score, credit history, and past defaults.
5. Income Verification – Assessment of repayment capacity using income documents.
6. DTI Check – Measures debt burden relative to income.
7. Employment Verification – Confirms job stability and employment duration.
8. Collateral Assessment – Evaluation of asset value for secured loans.
9. Risk Assessment – Overall analysis of credit, income, and loan purpose risk.
10. Loan Approval / Rejection – Decision on loan amount, interest rate, and tenure.
11. Loan Agreement – Formal contract outlining terms and conditions.
12. Fund Disbursement – Loan amount released to borrower.
13. Repayment – Borrower repays principal and interest as scheduled.
14. Ongoing Monitoring – Bank tracks performance, defaults, and financial health.

### Why Banks Analyse Loan Data

- Risk Assessment – Predict default probability and set interest rates.
- Decision Making – Support approval or rejection of loan applications.
- Portfolio Management – Monitor loan performance and optimize portfolios.
- Fraud Detection – Identify suspicious patterns and anomalies.
- Regulatory Compliance – Meet KYC, AML, and reporting requirements.
- Customer Insights – Understand borrower behaviour and preferences.
- Profitability Analysis – Evaluate interest income and default impact.
- Market Research – Identify trends and lending opportunities.

- Credit Risk Management – Provision for losses and stress test portfolios.
- Customer Retention – Offer refinancing and cross-selling opportunities.