Credit Risk Assessment Case Study

Problem Statement

- A Bank providing Credit Money to Borrowers for different type of loans.
- In the event if a borrower defaults on their loan then the Bank analyses the amount of loss the bank has occurred.
- The term LGD (Loss Given Default) to calculate this loss at any point of time.
- The LGD value will help Bank to identify high-risk loans so that appropriate actions can be taken to mitigate the risks.
- The Bank wants to understand LGD value of the borrower in case of default.

Plan of Action

- Importing and loading Data
- Data Cleaning
- Visualize the data
- Data preprocessing
- Building Model
- Buliding Predication
- Business Recommendation

Conclusion

The Top 5 Indicators which are responsible the more LGD

1. Number of Missed Repayment

2. Number of loans

3. Monthly Emi

4. Number of Cheque Bounces

5. Loan Type:

- Personal Loan

- Two Wheeler Loan

Business Recommendations -

- **The Bank should keep watch on the Number of cheque bounces for repayment amount and if number of cheque bounces is more than 1 than bank should get attentive and provide notices and remainder to those customer because as the number increases its most likely that the customer is going to default.**
- **The Bank should be attentive while providing Personal or Two wheeler loan to those customers who have already taken another loan and better to reject such loan application.**
- **The Monthly Emi amount should also be less so that the consumer can able to repay the amount without any missed repayment.**