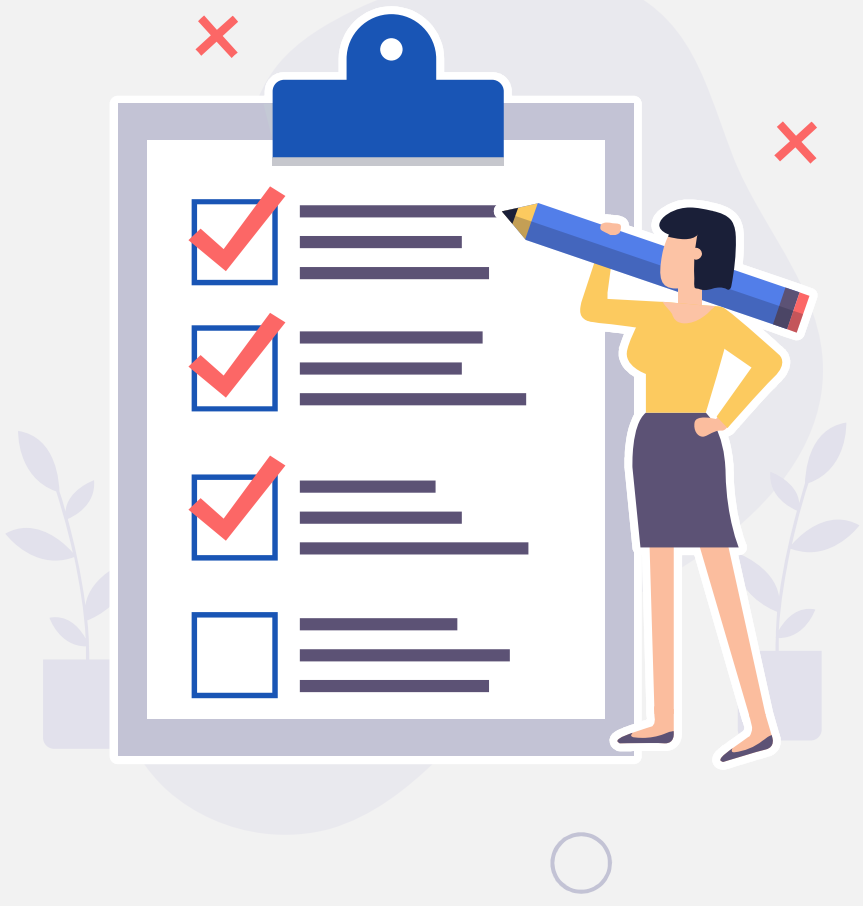


Review report of selected metrics

Presented by: Kratika Jain

TABLE OF CONTENTS

01

INTRODUCTION

SBA NATIONAL

The Small Business Administration (SBA) is a United States Government Agency formed in 1953 that provides support to entrepreneurs and small businesses.
This support comes through loans made through smaller local banks, which are guaranteed up to 90%.
In short, local banks give SBA loans to small businesses, and if the loan defaults, the SBA covers up to 90% of the remaining charge off.
This helps mitigate risk for the local banks, and helps small businesses get the capital that they need.

02

Background and description of dataset

Data Dictionary

THIS IS A TABLE of Data Dictionary

Variable name	Data type	Description of variable
LoanNr_ChkDgt	Text	Identifier – Primary key
Name	Text	Borrower name
City	Text	Borrower city
State	Text	Borrower state
Zip	Text	Borrower zip code
Bank	Text	Bank name
BankState	Text	Bank state
NAICS	Text	North American industry classification system code
ApprovalDate	Date/Time	Date SBA commitment issued
ApprovalFY	Text	Fiscal year of commitment
Term	Number	Loan term in months
NoEmp	Number	Number of business employees
NewExist	Text	1 = Existing business, 2 = New business
CreateJob	Number	Number of jobs created
RetainedJob	Number	Number of jobs retained
FranchiseCode	Text	Franchise code, (00000 or 00001) = No franchise
UrbanRural	Text	1 = Urban, 2 = rural, 0 = undefined
RevLineCr	Text	Revolving line of credit: Y = Yes, N = No
LowDoc	Text	LowDoc Loan Program: Y = Yes, N = No
ChgOffDate	Date/Time	The date when a loan is declared to be in default
DisbursementDate	Date/Time	Disbursement date
DisbursementGross	Currency	Amount disbursed
BalanceGross	Currency	Gross amount outstanding
MIS_Status	Text	Loan status charged off = CHGOFF, Paid in full = PIF
ChgOffPrinGr	Currency	Charged-off amount
GrAppv	Currency	Gross amount of loan approved by bank
SBA_Appv	Currency	SBA's guaranteed amount of approved loan

NEED FOR METRICS ?

Let’s assume a scenario in which XYZ person goes to the SBA national and apply for a loan and the bankers check his/her profile before lending him a loan amount so on what metrics they will approve the loan of that person? Therefore, SBA is assuming almost all of the risk in these situations, they have to be very careful in deciding whether or not to approve certain loans for that XYZ person.

Metrics

LOCATION

NAICS

North American industry classification code

TERM

NEWEXIST

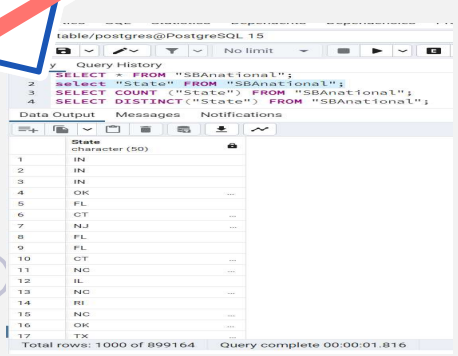
Metrics

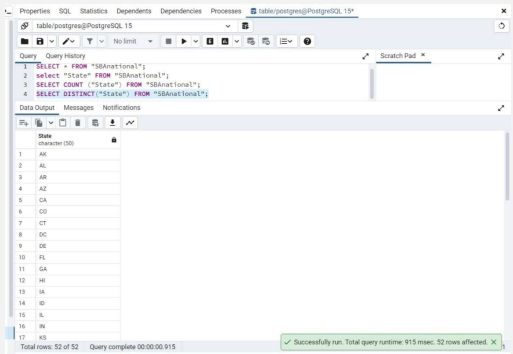
URBAN RURAL

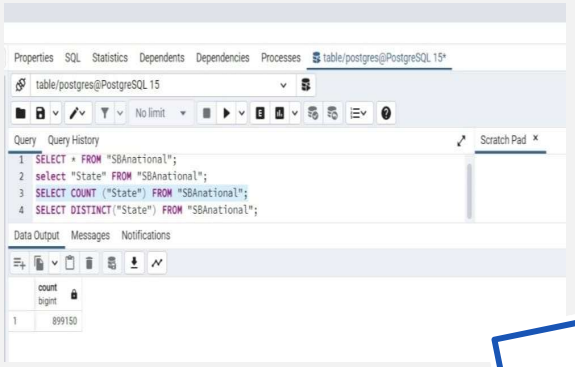
DISBURSEMENT GROSS

LOCATION (STATE)

It is the primary factor to be considered while lending a loan to the borrower as the state is used as a predictor since different states have different economic environments.

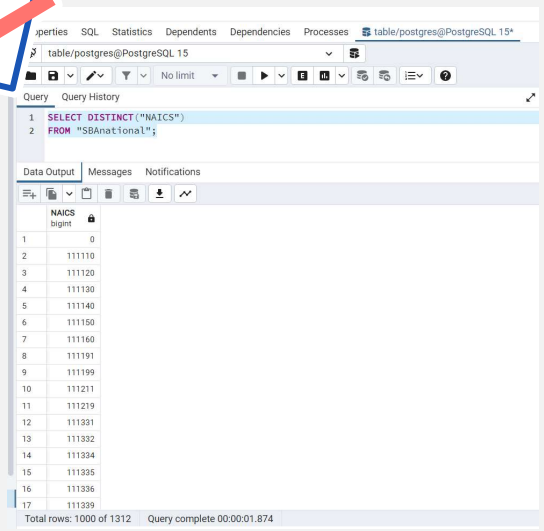


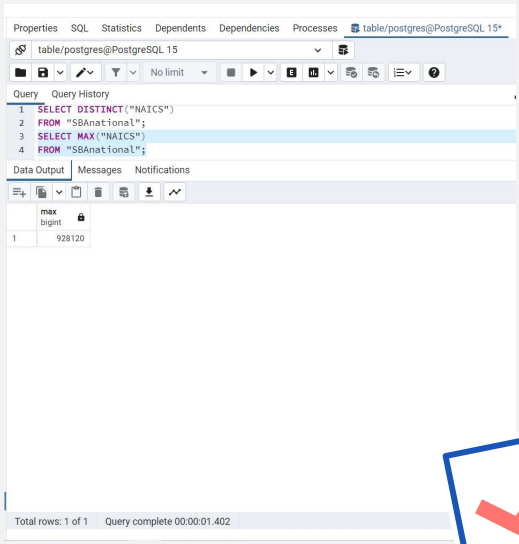




NAICS

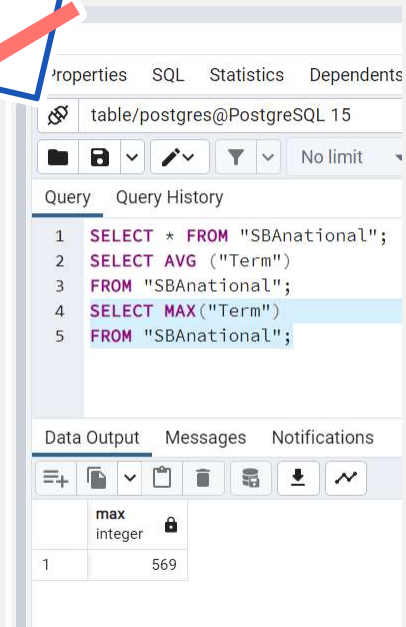
It is the second metric we can take into account as it is the **North American industry classification code** which depicts that the borrower belongs to which occupation or industry as the first two digits of that number describe the industry
for example 11= agriculture, forestry, etc.
This rationale(max number of people from public administration industry borrowed the loan) is confirmed by looking below in the query output:

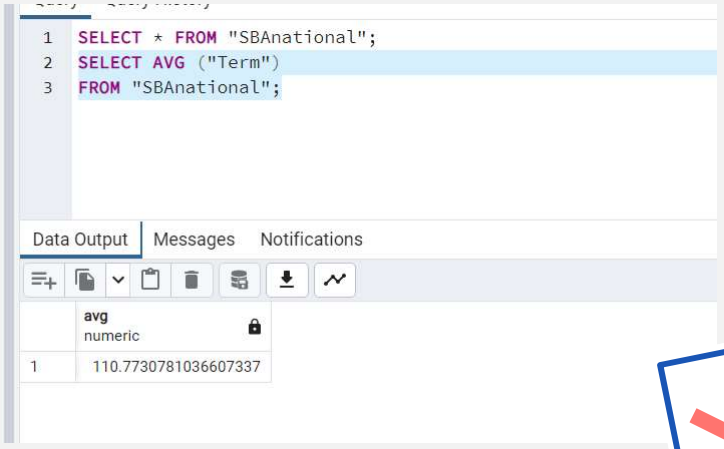




TERM

Term is another risk indicator that is identify as a key metrics to consider. The rationale behind selecting Term is that it is the loan terms in month called as duration which the borrower took from the bank . This logic can be seen below in the query table:





URBAN RURAL

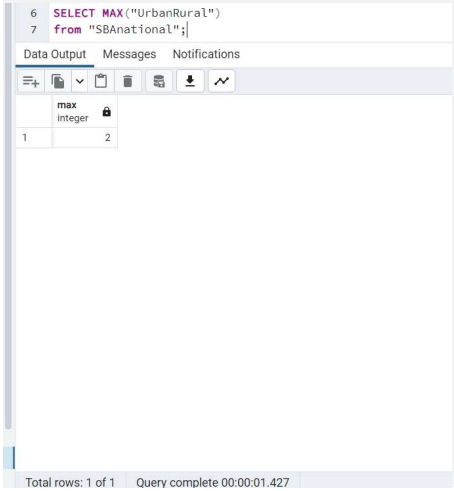
It is also the mandatory factor which is to be considered ,since Urban areas are more advanced and they generates employment as well so it can be one of the most apt reason for borrowing a loan from the bank.

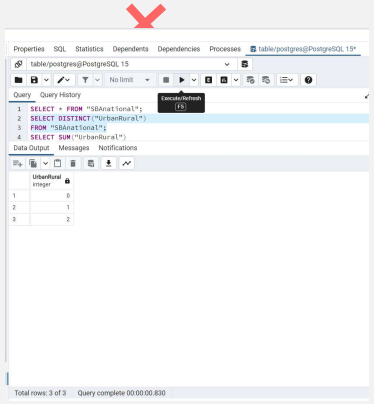
1=URBAN

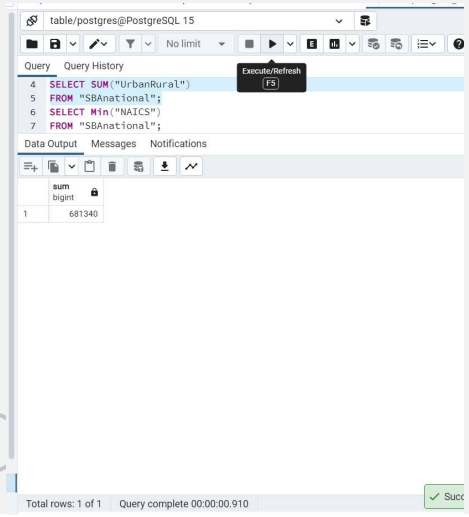
2=RURAL

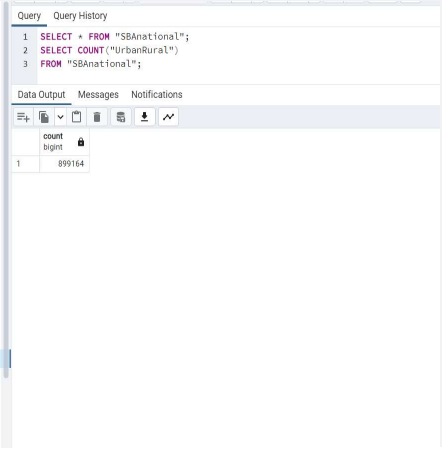
0=UNDEFINED(Data anomaly as Data outliers)

This condition is confirmed by looking below in the query output:









NEWEXIST

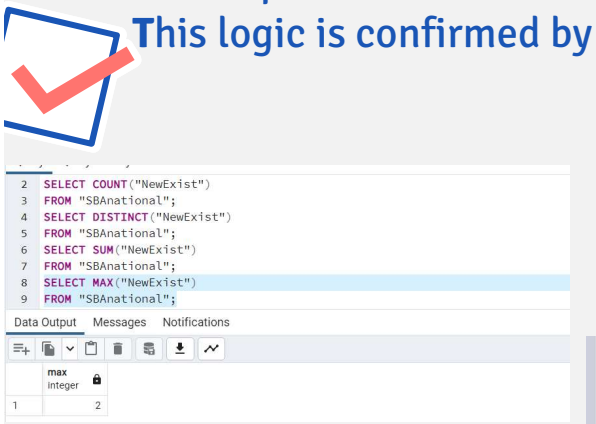
This metrics gives the idea of loans borrowers as they are taking loan for their new venture or existing venture.

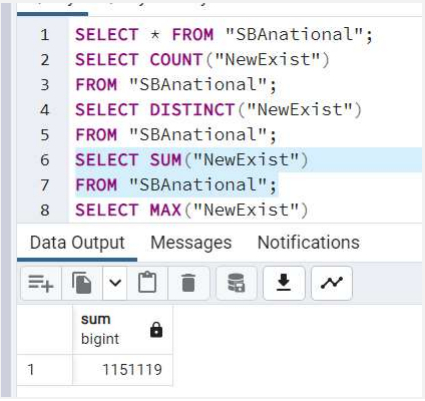
As 1= existing business

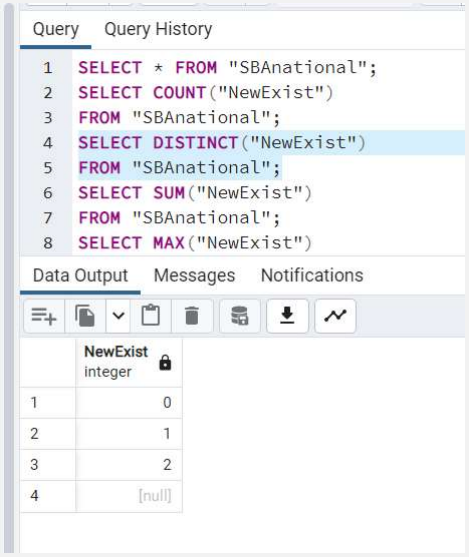
2=new business

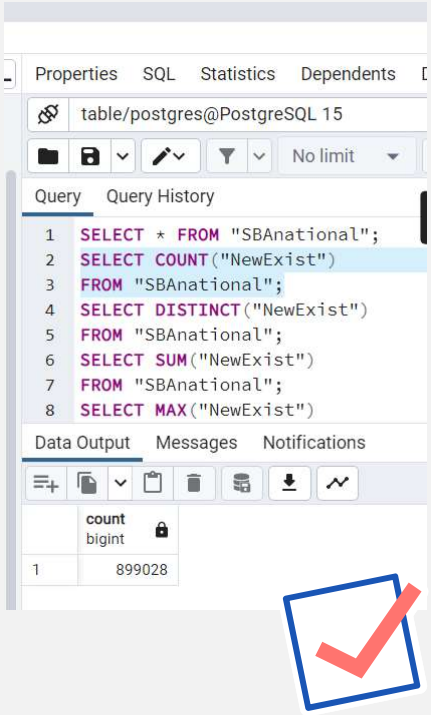
This depicts the risk the security of returning the loan amount.

This logic is confirmed by looking below queries :



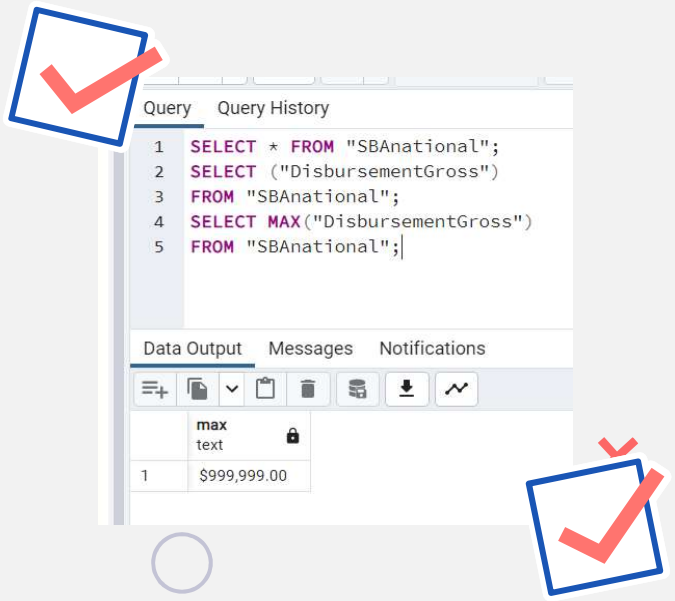






Disbursement Gross

Disbursement Gross is another risk indicator that is identify as a key metrics to consider.
The rationale behind selecting “Disbursement Gross” is that the larger the loan size, the more likely the underlying business will be established and expanding (i.e., purchasing assets that have some resale value), thereby increasing the likelihood of paying off the loan.



THANKYOU