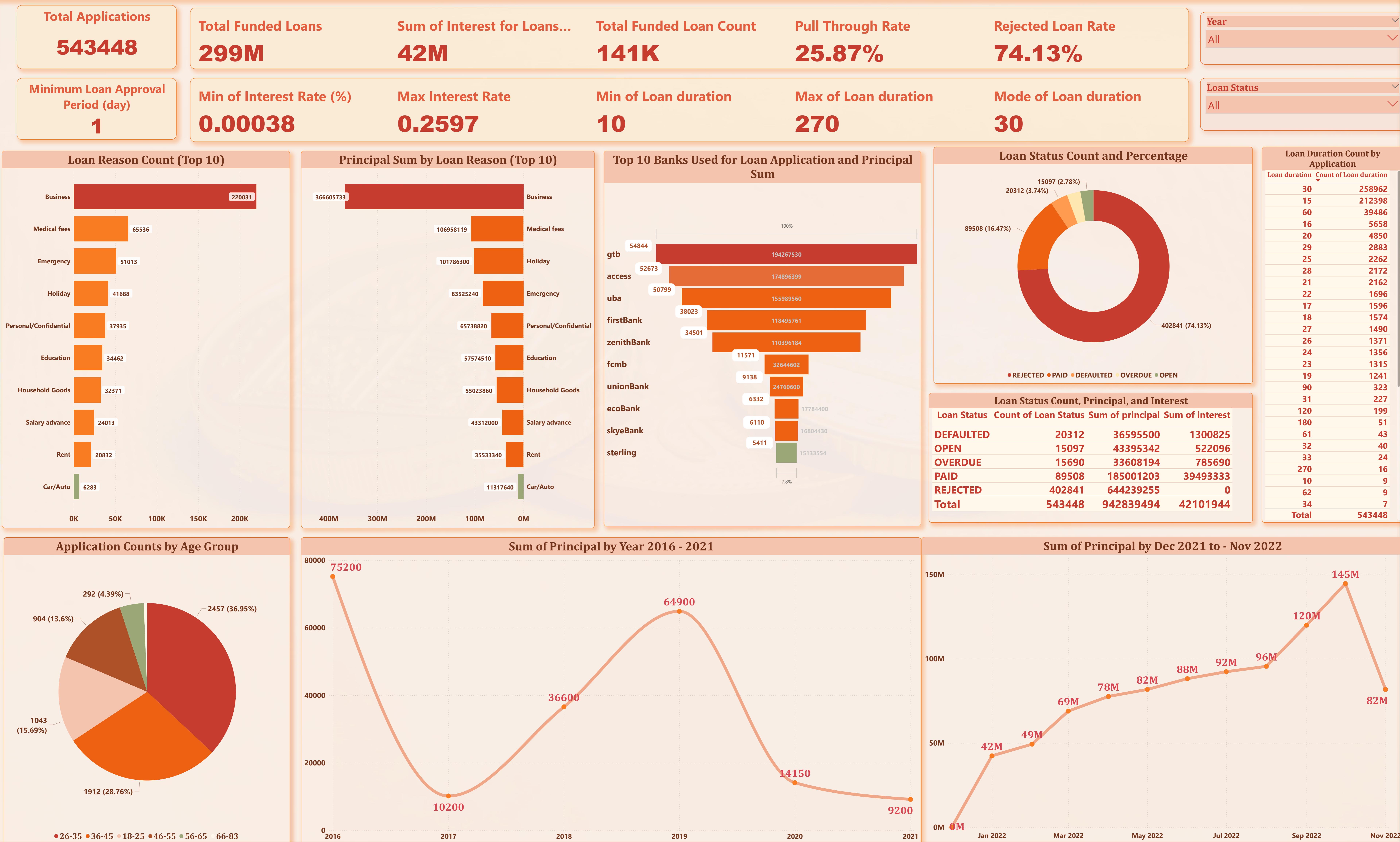
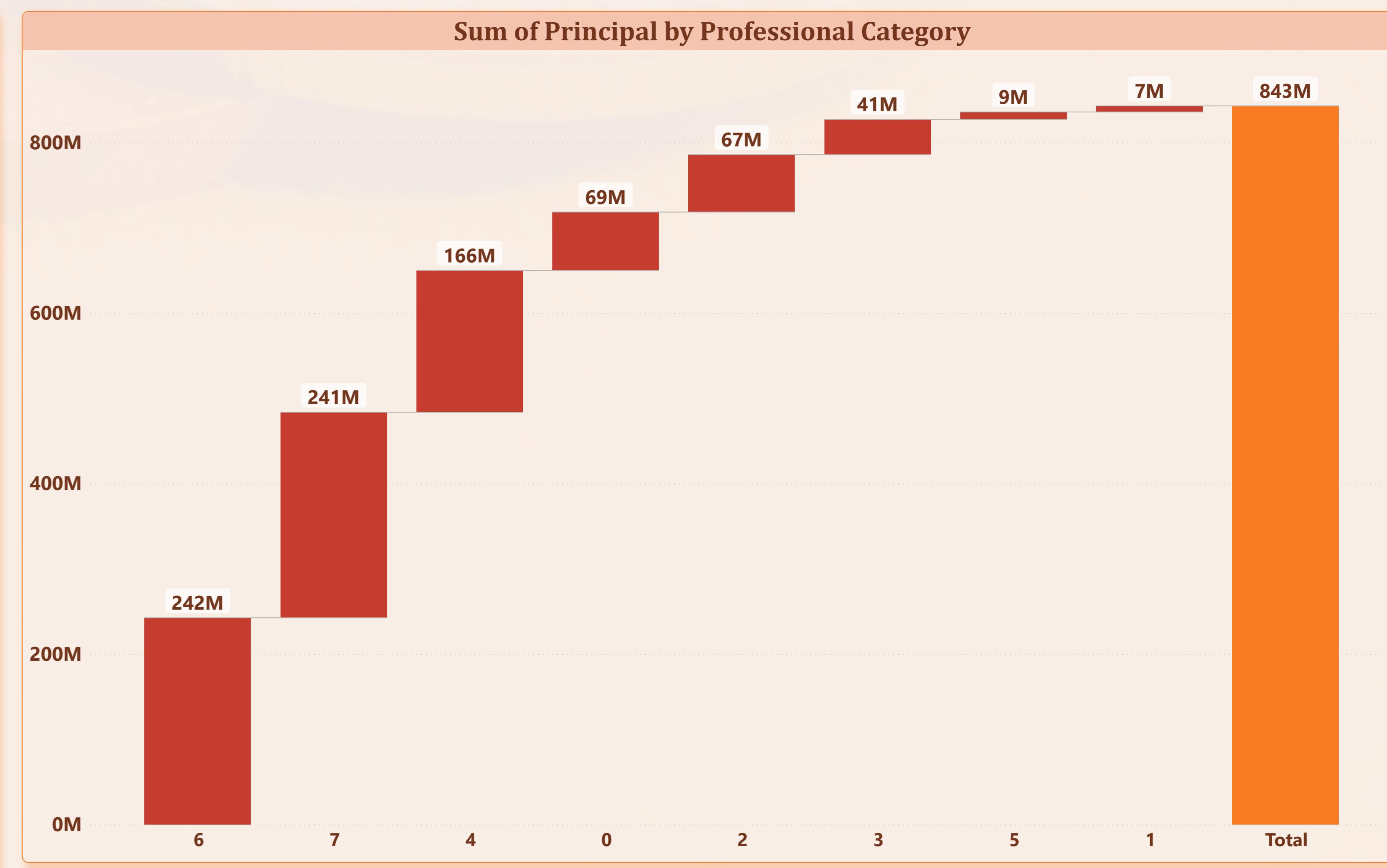
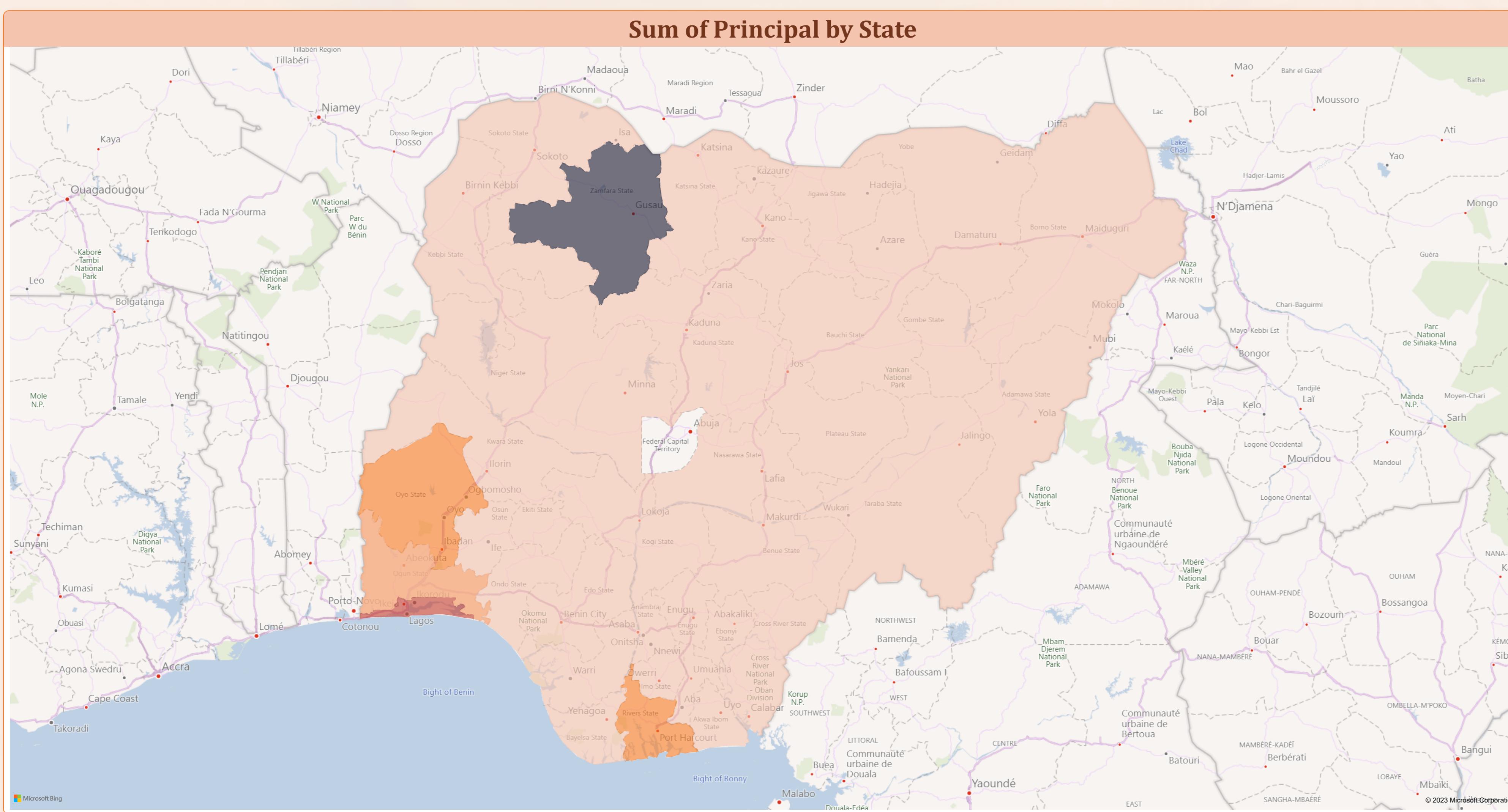
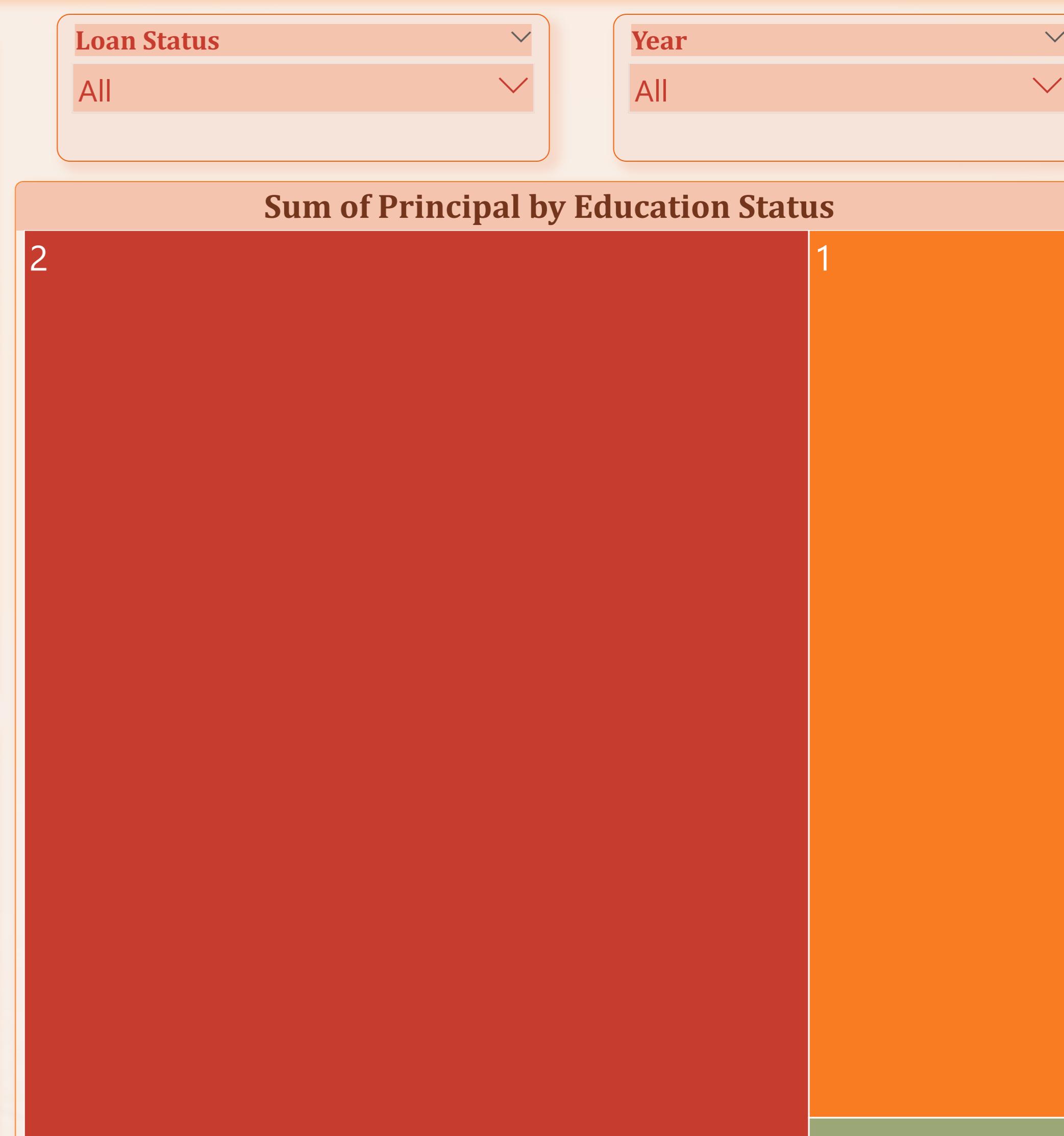
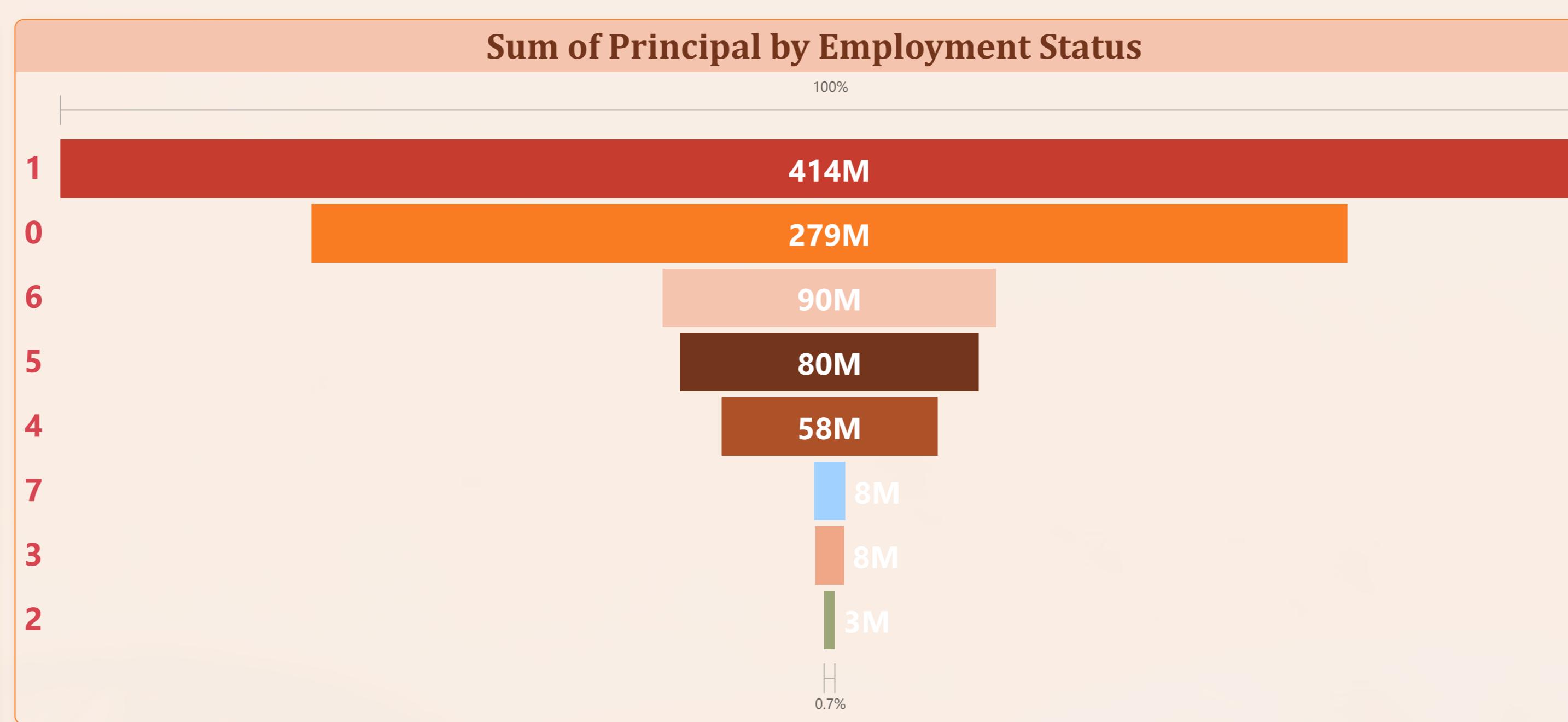
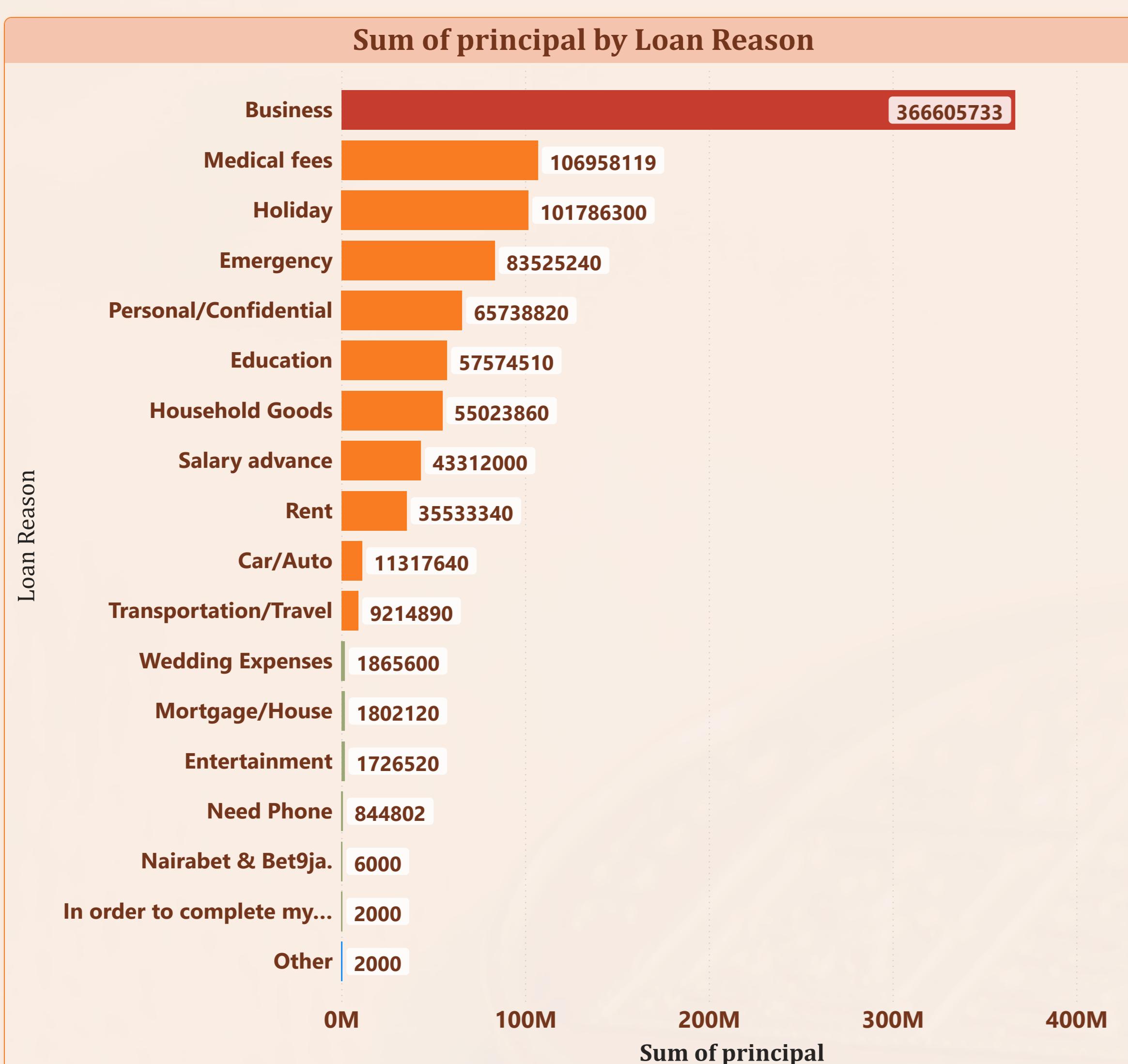


INSTANTCHECK LENDING ANALYTICS



INSTANTCHECK LENDING ANALYTICS



CREDIT RISK ANALYSIS

This study aims to evaluate the likelihood that loan applicants or borrowers will default on a loan if funded, i.e., the potential credit risk associated with lending money to borrowers at InstantCheck.

The client "InstantCheck" a top lending financial institutions needs to analyse the data from previous years (2016 -2022) to make data driven decisions to aid future lending processes about whether to approve or deny loan applications and, if approved, determine the terms and conditions of the loan, such as the interest rate, loan amount, and repayment schedule for the sole aim of mitigating risks and losses in its financial lending operations and in turn, contributes to the stability and success of the lending firm.

Dataset Used: InstantCheck's Users' data and Application data which provide user information and applications information respectively.

The User dataset has 16 columns and 298634 rows with unique user IDs and includes the essential information that each user provides when they signup with InstantCheck

Applications for loans from users in the users dataset are contained in the Applications dataset with 23 rows and 543448 rows with some users having multiple applications, which were either accepted or denied.

OBJECTIVES OF THIS ANALYSIS

This analysis provides insights using the following financial metrics and Key Performance Indicators (KPIs):

- i. Total Applications and Total Funded Loans
- ii. Sum of Interests for funded loans, interests rate accross all funded loan applications
- iii. Pull Through Rate (PTR) which measures the pipeline efficiency and approval rate
- iv. Rejected Loan Rate
- v. Loan duration to ascertain the minumum, maximum loan, and highest choice of loan duration
- vi. Loan reason count
- vii. Principal sum by loan reason
- viii. Top 10 banks used for loan applications and their counts
- ix. Loan application count by age groups
- x. Payment system count
- xi. Loan duration count by user application
- xii. Yearly trend showing the principal sum received through the year 2016 - 2021
- xiii. Monthly trend showing the principal sum received through December 2021 to November 2022
- xiv. Principal sum by user state
- xv . Loan Status Count and Percentage
- xvi. Loan status, status count, principal sum, sum of interest
- xvii. Principal sum by Employee Status
- xviii. Principal Sum by Professional Category
- xix. Principal Sum by Education Status

INSIGHTS

InstantCheck had a total of 543,448 loan applications across its 298,634 users, showing that some users had multiple loan applications processed or open, with the period of 2016 to 2022.

There was a total funded loan sum of approximately #299 million in 140,601 loan applications, comprising several loan statuses: paid, open, defaulted, and overdue.

The sum of interest for all funded loan applications was # 42.1 million, with interest ranging from 0.38% to 25.9% depending on the loan reason and other factors in the user's profile.

The pull-through rate (PTR) or application approval rate, which assesses the proportion of successfully processed and funded loan applications relative to the total number of submitted loan applications, was 25.87%, which was significantly low, and a rejection rate of 74.13%, signifying that the bulk of loan applications were rejected due to certain reasons such as monthly income, educational status, employment status, and also professional category.

Loan duration, i.e., the difference between the application/funding datetime and the last payment datetime, ranges between 10 and 270, with the bulk of applications (47.5%) (258,962) preferring to opt in for a loan option with a 30-day duration. Loan duration by count depicts that borrowers preferred to opt in for the 30-day loan duration considering the fact that InstantCheck provided flexible loan durations, which also facilitates easy loan repayment at convenience, be it a business loan or a personal loan.

There was also constant daily and instant fund and loan disbursal to users. The minimum funding time of 1 day, which was the most frequently occurring period of loan approval between application date and loan release date, shows the efficiency of InstantCheck gateway payment release.

InstantCheck offered a private and secured gateway through its payment via the major commercial banks in the country, and Gtbank, Acess, U.B.A., First Bank, and Zenith Bank were the top 5 banks in that order filed in as a payment channel or gateway during the loan application.

Business, medicals, and emergency categories were the top 3 loan reasons for a lending application by users, with the business category having a 39.53% principal sum in loan applications, medicals 11.53%, holidays 10.58%, and emergency 9.01% as the top 4.

Age group 26-35 had the highest loan application with 2457 counts (36.95%), followed by 36-45 with 1912 (28.76%), and age group 56-65 had the lowest loan application with 292 (4.39%). Lagos State had the highest loan application rate at 27.80%, followed by Ogun State at 9.64% and Oyo State at 7.91% as the top 3 states in the country.

Payment system 3, with 98% of the total preferred choice, was the most utilized and preferred payment option by users, followed by payment system 1, and lastly, payment system 4.

Employment status coded 1 has the highest principal sum application of #414 million, followed by coded 0 status with #279 million, and coded status 2 had the lowest principal sum of #2.87 million.

Education status 2 had the highest principal sum in applications, totaling #676 million, followed by status 1 with #224 million, and lastly, status 0 with #5million.

Professional category 6 received loan applications totaling #242 million, professional category 7 received loan applications totaling #241 million, professional category 4 received loan applications totaling #166 million, and professional category 1 received loan applications totaling #7.1 million.

There was a significant rise and fall in principal sum applications from 2016 to 2022, with a decline from 2016 (#25,200) to 2017 (#10,200) and a rise again in 2018 (#36,600). and to #64,900 in 2021, a decline in 2020 (#14,150) and 2021 (#9,200), and a geometric increase in 2022 to #942,629,244.

Furthermore, the monthly principal application sum trend from January 2022 to November 2022 showed an increasing trend from January 2022 (#42,402,704) to October 2022 (#144,646,400) and a decline in the month of November (#81,810,772).

RECOMMENDATIONS

Based on the insights provided, here are some recommendations for InstantCheck:

1. **Optimize Approval Rates:** InstantCheck should focus on improving its approval rates. With a PTR (Application Approval Rate) of 25.87% and a rejection rate of 74.13%, there is room to increase the number of approved loan applications. This can be achieved by revising the criteria for approval, providing clearer guidelines to users, and considering alternative data sources to assess creditworthiness.
2. **Diversify Loan Duration Options:** While the majority of users prefer a 30-day loan duration, InstantCheck could benefit from offering a wider range of loan durations to cater to diverse needs. This flexibility can attract more users and improve repayment rates.
3. **Enhance Payment Efficiency:** The minimum funding time of 1 day is commendable, and InstantCheck should continue to focus on quick and efficient loan disbursal. Any delays in this process could lead to user dissatisfaction.
4. **Target Age Groups:** Since the 26-35 age group has the highest loan application count, InstantCheck could design specific marketing strategies to target this age group. However, it should not neglect other age groups, as they may also represent potential users.
5. **Regional Expansion:** Given that Lagos, Ogun, and Oyo are the top states in terms of loan applications, InstantCheck may consider expanding its marketing operations to other states in Nigeria. This can tap into new markets and increase the user base.
6. **Risk Assessment:** InstantCheck should continue to refine its risk assessment algorithms to ensure that loans are extended to individuals with the highest likelihood of repayment. This can help reduce defaults.
7. **Monitoring and Adaptation:** Given the fluctuations in principal sum applications over the years and monthly trends, InstantCheck should continually monitor its performance and adapt its strategies accordingly.
8. **Marketing and User Education:** InstantCheck should invest in marketing campaigns to create awareness and educate potential users about its services. Clear communication on the application process, requirements, and repayment terms can help attract and retain users.