**Approve Loan Application**

From an ambitious student aspiring to study in a prestigious university to a farmer hoping to reap good number of crops prefer to avail a loan from a bank. Banks scruitize each loan application meticulously to reduce the risk of lending a loan to an individual who cannot pay back. Applying for a loan is a daunting task that every individual has to go through and our aim is to use our business process modeling skills to improve this process which inturn improves the customer satisfaction.

An applicants desire to take a loan acts as the trigger to this process. The main actor in this process is the bank manager whom an applicant approches for a loan. The bank managers have to deal with property evaluation consultants, legal verfication consultants and finally the Zonal Manager of the bank to issue the loan.

**As Is**

An applicant starts the process by visiting the nearest branch of the bank and filling an application form for the loan, after which the bank manager opens a file for the customer and informs the applicant about the list of documents to submit, this list includes identity and address proofs, income certificate and photocopies of the collateral documents. After receiving all the documents the bank manager conducts initial review of the documents and then selects one consultant from a list of preapproved Legal opinion consultants depending on the location of the property and mails the collateral documents for their opinion. After the bank manager receives an opinion he reviews the opinion,if the property has a clean title he forwards the application to the property evaluation consultant to evalute the market value of the property. Once the bank manager gets the market value from the property evaluation consultant and reviews the report to check if the property value correlates with the loan amount requested, if yes, he collates all the documents of the customer and loan request and escalates the file to the Zonal Office where the Zonal Manager finally reviews the file and takes a final decision on the loan. The bank manager will reject the loan application if the applicantion does not meet requirements after each review in the entire process.

**Problems observed in the process**

In the current workflow,each and every applicant has to complete a 4 page application form where the applicant has to fill all his personal information and submit all the identity and address proofs to process the application.

Secondly, the handoffs that happen between the bank manager, legal consultant, property evaluation consultant, zonal manager all happen by mail service which induces delay in processing the application. This induced delay increases as the distance between the bank branch and the location of collateral property increases.

Thirdly, each zonal manager takes a decision on all the loan applications of all branches that are in his zone, thus causing a bottleneck towards the end of the process. Many applications are delayed for a long time at this step.

Lastly, the applicant is no where involved during the entire process except when he meets the bank manager and applys for the loan. An applicant is not informed about the status of the application until a decision is taken and this increases the dissatisfaction among the applicants who are waiting for a long time for the loan. This can particulary harm the relationship between the bank and the customer if the loan application is rejected.

Summarizing the above problems, though the banks use latest softwares for their internal processes they are still follow the traditional practises while they are dealing with external agencies.

**Suggestions to improve the process**

Firstly, most of the customers who approach a bank already have a personal account in the same bank, we recommend the banks to ask the customer if they can use the account information of the personal account for the loan account, thereby saving applicants time and effort put in to complete the lengthy application form.

Secondly, the handoffs via courier service between the bank manager and the external agencies like legal consultants, property evaluators and also between the bank manager and the zonal manager can be reduced phenomenally by introducing a software fetching data from a central database that houses all the information of the applicant and the type of loan applied to and by authorising external agencies to update their decision in addition to any documents electronically. A loan account can be created for each application and the external agencies can update their opinion on the property on a regular basis.

The application will also ease the anxiety of the customer as the status of the application is updated by each actor regularly as the process progresses and he can monitor the status each day. In case the loan is denied at the end of the process the customer will know the reason behind the denial, this can maintain a healthy relationship between the customer and the bank.

Finally, the bottleneck caused by the zonal manager can be avoided by decentralising the authority to approve loans and giving bank managers the authority to approve loans within a certain limit. While the local bank managers deal with low amount loans the zonal manager can decide on the higher amount loans.

**To Be**

When an applicant approaches a bank manager for the loan, first bank manager asks whether the applicant has opened any account previously in the same bank. If yes, the bank manager fetches the account information from the old account and links the information to the applicant’s profile. Then the manager updates the applicant’s profile after he receives all the required documents from the customer. Then the bank manager selects the legal consultant depending on the collateral offered and electronically sends the file to the consultant. The consultant will check if there are any issues with the collateral property offered and immediately updates his opinion on the applicant’s profile. Then the bank manager reviews the opinion, if the opinion is good he forwards the application to the property evaluation consultant, else the bank manager rejects the loan and updates the same on the applicant’s profile. Then the property evaluators visit the property and update their opinion on the profile then the bank manager reviews the opinion, if the opinion is bad he rejects the loan application else he approves the loan and issues a sanction letter if the loan amount is below a certain limit, if the loan is above the limit he forwards the application to the zonal manager. The zonal manager finally reviews the application and updates his decision on applicant’s profile. If the loan is approved the applicant will be given a sanction letter by the bank manager finally.