Advantages for Automatic loan approval

Automated loan approval criteria have become increasingly popular in the finance industry. The process is typically done by a computer algorithm that assesses various factors such as credit score, income, and loan amount to determine if an applicant qualifies for a loan. The use of automated approval criteria offers several advantages over manual decision-making processes.

Firstly, automated approval criteria save time and reduce operational costs. Traditional loan approval processes are often slow, taking several days or even weeks to reach a decision. With automated systems, the decision-making process is much faster, often taking just a few minutes. This means that customers can receive an answer quickly, which is essential for businesses that need fast funding to keep operations running smoothly.

Secondly, automated approval criteria are more objective than manual decision-making. Automated systems use pre-defined rules and criteria to evaluate applications, which eliminates the potential for subjective judgments or biases. This is important because human decision-making can be influenced by unconscious biases, which can lead to inconsistent or unfair decisions.

Thirdly, automated approval criteria offer greater accuracy and consistency. Automated systems are designed to minimize errors and inconsistencies that can occur with manual decision-making. This ensures that each application is evaluated in the same way, reducing the likelihood of errors or inconsistencies in the decision-making process.

Lastly, automated approval criteria enable lenders to better manage risk. By using data analytics and risk models, lenders can accurately assess the level of risk associated with each loan application. This allows lenders to make informed decisions about whether to approve or decline a loan application, reducing the likelihood of defaults and minimizing losses.

In conclusion, the use of automated approval criteria has several advantages over manual decision-making processes. It saves time and reduces operational costs, offers greater objectivity, accuracy, and consistency, and enables lenders to better manage risk. The query presented in this report can help automate the loan approval process by identifying top customers based on specific metrics and classifying them as eligible or ineligible for a loan. Overall, the use of automated approval criteria is becoming increasingly important in the finance industry, as lenders seek to streamline their operations and make more informed decisions about loan applications.

The query

SELECT LoanNr\_ChkDgt, Name, BalanceGross, MIS\_Status,

CASE

WHEN MIS\_Status = 'CHGOFF' THEN 'Declined'

WHEN BalanceGross::numeric >= 50000 THEN 'Approved'

ELSE 'Undecided'

END AS LoanEligibility

FROM (

SELECT LoanNr\_ChkDgt, Name, BalanceGross, MIS\_Status,

RANK() OVER (ORDER BY BalanceGross DESC) AS balance\_rank

FROM Loan

WHERE MIS\_Status = 'P I F' AND ChgOffDate IS NULL AND DATE\_PART('year', AGE(CURRENT\_DATE, DisbursementDate)) <= 2

) AS top\_customers

ORDER BY balance\_rank

LIMIT 5;

Yes, the above SQL query can help in the automatic loan approval system. Here is how it can work:

1. Efficiency: By automating the loan approval process, the time required to process the applications can be greatly reduced. The system can process applications 24/7, and there is no need to wait for human intervention. The automated system can quickly evaluate and approve or decline a loan application based on the pre-defined criteria.
2. Consistency: An automated system will always apply the same rules and criteria to every application, ensuring consistency in the decision-making process. This eliminates any bias or personal opinion that may influence human decision-making.
3. Accuracy: Automation reduces the risk of errors or inaccuracies that can occur when humans are responsible for making decisions. An automated system can be designed to accurately analyze and interpret data, making the loan approval process more reliable.
4. Cost Savings: Automated loan approval systems can significantly reduce the cost of manual processing. The company can save money on labor costs, as well as expenses such as training and employee benefits.
5. Scalability: Automated loan approval systems are scalable, meaning they can easily handle an increasing volume of loan applications without increasing resources. This makes it easier for the company to expand its operations and increase its loan portfolio.

Overall, by using an automated loan approval system, companies can improve their efficiency, accuracy, and consistency while reducing costs. The SQL query presented above can help with automation by providing a way to automatically identify eligible customers based on pre-defined criteria, which can then be used to approve or decline loan applications.

Output

