

Case Study

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Largest Peruvian Bank Overhauls Credit Processing to Maximize Small Business Success

Summary

In light of an economic downturn caused by “El Nino”, Peru’s leading bank needed to design a better process for predicting the performance of its small business loans and improving their overall lending policies. The bank created a new methodology for scoring small business creditworthiness that was successfully put to use to help grow the bank’s credit portfolio.

Customer Profile

Leading Peruvian Bank

Challenge

In Peru, the fishing industry is a critical component of the nation’s GDP. When El Nino caused a downturn in fishing, the shortages in fish had a ripple effect, causing a downturn in the overall economy. In anticipation of possible negative effects to its credit portfolio, the largest bank in Peru wanted to overhaul its processes for providing credit to small businesses. They needed to develop a better way to screen these businesses to predict those that would have the best likelihood of a successful return on investment.

Solution

To meet these challenges, the bank and a team of consultants worked together to design a lending process for small businesses that would use a credit score like those used in consumer lending. The team created new credit systems that would provide a more consistent, methodical approach to small business lending than had previously been done. To do this, the team analyzed historical loan information and interviewed branch managers to better understand the variables that could be used to predict creditworthiness of small businesses. From this research, the team created a list of 25 items to construct standard small business loan applications and ran tests to understand the appropriate weighting of each item. At the end of the project, the team was able to deliver a new model for predicting success in small business lending.

Results

As a result of the project, the bank deployed new credit process for small business lending that was adopted throughout the national bank. This helped small businesses in Peru to thrive through investment in their growth, and it ultimately helped the bank to improve the quality of its investments by backing those organizations with the greatest likelihood of success.

