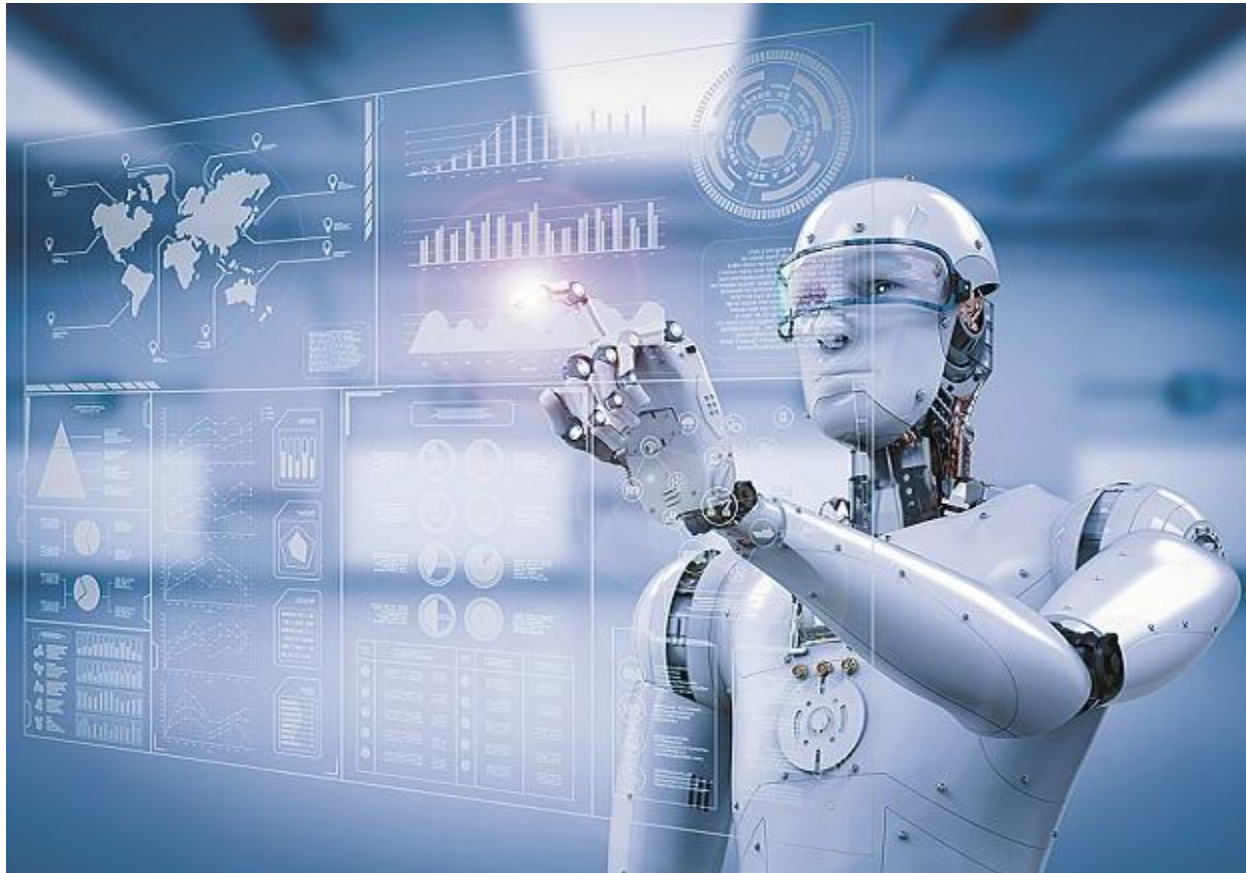


# Application of Artificial Intelligence in the Lending and Loan Management Process.

By Prince Ogbonna



Loan Management is an important key component of banking and funding companies who are providing loans for users for financial needs. incidentally, its use has continued to recognize the institution's gross loan risk, enhance profits on those chances and achieving audiences of opportunity. For both applicants and lenders, one of the main concerns is how fast the loan process can be completed. While lending and loan management is growing rapidly and there is a chance to grow Application fraud is a fast increasing problem around the system. Economic disaster has made increasing numbers of over-indebted people to deceive their criteria for credit. The lending industry has the potential to achieve massive operational and strategic efficiencies by implementing machine learning. [Machine learning](#) are transforming the [financial industries](#) by replacing the position of the human analyst and reducing the cost of errors. The Advanced technology, AI has created upon Machine learning, which identifies the frauds and

deception over the workflow and fewer possibilities of mistakes and analyzing the thousands of documents.

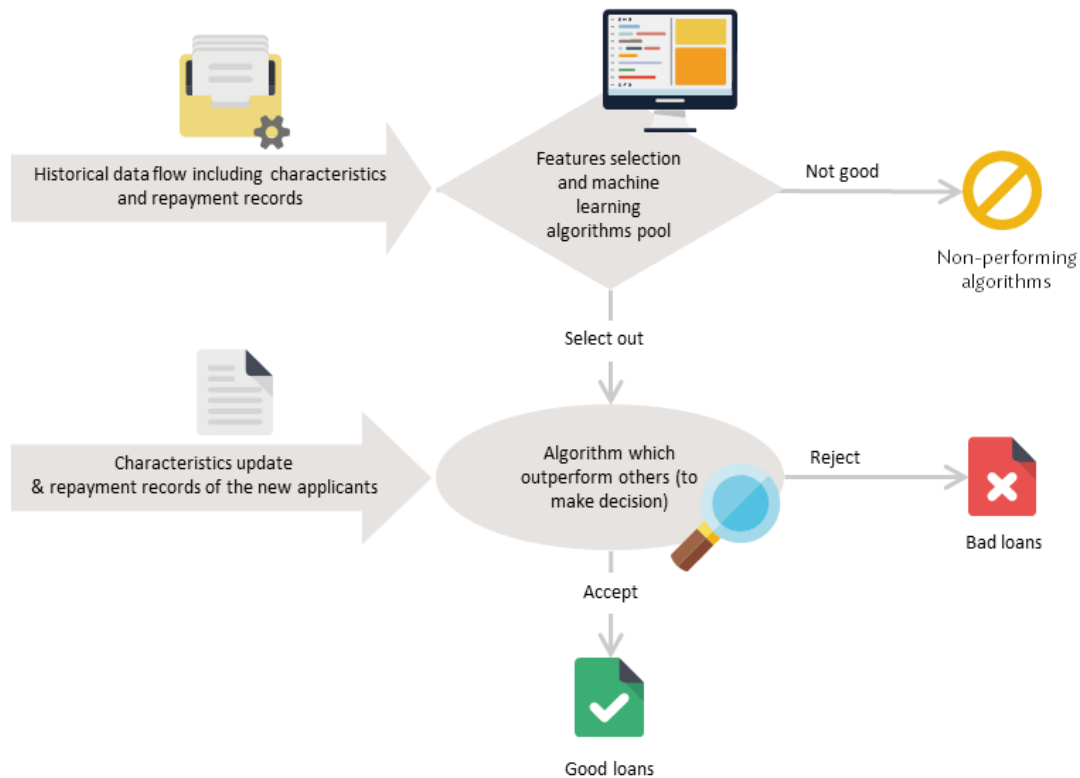


### **Advantages of Machine Learning in Loan Management.**

1. **Lower Operational Cost:** Lending companies are able to reduce their operational costs more effectively by handling more applications within the same timeframe. Inevitable, Machine learning is helping to boost profitability and competitiveness.
2. **Avoidance of Delay:** Lending processes are enhanced when delay of applications are greatly reduced. Machine learning helps processors to take quick actions if a processes is not following an established plan.
3. **Accuracy:** The algorithm mostly is built and tested on several application data to tune its accuracy for delivery. Machine learning helps to streamline human verification operations that may return
4. **Biases:** ML is not prone to biases like humans, making it more dependable. Approval of credit facilities can be judged by humans based on inclination of interest which may not fully comply with the lending policy established in the organization. Machine learning helps to remove emotional dependencies while evaluating the need of a credit offer.

The lending industry is greatly guided by AI and machine learning. The method in which these changes the way in which various tasks are managed and the greater accuracy rates achieved by

these technologies are certainly due to change the lending process while increasing consumer's satisfaction rates.



### Recent Applications of Loan Management using Machine Learning.

- **Loan Monitoring:** Companies can easily use Machine learning to pick out loans that are possible to go bad and help to analyze on-going loans. With this prior analysis, lenders can easily take precautionary actions to borrowers using market data to analyze which type of loan is likely to default.

Debt collection in finance is rising to be disturbed by artificial intelligence due to the availability of extensive amounts of past records of consumers for banks and other commercial systems. Most AI applications that have real-time business importance for debt collecting today appear to be in personalizing information to customers and recognizing crowds of similar debtor profiles. Banks can combine the AI to automate their debt collection team's intelligence methods.

- **Improved Lending Process:** Today the lending process using machine learning could take less than a day to process as against the traditional three to six days from traditional banks. This man-hour is reduced by quick analysis of the credit-worthiness and the background with various available data, making the process more accurate.

Machine Learning are taking the role of an analyst very active as errors, which are included in human choice, can cost a fortune. ML which learns over time, less possibility of making mistake and analyzing large amount of data. AI has created automation to the operations which need, exceptional analytical and clear thinking. ChatBots have also grounded itself as a strong tool for customer satisfaction and an unmatched support for the organizations supporting them protect a lot of time and cash. Today's technology will not only improve the way we process credit market but also non-commercial enterprises.

- **Credit-Scoring scheme:** We understand that credit score is an important factor when considering a loan application. With Machine learning and recent predictive models and big data analytics, achieving a concise credit ranking can be sources from social media and buying patterns from online shopping. ML algorithms are inserted in cash flow metrics and social data have connected to check the eligibility of repaying loans from borrowers. It is the most successful process and become a part in finance companies building credit scores for all types of lending loan.

The system has proven its effectiveness work than humans performs in identifying the malicious applications in the loan process. There are two main aims to use artificial intelligence to determine a credit score. One is to evaluate creditworthiness more accurately. The other is to be prepared to think people who might not have been smart to get a credit score in the history, or who may have been too quick denied by a common logistic regression-based score.

## Conclusion

It is obvious that machine learning is the future of alternative lending. With growing competition in the lending ecosystem, companies that explore the full potential of machine learning and big data technologies will definitely have the upper hand in the long term.