

Retail Credit Operations in Banks- Explained with Important Points



Introduction

Banks being the financial houses which primarily are established to accept deposits and to lend loans to the public. Profitability of the bank depends mainly on the Net Interest Income (NII) generated. (I.e) If a bank accepts deposits from customers for which an interest of 6 % is paid every quarter, but lends a loan for an interest of (say) 13% which might be fixed or a floating rate (it depends and varies for different asset products). The Net difference which is excluding the cost, earned is the Spread which is also called Net Interest Income.

The quality of loans lent depends on the efficiency of the banks in sourcing, screening, processing and sanctioning of credit.

What does Retail Credit Operations really mean?

Retail Credit Operations means the sequential process which involves screening, evaluation of risk(s), and ensuring that the bank lends to a worthy(credit worthy) client from the asset products applications sourced.

The Process of Retail Credit Operations in Banks

- Initially, the asset product(Personal loan/Mortgage/Business loan/Credit Card) applications are sourced by the Sourcing team.

Sourcing team consists of :

- a. Retail Branch Team**
- b. Direct Sales Team.**
- c. Tele-Sales Team.**

- Computerization of data and pre-screening of application is done by the pre-screening team, if any rejections like missing documents or signature mismatch/unsigned forms are rejected to sourcing team to attach the additional documents required.
- Then the application moves to the Credit evaluation team, which evaluates the application as per the Credit and product policy.
- A CPV(Contact Point Verification) is done to ensure correct phone number, address, employment details, existence of business, etc.A positive CPV check is essential to credit evaluation.
- Any suspicions in documents is observed, it is referred to the Fraud Management Unit and after FMU clearance it is processed further.
- Rejections observed during credit evaluation are clarified with Sourcing team and necessary documents are attached for further evaluation.
- If the Credit evaluation team while processing the application finds any recommendations attached by GM/VP/Country head-sales for policy deviations or all the policy criteria are met but any system deviations(errors in calculation of eligibility by the computer after policy revision) is observed then the application is escalated/recommended to Credit Risk Evaluators to process it from their end.
- When the policy criteria are not met(say customer has a poor credit score, cheque bounces in the recent past, or may not be eligible for the particular product) then the application is declined.

- Application is processed and moved to the disbursement team for disbursal, if all policy criteria are met.

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