

Exemplar: Identify Inefficiencies and Improvement Opportunities in an Existing Process

This document presents an exemplar solution to the lab, “Identify Inefficiencies and Improvement Opportunities in an Existing Process.” Please keep in mind that this is just one point of view and not a definitive solution.

Solution

Exercise: Identify inefficiencies and improvement opportunities in the loan application process of a digital bank

Task 1: Review the current process

There are five steps in the current loan application process followed by the digital bank.

	Process steps	Description
1.	Application submission	Customers fill out an online form and submit it along with supporting documents.
2.	Document verification	Submitted documents are verified by the staff manually.
3.	Credit check	A credit check is performed after document verification to assess the applicant's creditworthiness.
4.	Approval decision	Loan applications are reviewed by staff members. The loan application is either approved or rejected based on the findings.
5.	Funds disbursement	If approved, funds are disbursed to the customer's account.

Task 2: Identify inefficiencies and improvement opportunities in the existing system

Here are the inefficiencies identified after reviewing the current system. We've also presented ideas for improvement for each step of the process.

Process steps	Current process	Inefficiencies	Improvement opportunities
1. Application submission	Customers fill out an online form and submit it along with supporting documents.	<p>Redundant data is asked again and again from existing customers of the bank which might lead to delays and mistakes.</p> <p>Customers may have difficulties in completing the form and may need guidance.</p>	<p>Pre-filled forms: Implement a system that pre-fills forms using data from previous interactions (for example, Know Your Customer (KYC) data).</p> <p>Chat assistant: Introduce a real-time chat assistant to guide customers through the application process.</p>
2. Document verification	Submitted documents are verified by the staff manually.	Manual review might lead to delays and mistakes.	<p>Automated document checks: Use software that performs initial checks for completeness and correctness of the uploaded documents.</p> <p>AI verification tools: Incorporate AI tools that can analyze and verify documents against predefined criteria (for example, ID validity).</p>
3. Credit check	A credit check is performed after document verification to assess the applicant's creditworthiness.	When document is submitted, it's not known if its valid till it is checked for validity. Therefore, verification is done for each document even if it's not valid. This can lead to cost increases and delays.	<p>Instant credit checks: Partner with credit bureaus to automate credit checks instantly upon document verification completion.</p> <p>Feedback mechanism: Provide immediate feedback on the credit check results to customers.</p>

4.	Approval decision	Loan applications are reviewed by staff members. The loan application is either approved or rejected based on the findings.	Manual verification of applications can lead to inconsistencies and delays.	<p>Scoring system: Develop a standardized scoring system that evaluates applications based on risk factors (for example, income, credit score, debt-to-income ratio).</p> <p>Conditional approvals: Allow for conditional approvals where additional information can expedite decisions (for example, additional documentation requests).</p>
5.	Funds disbursement	If approved, funds are disbursed to the customer's account.	Fund disbursement can take many days. Banks usually take a few days to process funds and transfers.	<p>Instant payment solutions: Implement instant payment systems (for example, automated clearing house (ACH) transfers) for faster fund disbursement.</p> <p>Notification system: Create an automated notification system (via SMS/email) that informs customers of their approval status and fund disbursement.</p>

Task 3: Identify metrics to validate your solution

To validate the effectiveness of these improvements, track the following key performance indicators (KPIs):

Key performance indicators (KPIs)	Objectives
1. Average processing time	Measure the time taken from application submission to funds disbursement.
2. Approval rate	Track the percentage of applications approved versus submitted.

3.	Customer satisfaction scores	Use surveys to gauge customer satisfaction before and after implementing changes.
4.	Error rate in document verification	Monitor the percentage of errors or issues arising from automated checks versus manual reviews.