<u>“Three What” Technique for “Credit Analysis and Decisioning”</u>

Credit analysis is an art and science which involves different approaches and methodologies to arrive at a conclusion of whether to lend or not to lend to a particular borrower. Even though there is lot of subjectivity involved, the fundamental remains the same. The key element which remains central is “Common Sense” along with other elements of Credit Analysis (Five Cs’ of Credit – Character, Capacity, Capital, Collateral and Conditions). With technology support, various methods and models are also made to credit decisioning. These models on one hand provide low cost, high speed alternatives but they inherently lack the ability to capture qualitative nuances. With increasing flow of information, it is inevitable to filter the right information and structure the same in a way that it is helpful in decision making. Authenticity of information along with materiality plays a vital role for decision makers and thus a structured method for logical presentation of facts becomes important. Three What’s technique (**W**hat – So **W**hat – Now **W**hat) is often used as reflection tool, however, the same can also be used for Credit Analysis. Let’s see how does it work;

Detailing each stage of above as follows;

What	“What” is derived from underwriting of the credit proposals with respect to various risks associated which include Business Risk, Management Risk, Industry Risk, Transaction Risk, Financial Risk etc. The material and critical areas are identified which will impact the decision making. These areas may be from different parameters listed above.
So What	“So What” is an important stage wherein post identifying the concern areas, the probability of such event and possible impact is measured. The higher the probability of occurrence of an event (concern area) and higher the impact will adversely affect the decisioning and vice versa.
Now What	Post identifying the probability of occurrence of various concern areas and assessing its impact, key areas are listed and a “big picture” is framed connecting all the dots. Now What is a critical stage for decision making and requires formation of an overall view on the proposal and final decision making.

Hope this reflection tool also serves as simplified Decisioning methodology.

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