



# A Study on Loan Processing and Credit Management in Public Sector Banks in Pune

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**Abstract** – This research study focuses on loan processing and credit management in public sector banks in Pune. Public sector banks play a vital role in providing financial support to individuals and businesses. Efficient loan processing and effective credit management are important for reducing credit risk, improving profitability, and ensuring customer satisfaction. In the modern banking environment, banks face challenges such as rising non-performing assets (NPAs), increasing competition, and changing customer expectations. The main objective of this study is to analyze the loan processing procedures and credit management practices followed by public sector banks in Pune. The study also examines factors affecting loan approval, repayment, and recovery systems. Primary data is collected through questionnaires from bank employees and customers, while secondary data is collected from reports, journals, and banking websites. The study highlights the importance of proper credit appraisal, documentation, and monitoring systems in improving banking performance and minimizing bad debts. The findings may help banks strengthen their credit management policies and improve operational efficiency.

**Keywords-** Loan Processing, Credit Management, Public Sector Banks, Credit Risk, Banking Operations, Pune.

## I. INTRODUCTION

This study focuses on loan processing and credit management in public sector banks in Pune. Public sector banks play an important role in providing financial assistance to individuals and businesses. Effective loan processing and credit management help reduce credit risk, improve profitability, and maintain customer satisfaction.

In the modern banking sector, banks face challenges such as rising non-performing assets (NPAs), increasing competition, and changing customer expectations. Proper credit appraisal, documentation, and monitoring systems are essential for efficient banking operations.

The study aims to analyze loan processing procedures and credit management practices followed by public sector banks in Pune. The findings may help banks improve operational efficiency and strengthen credit management policies.

### Objectives of the Study

- To study the loan processing procedures followed by public sector banks in Pune.
- To analyze the credit management practices adopted by public sector banks.
- To examine the factors affecting loan approval and credit risk management.
- To evaluate the effectiveness of loan recovery and repayment systems in public sector banks.
- To understand the impact of credit management on customer satisfaction and banking performance.

### Significance of the Study

**Promotes Efficient Banking Practices:** The study helps in understanding the loan processing and credit

management practices followed by public sector banks and highlights the importance of effective banking operations.

**Encourages Better Credit Management:** By analysing loan processing and credit systems, the study identifies gaps in credit management and promotes proper monitoring and recovery practices.

**Enhances Financial Stability:** Effective credit management ensures reduced non-performing assets (NPAs), improved profitability, and better financial performance of public sector banks.

### Scope of the Study

**Loan Processing Behaviour:** It examines different loan processing methods, approval procedures, and documentation systems followed by public sector banks.

**Influence of Demographic and Financial Factors:** The study evaluates how income level, occupation, repayment capacity, and customer profile influence loan approval and credit management practices.

## II. LITERATURE REVIEW

In my research study a review of literature involves summarizing past research studies, theories, and findings related to the topic.

### Sharma, Kulkarni & Patil (2025)

A study on digital loan processing and banking operations found that efficient credit management systems improve loan approval efficiency and reduce operational risk in public sector banks.



### Rao & Mehta (2024)

Their comparative study of public and private sector banks found that socio-economic and financial factors strongly influence loan repayment behaviour and credit risk management.

### Deshmukh & Jadhav (2024)

This study focused on public sector banks in Pune and concluded, Credit appraisal systems are still improving, Proper documentation plays an important role, Regular monitoring of loans is necessary.

### Singh et al. (2024) – Systematic Review

A 20-year literature review (2004–2024) revealed, Growing importance of digital banking and credit management, Rise of technology-based loan processing systems, Increasing research interest in credit risk management practices.

### Mehta (2023)

This study focused on customer satisfaction and loan management behaviour and found, Efficient loan processing significantly improves customer satisfaction, Banks with better credit management systems are more financially stable.

### Research Hypothesis

- H1: Positive relationship between loan processing practices and customer satisfaction in public sector banks.
- H2: Credit management has a significant impact on reducing non-performing assets (NPAs) in public sector banks.

## III. RESEARCH METHODOLOGY

The study is conducted over a period of 2 to 3 months, allowing sufficient time for data collection, analysis, and interpretation.

### Research Design and Questionnaire Preparation

- Data collection
- Data analysis
- Report writing and conclusion

**Data Collection:** Data collection is a crucial step in the research process, as it involves gathering relevant information to achieve the objectives of the study.

**Descriptive Method:** is used to describe the loan processing procedures, credit management practices, and customer satisfaction levels in public sector banks.

**Analytical Method:** is used to examine relationships between demographic factors (income, occupation, repayment capacity, and customer profile) and credit management practices.

- **Quantitative Research Approach:** as numerical data is collected and statistically analysed.
- Primary data is collected directly from bank employees and customers through:
  - Structured questionnaires (online/offline)
  - Google Forms survey (for bank employees and customers)
- Secondary data is collected from:
  - Research journals on banking and credit management
  - Government reports (e.g., RBI reports)
  - Books on banking and finance
  - Public sector bank annual reports
- Most respondents were graduates (45%) and postgraduates (40%), indicating a well-educated sample.

**Work Experience:** A large portion (50%) had 1–5 years of experience, while 30% had 5–10 years, suggesting a mix of early and mid-career banking professionals.

**Industry Representation:** Respondents were drawn from sectors such as banking, finance, business, and services, ensuring varied perspectives.

## IV. DISCUSSION

The study reveals significant developments in loan processing and credit management practices in public sector banks in Pune. The findings indicate that traditional banking procedures are gradually shifting from manual operations to technology-driven systems. Banks using digital loan processing, AI-based credit appraisal, and online verification methods show faster loan approvals, improved operational efficiency, and better customer service compared to traditional methods. This highlights the growing importance of technology in modern banking operations.

The study also identifies the challenge of increasing non-performing assets (NPAs) and repayment defaults, especially in retail and digital lending sectors. While banks are improving loan accessibility and customer convenience, effective credit risk management remains essential for financial stability. Proper credit appraisal, customer verification, documentation, and continuous monitoring systems play a vital role in reducing credit risk, improving loan recovery performance, and strengthening the overall profitability and operational efficiency of public sector banks.

### Suggestions for Future Research

- Increasing sample size and including multiple regions and public sector banks.
- Conducting longitudinal studies to observe long-term effects of credit management practices.
- Exploring bank-specific loan processing and customer service practices in detail.



- Studying the impact of digital banking and AI-based loan processing systems.
- Including technological, psychological, and financial risk variables in future research.

### **Future Scope**

This will provide deeper insights into evolving banking operations, digital loan processing systems, and modern credit management practices in public sector banks.

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