



Original Article

A STUDY OF LOAN APPRAISAL AND SANCTIONING PROCESS AT SANMITRA SAHAKARI BANK LTD. PUNE

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Abstract:

This research paper studies the loan appraisal and sanctioning process at Sanmitra Sahakari Bank Ltd., Head Office, Hadapsar, and Pune. The banking sector plays an important role in the economic development of India by mobilizing savings and providing credit to different sectors. Cooperative banks are an essential part of the banking system, especially in semi-urban areas, as they mainly serve small borrowers, salaried persons, and local business units.

Sanmitra Sahakari Bank Ltd. is an urban cooperative bank which offers various banking products and services such as savings accounts, fixed deposits, housing loans, personal loans, and business loans. The main objective of this study is to understand the procedures followed by the bank in appraising and sanctioning loans. Loan appraisal is a crucial step in credit management as it involves evaluating the borrower's creditworthiness, repayment capacity, financial position, and the purpose of the loan. A proper appraisal system helps in reducing the chances of loan default.

The study is based on both primary and secondary data. Primary data is collected through interaction with bank officials and observation during internship, while secondary data is collected from bank records, annual reports, textbooks, and websites. The findings reveal that the bank follows a systematic and cautious approach in loan sanctioning, with greater emphasis on secured loans and proper documentation. The study concludes that an effective loan appraisal and sanctioning process is essential for maintaining asset quality and financial stability of cooperative banks.

Keywords: Loan Appraisal, Loan Sanctioning, Cooperative Bank, Credit Risk, Sanmitra Sahakari Bank Ltd.

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Introduction:

The project titled “Loan Appraisal and Sanctioning Process at Sanmitra Sahakari Bank Ltd.” aims to study the credit evaluation practices followed by an urban cooperative bank in India. The Indian banking sector plays a crucial role in the

country's economic development by mobilizing savings and channelizing funds for productive use. It consists of public sector banks, private banks, foreign banks, regional rural banks, and cooperative banks. Among these, cooperative banks significantly support the financial needs of rural and semi-urban



areas by promoting financial inclusion.

Sanmitra Sahakari Bank Ltd., headquartered at Hadapsar, Pune, is a well-established urban cooperative bank known for its customer-focused approach and community-oriented services. The bank primarily caters to middle- and lower-income groups and offers a wide range of financial products such as savings and deposit schemes, housing loans, personal loans, business loans, and other credit facilities. It operates under the regulatory framework of the Reserve Bank of India and strictly follows cooperative banking norms.

This study focuses on understanding the loan appraisal and sanctioning process followed at the Head Office of Sanmitra Sahakari Bank Ltd. Loan appraisal is a vital function of credit management, as it involves evaluating the borrower's creditworthiness, repayment capacity, and the purpose of the loan. The sanctioning process includes proper documentation, approval procedures, and disbursement. An effective appraisal and sanctioning system helps in minimizing credit risk and ensures the financial stability of the bank.

Introduction to Organization:

Sanmitra Sahakari Bank Ltd. was founded on 4th November 1972 (date of registration) and is an Urban Cooperative Bank headquartered in Hadapsar, Pune District, and Maharashtra. The bank operates under the regulatory framework of the Reserve Bank of India (RBI) and primarily provides financial services to local individuals, small businesses, and members of the cooperative sector.

The Administrative Head Office of the bank is located at S. No. 156/2A/2A, Pune–Solapur Road, opposite Vaibhav Talkies, behind Ammay Park, Hadapsar, and Pune – 411028. The contact details of the head office include Phone: +91-20-26870804 / +91-20-26873400 and Email:

ssbl@sanmitrabankhadapsar.com.

Sanmitra Sahakari Bank Ltd. operates through a network of 8 branches along with its Head Office, all functioning within Pune District. The Head Office serves as the central hub for administrative control, strategic planning, branch coordination, and overall governance of the bank. It also oversees compliance, risk management, and service delivery across all branches.

The bank offers a wide range of banking services such as Any Branch Banking, which enables customers to carry out deposits, withdrawals, balance inquiries, and passbook updates across branches. In addition, the bank provides NEFT/RTGS fund transfer facilities, SMS banking, PAN services, locker facilities, POS services, and other customer-oriented banking solutions.

From a regulatory and financial perspective, Sanmitra Sahakari Bank Ltd. is classified as a Non-Scheduled Urban Cooperative Bank with active legal recognition and a Legal Entity Identifier (LEI) code. During the RBI's statutory inspection conducted up to 31st March 2022, the bank was imposed a penalty of ₹1 lakh for non-compliance related to minimum balance penalties in savings accounts, following which corrective measures were undertaken to strengthen regulatory compliance.

Objectives of the Study:

1. To understand the loan appraisal procedure followed by Sanmitra Sahakari Bank Ltd.
2. To identify key challenges faced by the bank in appraising and sanctioning loans.
3. To evaluate the effectiveness, accuracy, and timeline of the existing loan process.

Scope of the Study:

1. Understanding the practical aspects
2. Analyzing the internal procedures, policies, and



documentation

3. Studying various types of loans
4. Interaction with bank officials and staff
5. Identifying risk management practices

Limitations of the Study :

1. The study is limited to the Head Office branch of Sanmitra Sahakari Bank Ltd. And may not fully reflect practices at other branches.
2. Time constraints of the internship period restricted deeper exploration into long-term loan performance and recovery processes.
3. Access to confidential data such as borrower credit scores, internal risk ratings, or loan rejection details was restricted due to privacy and regulatory reasons.
4. The study is observational in nature, and decisions or practices may vary depending on the discretion of bank authorities.
5. External economic factors and regulatory changes that may influence loan policies are beyond the scope of this report.

Research Methodology:

Research Design: The study follows a descriptive research design, as it aims to observe, document, and analyze the existing loan appraisal procedures of the bank. It also includes elements of exploratory research to uncover insights and understand the practical implementation of policies.

Sources of Data:

Primary Data: Collected through personal interviews and informal discussions with loan department staff.

Secondary Data: Collected from bank records, internal reports, RBI circulars, annual reports, and official websites.

Data Collection Techniques:

- **Observation Method:** Direct observation of loan appraisal activities during the internship period.
- **Informal Interviews:** Discussions with loan officers and branch managers.
- **Document Analysis:** Study of loan files, sanction notes, appraisal forms, and policy manuals to understand procedural flow.

Sampling Technique: The study uses purposive sampling, as it focuses only on the loan department staffs who are actively involved in the appraisal and sanctioning process.

Sample Size: The sample includes around 10 employees working in the loan and credit department at the Sanmitra Sahakari Bank Ltd., Head Office, and Hadapsar.



(Year-Wise)

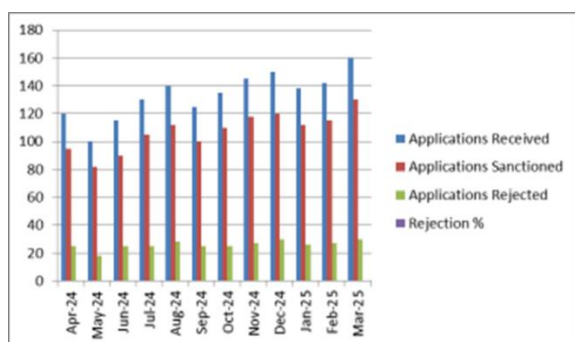
Data Analysis:

The loan data of one year shows the efficiency of the bank.

1. Loan Applications Received vs. Sanctioned

Table No.1 Loan Applications Received vs. Sanctioned (Year-Wise)

Month	Applications Received	Applications Sanctioned	Applications Rejected	Rejection %
April 2024	120	95	25	20.8%
May 2024	100	82	18	18.0%
June 2024	115	90	25	21.7%
July 2024	130	105	25	19.2%
August 2024	140	112	28	20.0%
September 2024	125	100	25	20.0%
October 2024	135	110	25	18.5%
November 2024	145	118	27	18.6%
December 2024	150	120	30	20.0%
January 2025	138	112	26	18.8%
February 2025	142	115	27	19.0%
March 2025	160	130	30	18.7%



Graph No.1 Loan Applications Received vs. Sanctioned (Year-Wise)

Table no. 1 and Graph no. 1 Out of approx. 1600 applications in the year, nearly 80% were sanctioned. 20% rejections happened mainly due to: Poor repayment capacity. Insufficient collateral. Low CIBIL score or past defaults. Incomplete documentation. The bank balances between financial inclusion and risk management.



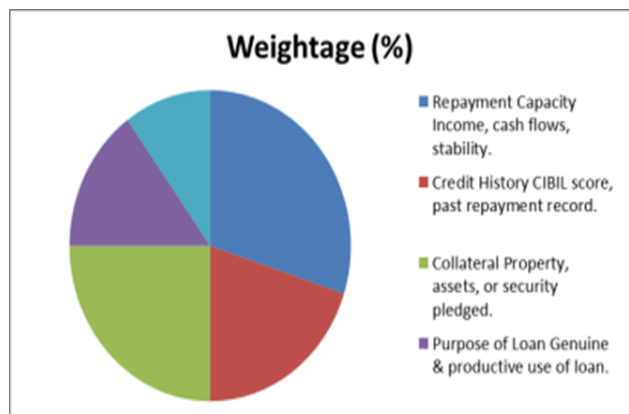
Criteria Considered in Loan Appraisal:

During internship, I observed that the bank follows 5Cs of Credit + regulatory norms.

Table no. 2 credit appraisal

Criteria	Description	Weightage (%)
Repayment Capacity	Income, cash flows, stability.	30%
Credit History	CIBIL score, past repayment record.	20%
Collateral	Property, assets, or security pledged.	25%
Purpose of Loan	Genuine & productive use of loan.	15%
Guarantor Support	Reliability of guarantor.	10%

Loan Type	Processing Time	Reason
Gold Loan	1–2 days	Only valuation of gold is required.
Personal Loan	5–7 days	Salary slip, guarantor verification.
Housing Loan	10–15 days	Property valuation + legal clearance.
Vehicle Loan	7–10 days	RTO registration + hypothecation.
Business Loan	12–18 days	Project report + cash flow assessment.



Graph No.2 5Cs of Credit + regulatory norms.

Table no. 2 and Graph no. 2 Repayment capacity is the highest priority because bank survival depends on timely recovery. Collateral is considered to reduce default risk. Even though guarantor support has only 10% weight, it becomes crucial in rural/agricultural loans.

Average Loan Processing Time:

Table. No. 3 Processing time depends on loan type and documentation.

Graph No. 3 Processing time depends on loan type and documentation

Table no. 3 and Graph no. 3 indicates Gold loans are fastest since they have direct collateral. Business and housing loans take longer due to more documents and higher risks. Delay sometimes occurs due to legal verification and customer’s incomplete documents.

Customer Satisfaction Analysis:

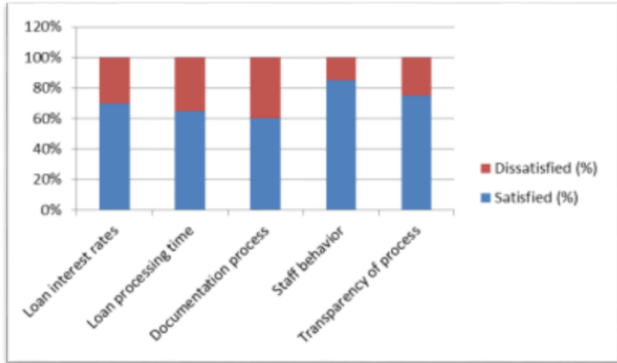
Through observation and informal interviews, customer views were collected.

Table No. 4 Customer Satisfaction Analysis:

Parameter	Satisfied (%)	Dissatisfied (%)
Loan interest rates	70%	30%
Loan processing time	70%	30%
Documentation process	60%	40%



Staff behavior	80%	20%
Transparency of process	75%	25%



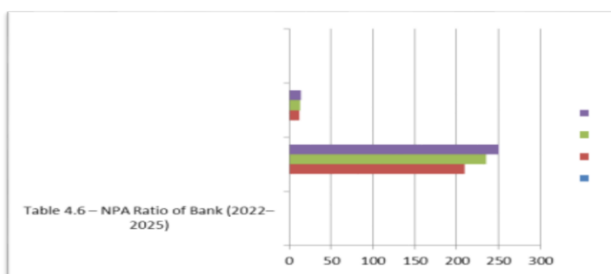
Graph No. 4 Customer Satisfaction Analysis:

Table no. 4 and Graph no. 4 indicates Customers are happy with staff behavior and cooperative nature. They face issues with documentation and time delays. Many customers feel interest rates are slightly higher compared to private banks, but trust the co-operative bank more.

Non-Performing Assets (NPA) Analysis:

Table No. 5 Non-Performing Assets (NPA) Analysis:

Year	Total Advances (₹ Crore)	NPAs (₹ Crore)	NPA %
2022–23	210	12	5.7%
2023–24	235	13	5.5%
2024–25	250	14	5.6%



Graph No. 5 Non-Performing Assets (NPA) Analysis:

Table no. 5 and Graph no. 5 indicates the bank’s NPA ratio is around 5–6%, which is considered moderate for a co-operative bank. Most NPAs are

in agricultural and business loans due to external risks like crop failure or business slowdown. The bank needs to strengthen recovery mechanisms and monitoring systems.

Findings:

1. The bank follows a conservative lending approach, prioritizing repayment capacity to control NPAs.
2. Secured loans dominate the loan portfolio, while unsecured loans are sanctioned cautiously.
3. Centralized approval at the Head Office ensures uniform credit decisions and limits branch-level discretion.
4. CIBIL score is a key determinant in loan sanctioning, with low scores leading to rejection or stricter terms.
5. Strict documentation and monitoring improve loan quality, though semi-manual processes cause processing delays and highlight the need for greater digitization.

Suggestions:

1. The bank should introduce digital loan processing systems to reduce paperwork, improve efficiency, and shorten loan processing time.
2. Documentation requirements should be simplified through standardized checklists for each loan category to avoid delays due to incomplete files.
3. Adoption of a structured and automated credit scoring system can enhance accuracy, transparency, and consistency in loan appraisal decisions.
4. Faster or pre-approved loan facilities for existing customers with good repayment history can improve customer satisfaction and operational efficiency.



Conclusion:

The study shows that Sanmitra Sahakari Bank Ltd., Hadapsar follows a systematic and cautious loan appraisal process based on the 5 Cs of Credit, ensuring safe and responsible lending. Secured loans are sanctioned faster, while long-term loans take more time due to detailed verification. Although the bank maintains strong compliance with RBI norms and cooperative regulations, manual procedures and extensive documentation slow down the process. Overall, by adopting greater digitization and faster processing, the bank can further improve efficiency and customer satisfaction while controlling NPAs.

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Online Links:

1. www.sanmitrabankhadapsar.com
2. Sanmitrabankpune.bank.in