IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 6, Issue 6, November 2026
Impact Factor: 8.2

A Comparative Study of Credit Appraisal for MSME and Retail Loans at IDBI Bank and Selected Banks

Ms. Bhakti Jadhav[1], Ms. Shija Abhilash[2], Dr. Rajat Gera[3]
[1] Student, MBA (B&F), 2nd Year, [2] Assistant Professor,[3]Professor, HOI
Amity Business School, Amity University Mumbai, Maharashtra, India

Abstract : *Credit appraisal is an essential banking function used to evaluate a borrower's creditworthiness and repayment capacity before a loan is sanctioned. This paper examines the credit appraisal procedures for Micro, Small and Medium Enterprises (MSMEs) and retail borrowers at IDBI Bank, with a comparative reference to State Bank of India (SBI), HDFC Bank and ICICI Bank. The study considers borrower eligibility, credit history, income and financial assessment, documentation, collateral, risk assessment and loan-processing time. It uses a descriptive and analytical research design and draws on primary information described in the SIP report, including a structured questionnaire and interactions/observations, together with secondary sources such as bank reports, RBI publications and research literature. The report records a sample of 100 respondents: 20 bank officials, 40 MSME customers and 40 retail-loan customers. The review indicates that MSME appraisal generally requires a broader assessment of business cash flows and viability, while retail appraisal is more standardized and places greater emphasis on personal income, credit history and repayment obligations. The paper concludes that digital verification, transparent communication and effective risk controls can support more efficient credit appraisal. Comparative observations should be interpreted in light of the study's limited sample and access to confidential bank procedures.*

Keywords: Credit appraisal, MSME loans, retail loans, IDBI Bank, credit risk, credit scoring, loan processing.

I. INTRODUCTION

Banks support economic activity by mobilising deposits and extending credit to individuals and businesses. Lending decisions must balance access to finance with the need to protect depositors' funds and maintain asset quality. Credit appraisal is the process through which a bank assesses a proposed borrower's eligibility, financial position, repayment capacity and associated risks before deciding whether to sanction a loan.

MSME and retail lending serve different borrower needs. MSMEs may seek term loans, working-capital facilities or finance for machinery and business expansion. Their appraisal may require examination of financial statements, cash flows, tax records, business operations, promoter experience, industry conditions and collateral. Retail borrowers may apply for home, vehicle, education or personal loans; appraisal often considers income, employment stability, credit history, existing obligations and the ability to pay instalments.

This paper studies credit appraisal at IDBI Bank and compares selected features with SBI, HDFC Bank and ICICI Bank. The purpose is to understand common appraisal principles, differences between MSME and retail lending, and opportunities to improve efficiency while maintaining prudent risk management.

IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 6, Issue 6, November 2026
Impact Factor: 8.2

II. RESEARCH PROBLEM

Credit appraisal procedures vary according to the borrower's profile, loan purpose, amount, security and risk level. Inadequate appraisal can increase the likelihood of default, fraud and non-performing assets, while unnecessarily lengthy procedures can inconvenience customers and delay legitimate credit. The research problem is to examine how MSME and retail loan appraisal differ at IDBI Bank and how the process compares with selected banks, based on the information available for this study.

III. OBJECTIVES OF THE STUDY

- To understand the credit appraisal process followed for MSME and retail loans at IDBI Bank.
- To compare selected appraisal parameters with SBI, HDFC Bank and ICICI Bank.
- To examine the role of credit history, financial assessment, documentation, collateral and repayment capacity.
- To identify potential strengths and areas for improvement in loan processing and risk management.

IV. REVIEW OF LITERATURE

4.1 Berger and Udell (2002) – Relationship Lending and Small-Business Credit Availability

Berger and Udell (2002) discusses the impact of bank structure and relationship lending in providing credit to small businesses. This is relevant as knowledge from building relationships with business borrowers may be used in combination with financial information.

4.2 Berger and Udell (2006) – Lending Technologies for SME Finance

Berger and Udell (2006) outline a framework for SME lending and discuss various lending technologies. Their work helps explain why appraisal methods may differ according to the availability of reliable borrower information, the nature of the business and the lending relationship.

4.3 Basel Committee on Banking Supervision (2000) – Principles of Credit Risk Management

In relation to credit risk management, the Basel Committee on Banking Supervision (2000) highlights key principles which lending institutions should follow. These include good credit granting processes, efficient administration/monitoring and appropriate controls. This provides a general framework for assessing lending practices in both MSMEs and retail sectors.

4.4 Reserve Bank of India – Regulatory Guidelines for MSME Lending

Regulatory guidelines are issued by Reserve Bank of India with respect to credit decisioning as well as with respect to credit to MSMEs. Based on these guidelines and current policies, banks make credit decisions. While evaluating credit proposals, banks would have to consider the current applicable guidelines and internal policies.

4.5 Credit Scoring and Borrower Creditworthiness Assessment

Credit Scoring and analysis of customer repayment data show that In the case of retail lending, income, repayment history of customers and outstanding obligations of customers are important parameters. In the case of MSMEs, may be supplemented by business cash flows, financial statements, tax records, project viability and promoter information.

Research gap: The literature covers SME lending methods, credit risk principles and credit scoring, but the present study focuses on a practical comparison of MSME and retail appraisal at IDBI Bank and selected banks, while also considering customer perceptions of documentation and loan-processing experience.

V. RESEARCH METHODOLOGY

5.1 Research Design

The study uses a descriptive and analytical research design. The descriptive component outlines the appraisal process and its main parameters. The analytical component compares MSME and retail appraisal and considers selected practices across IDBI Bank, SBI, HDFC Bank and ICICI Bank.

IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 6, Issue 6, November 2026
Impact Factor: 8.2

5.2 Data Sources

As described in the SIP report, primary information was collected through a structured questionnaire, interactions with bank officials, customer discussions and observations during the internship. Secondary information was drawn from RBI publications, bank annual reports and websites, research journals, books and other published material.

5.3 Sample and Sampling Technique

The SIP report specifies a convenience sample of 100 respondents: 20 bank officials, 40 MSME customers and 40 retail-loan customers. Since convenience sampling depends on respondent accessibility, the findings should not be assumed to represent all bank customers or all branches.

5.4 Analysis Tools

The report describes the use of frequency distribution, percentage analysis, charts, graphs and comparative tables. The paper summarises the report's stated results and does not claim access to confidential bank-level underwriting models or complete internal credit files.

5.5 Data Interpretation

This section presents the responses recorded in the SIP survey in the form of pie charts. Each chart shows the share of respondents choosing each response option; the percentages are those reported in the SIP report, which were calculated on a total of 100 responses unless otherwise stated. The charts are followed by a brief interpretation.

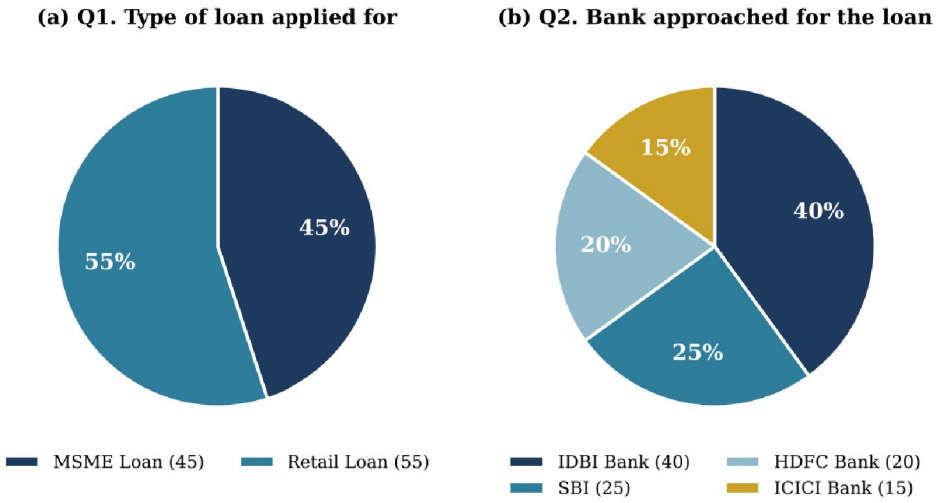


Figure 1. (a) Type of loan applied for; (b) bank approached for the loan.

Figure 1(a): Of the respondents, 55% had applied for retail loans and 45% for MSME loans, indicating that retail loans were slightly more common in the sample.

Figure 1(b): IDBI Bank accounted for the largest share of respondents (40%), followed by SBI (25%), HDFC Bank (20%) and ICICI Bank (15%). The higher share for IDBI Bank is consistent with the study having been conducted at an IDBI Bank branch.

IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 6, Issue 6, November 2026
Impact Factor: 8.2

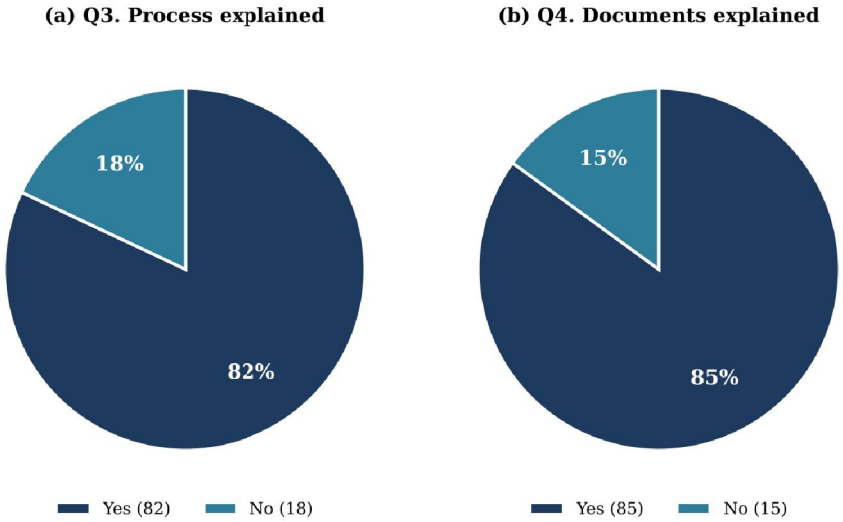


Figure 2. (a) Appraisal process explained properly; (b) required documents explained properly.

Figure 2(a): 82% of respondents stated that bank officials explained the credit appraisal process properly, while 18% did not.

Figure 2(b): 85% of respondents stated that the required documents were explained properly, while 15% did not. Communication of document requirements appears somewhat stronger than communication of the appraisal process itself.

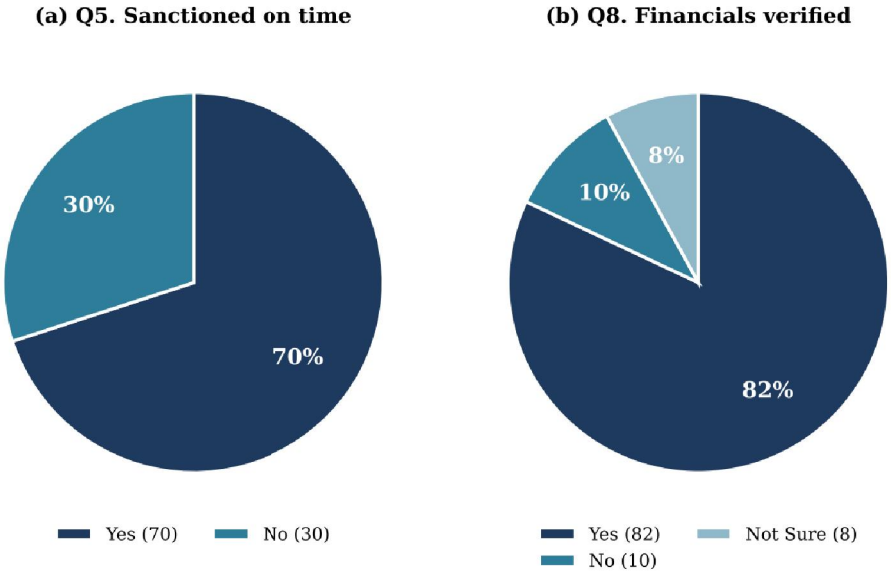


Figure 3. (a) Loan sanctioned within the prescribed time; (b) income or business financial information verified.

Figure 3(a): 70% of respondents reported that the loan was sanctioned within the prescribed time, while 30% felt that sanctioning took longer than expected. Processing time therefore remains an area for improvement.

Figure 3(b): 82% of respondents stated that their income or business financial information was verified during appraisal, 10% said it was not, and 8% were not sure.

IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 6, Issue 6, November 2026
Impact Factor: 8.2

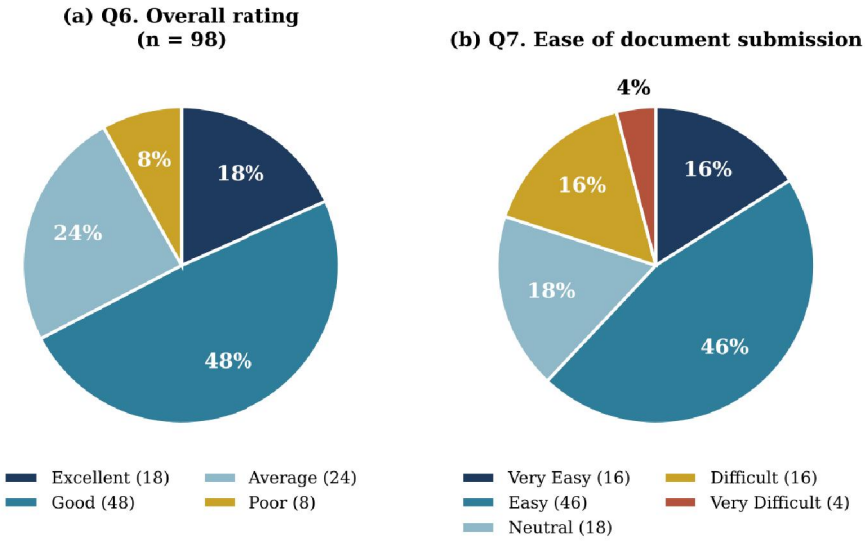


Figure 4. (a) Overall rating of the credit appraisal process; (b) ease of document submission.

Figure 4(a): 48% of respondents rated the appraisal process as good and 18% as excellent, so 66% gave a favourable rating; 24% rated it average and 8% poor. The responses recorded for this question total 98, as reported in the SIP report.

Figure 4(b): 46% of respondents found document submission easy and 16% very easy (62% in total), 18% were neutral, and 20% found it difficult or very difficult (16% and 4% respectively).

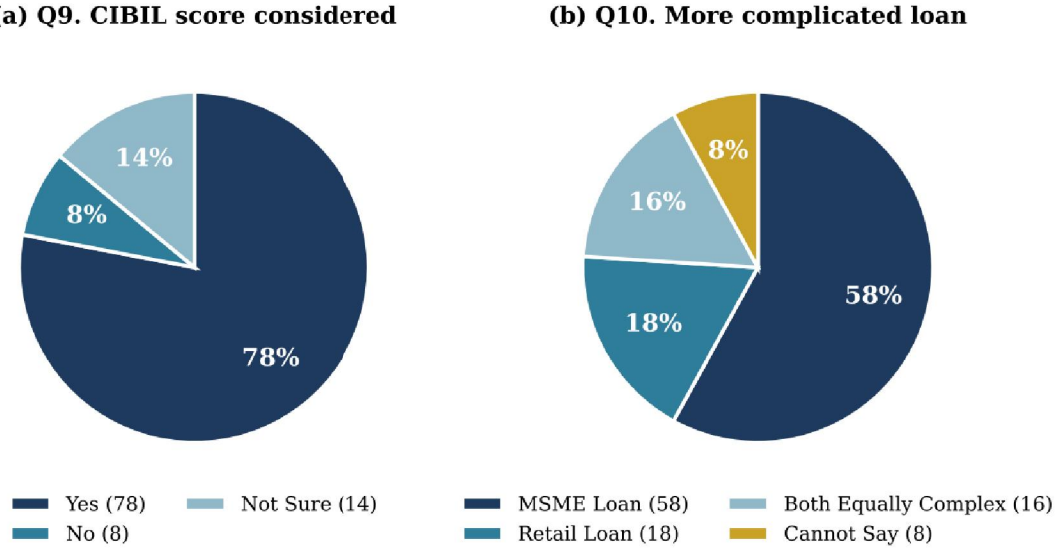


Figure 5. (a) Credit bureau (CIBIL) score considered; (b) loan type perceived as having the more complicated appraisal.

Figure 5(a): 78% of respondents stated that their CIBIL or credit score was considered during appraisal, 8% said it was not, and 14% were not sure. This indicates that credit-bureau information is widely used in loan assessment.

Copyright to IJARSCT
www.ijarsct.co.in
DOI: 10.48175/568

IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 6, Issue 6, November 2026
Impact Factor: 8.2

Figure 5(b): 58% of respondents considered MSME loan appraisal to be more complicated, compared with 18% for retail loans; 16% regarded both as equally complex and 8% could not say. This is consistent with the wider business and financial assessment required for MSME borrowers.

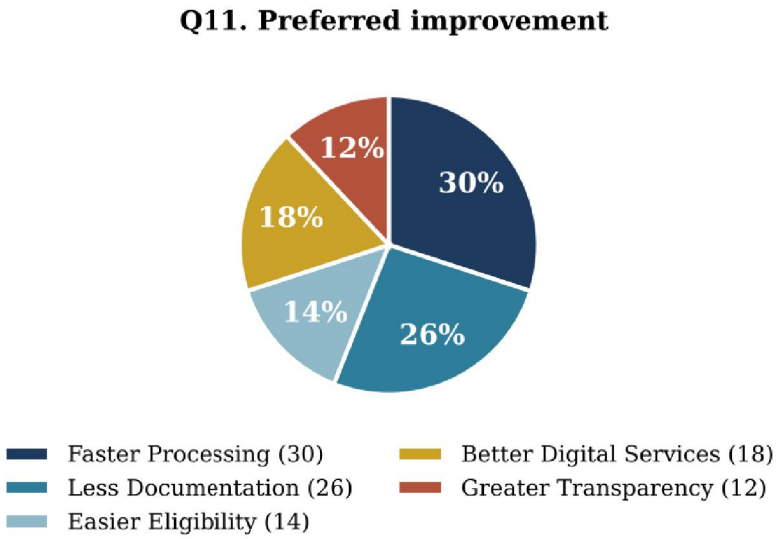


Figure 6. Improvement most preferred in the credit appraisal process.

Figure 6: Faster processing was the most frequently preferred improvement (30%), followed by less documentation (26%), better digital services (18%), easier eligibility criteria (14%) and greater transparency (12%). Faster processing and reduced documentation together account for 56% of responses.

Source: Primary survey data as reported in the SIP report.

VI. COMPARATIVE DISCUSSION

6.1 MSME Loan Appraisal

MSME appraisal generally requires an assessment of the business as well as its owners or promoters. Relevant factors may include business vintage, turnover, financial statements, cash-flow adequacy, GST and income-tax records, existing borrowing, working-capital needs, project feasibility, industry risks, collateral and debt-servicing ability. The weight given to each factor depends on the product, loan amount, borrower profile and the bank's current credit policy.

6.2 Retail Loan Appraisal

Retail appraisal is commonly more standardised for products with established eligibility criteria. Banks may examine identity and address documents, income evidence, employment or business stability, credit-bureau information, existing liabilities, loan-to-value requirements where relevant, and the borrower's ability to meet instalments. Documentation and assessment requirements differ across home, vehicle, education and personal loans.

6.3 Comparison of Selected Banks

The SIP report compares IDBI Bank with SBI, HDFC Bank and ICICI Bank. The report describes the banks as using structured appraisal procedures, while noting that the level of automation and processing time may vary. It suggests that HDFC Bank and ICICI Bank place relatively greater emphasis on technology-enabled processing, while IDBI Bank and SBI also use structured controls. These are comparative observations from the report and should not be interpreted as universal rankings: actual procedures depend on loan product, branch, borrower and current bank policy.

6.4 Key Appraisal Parameters

- **Credit history**: helps identify past repayment behaviour and existing credit exposure.
- **Income and repayment capacity**: considers whether the borrower can meet scheduled repayments.

IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 6, Issue 6, November 2026
Impact Factor: 8.2

- **Financial and business analysis:** particularly important for MSMEs, where cash flows and business viability are central.
- **Documentation and verification**: supports identity checks, financial assessment, legal compliance and fraud prevention.
- **Collateral and security:** may reduce loss exposure but does not replace repayment-capacity assessment.
- **Processing time and communication:** clear information about documents and status can improve customer experience.

VII. FINDINGS REPORTED IN THE SIP

The SIP report states that 55% of surveyed respondents had applied for retail loans and 45% for MSME loans. It reports that 82% felt the appraisal process was clearly explained and 85% said the required documents were properly explained. The report also records that 70% felt the loan was sanctioned within the expected time, suggesting that processing time may remain an area for improvement. These percentages are reproduced from the existing SIP report and should be checked against the final questionnaire dataset before academic submission.

The report identifies differences in appraisal emphasis: MSME lending involves more detailed business and financial assessment, while retail lending relies more heavily on individual income, employment stability, credit history and repayment capacity. It also identifies opportunities to strengthen digitisation, reduce avoidable manual steps and maintain effective verification and post-sanction monitoring.

VIII. RECOMMENDATIONS

- Improve end-to-end digital document submission and verification where permitted by bank policy.
- Provide customers with clear checklists of required documents and updates on application status.
- Use consistent appraisal checklists while allowing appropriate assessment of individual borrower circumstances.
- Strengthen cash-flow and business-viability assessment for MSME applications.
- Ensure credit-bureau checks and affordability assessments are considered alongside other relevant information.
- Maintain independent verification, maker-checker controls and appropriate approval authority.
- Monitor sanctioned loans regularly to identify early warning signals and emerging repayment stress.

IX. LIMITATIONS

The study is limited to IDBI Bank and three selected comparison banks. The SIP report notes that confidential bank information was not fully accessible and that time was limited. Convenience sampling may restrict the generalisability of the survey results. Some comparative observations are based on secondary information rather than direct access to each bank's internal procedures. Therefore, the findings should be interpreted within these limitations.

X. CONCLUSION

Credit appraisal is essential for responsible lending, controlling credit risk and maintaining asset quality. MSME and retail loans share the objective of assessing repayment capacity, but they require different appraisal emphasis. MSME lending generally needs a deeper review of business performance, cash flows and viability, whereas retail lending often relies on individual income, credit history and existing obligations. The SIP report indicates that IDBI Bank follows a structured appraisal approach and identifies opportunities to improve processing efficiency through appropriate digitisation, clearer communication and continued risk monitoring. A comparison with SBI, HDFC Bank and ICICI Bank can help identify useful practices, provided differences are verified using reliable and current evidence.

IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 6, Issue 6, November 2026
Impact Factor: 8.2

REFERENCES

1. Basel Committee on Banking Supervision. (2000). Principles for the management of credit risk. Bank for International Settlements. https://www.bis.org/publ/bcbs75.htm
2. Berger, A. N., & Udell, G. F. (2002). Small business credit availability and relationship lending: The importance of bank organisational structure. The Economic Journal, 112(477), F32–F53. https://doi.org/10.1111/1468-0297.00682
3. Berger, A. N., & Udell, G. F. (2006). A more complete conceptual framework for SME finance. Journal of Banking & Finance, 30(11), 2945–2966. https://doi.org/10.1016/j.jbankfin.2006.05.008
4. Reserve Bank of India. (n.d.). Micro, Small and Medium Enterprises (MSME). https://www.rbi.org.in/
5. IDBI Bank Limited. (n.d.). Official website and published disclosures. https://www.idbibank.in/
6. State Bank of India. (n.d.). Official website and published disclosures. https://sbi.co.in/
7. HDFC Bank. (n.d.). Official website and published disclosures. https://www.hdfcbank.com/
8. ICICI Bank. (n.d.). Official website and published disclosures. https://www.icicibank.com/