Perception of Risk and Credit Appraisal Practices among Loan Officers of Public Sector Banks in Meerut Division

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Abstract

This study has discussed the connection between risk perception and credit appraisal practice by loan officers of the public sector banks (PSBs) in Meerut Division of the state of Uttar Pradesh in India. The aim of the study was to examine the role of the professional experience of officers on their knowledge of the lending risk and the diligence of their credit appraisal conduct. It was a quantitative, descriptive, and inferential study, where data gathered in form of a structured questionnaire was used on officers in the major PSBs. The results showed that the loan officers, in general, proved to be highly aware of credit risk, and aligned with appraisal standards. More mature officers were more sensitive to risk and their appraisal practices were more systematic, which emphasizes the role of exposure to professional practices in decision-making. The study found a positive relationship between risk perception and credit appraisal rigor, which proved that behavioural and experiential factors have a contingent influence on lending practices. The study shows despite digital tools and regulatory reforms contributing to procedural soundness, human judgment, experience and behavioural training are the core of the process of effective credit risk management in the banking of the public sector.

Keywords: Lending risk, Public Sector, Risk Perception.

Introduction

Banking industry has a critical role to play in the economic growth and financial stability of any nation, especially in developing economies such as India, where banks are important mediators between savings and productive investments. Within all the roles of banks, credit appraisal and risk assessment are very crucial factors in determining the financial health and sustainability of a bank. Credit appraisal is the procedure during which banks assess the credibility of lenders to reduce default rates and make adequate lending choices (Gupta and Gupta, 2017). In the Indian environment, the dominant banking assets are held by Public Sector Banks (PSBs), which comprise almost 63% of the total (Reserve Bank of India, 2023), so the lending and credit appraisal systems are at the core of the performance of the national financial system. Nevertheless, the increase of the amount of non-performing assets (NPAs) over the last twenty years overloads PSBs, indicating structural failure in credit risk management and appraisal procedures (Rajan and Dhal, 2003; Arora, 2021).

The efficiency and integrity of the credit appraisal process are not only based upon the procedural rigour of institutional frameworks but also on the perceptions, judgement and attitude of the people who execute them, i.e., the loan officers. Loan officers can be regarded as the decision-makers who use the financial information, the profile of the borrowers and the policy standards and turn them into a lending action. As Kaur (2025) posits, their risk perception, that is, the way they view uncertainty, borrower motive and institutional constraints, determines conclusively the quality of credit decisions. The available literature on behavioural finance posits that cognitive bias and levels of experience, as well as organisational culture, usually affect lending decisions (Kahneman, 2011; Bhati, 2009). These perceptions can result in high levels of bureaucratic oversight and political responsibility in PSBs and impact negatively on both profitability and inclusion of judgements on credit risks (Arora and Singh, 2015; Kohli and Arora, 2022).

Nonetheless, even with some of the reforms introduced by the Reserve Bank of India (RBI) and the Indian Banks Association (IBA) such as the introduction of better asset classification, risk pricing, and computerized appraisal systems, research has discovered the human factor to dominate the outcomes of risk-based lending (Sharifi, Haldar and Rao, 2019; Gupta and Sharma, 2022). In its Report on Trend and Progress of Banking in India 2023, the RBI reveals that the PSBs deal with the problem of trade-offs between a policy-supportive credit growth and appropriate appraisal practices,

particularly in rural and semi-urban areas, whereby the presence of incomplete or unreliable borrower data is a challenge. Loan officers working in these environments have to be much dependent on subjective assessment and personal judgement, and it elevates the risk of perception biases. (Brahmaiah, 2022; Hailu, 2021).

Meerut Division within western Uttar Pradesh is a perfect place to study such processes and dynamics in behaviours and procedures. The banking environment of the region is filled with PSBs, including State Bank of India, Punjab National Bank and Bank of Baroda; all these banks operate in a huge number of priority sector loans, particularly in the field of agriculture and small-scale industries. Diversity of borrowers in combination with socio-economic and policy pressures demands complex decision-making of loan officers whose quantitative evaluation and qualitative judgement are vital in appraisal decision-making. However, there are limited empirical studies examining the way loan officers operating in such an environment conceive and deal with risk when engaging in credit appraisal. Much of the previous studies has focused on institutional/macroeconomic credit risk management, and there has been a gap in understanding the micro-behavioural level of risk management; however, how the individual loan officers perceive credit risk and the real estate application of appraisal standards in practice is a gap in current knowledge (Rajan and Dhal, 2003; Arora, 2021).

This is crucial in determining how risk perception among loan officers' influences credit appraisal practices and therefore developing specific interventions in the training, policy and technology application in the PSBs. Additionally, behavioural data can increase the predictive quality of credit models and better credit quality. According to Saha, Bose, and Mahanti (2016), it is possible to combine behavioural and information-intensive models to address the risk management in a more complex way. Accordingly, the current study aims to analyse the dependence between the perception of risk and credit scoring practices of the loan officers within the Meerut Division of Uttar Pradesh. It utilises the SPSS based quantitative design, which incorporates the descriptive statistics and inferential analysis (Independent Samples t-Test) to determine the impact of variables experience, training, and designation on the perceptions and decision-making behaviour of the officers.

The study will make a theoretical and practical contribution to the research. Theoretically, it is an extension of the behavioural banking and credit risk management discussion that empirically examines the role of the individual level of risk perception in informing the behaviour of institutional lending. The policy implications, in a practical sense, can be used to reform the policies in PSB training and performance appraisal systems to make sure that the risk attitudes of the officers are commensurate with the risk management goals of the institutions. Placing this discussion in the context of the semi-urban setting of credit within the Meerut Division, a part of India that suggests the conditions are reflective of the broader credit-related context, this study fills a vital gap in the knowledge about the interaction between human cognition and organisational frameworks to determine the quality of credit appraisal in the Indian public bank setting.

Literature Review

The aspect of credit appraisal and risk perception is the pillar of sound banking culture and directly weighs financial stability, especially in the public sector banks (PSBs) with the two-fold mandates of profitability and social responsibility that introduce intricate lending environments. Credit appraisal, which is the standardised search of the ability of a loan user to repay the loan, plays the role of the first tower of defence against credit risk and possible loan defaults (Gupta and Gupta, 2017). The scientific literature during the past twenty years has repeatedly stressed the weight of the final decision made in terms of the human aspect, which is the perception, experience and cognitive bias that loan officers have (Kaur, 2025; Arora, 2021; Kahneman, 2011). Kaur (2025) established that the risk attitude of loan officers is experience-based, training-based and based on being exposed to the previous defaults in that matter, which probably leads to a risk-aversion attitude that determines their level of rigour in assessing loans and their tendencies in approving loans. Another point emphasised by Arora (2021) is that the conservative risk approach that is encouraged by both the institutional environment and perceived accountability in PSBs not only minimises exposure but also may slow down the process of lending decisions. This is consistent with the results by Kohli and Arora (2022), who have shown that the risk aversion of officers in PSBs is greater than that among the officers in the private sector because risk is hierarchically supervised and inspected by auditing bodies. Bhati (2006) and Bhati (2009) emphasised, in the behavioural approach, that interpersonal trust between loan officers and branch managers contributes to the efficiency and risk-taking behaviour of the branch manager, contingent on the control mechanisms inside the company. Theoretical bases of such outcomes of behaviour use Behavioural Risk Theory (Kahneman, 2011) and the Agency Theory, as officers' decisions to lend balances institutional interests and self-preservation in situations of uncertainty (Sharifi, Haldar & Rao, 2019; Bhati, 2009).

Empirically, it has been analysed that failure in appraisal practices has been a significant reason behind the information pools of non-performing assets (NPAs) in PSBs (Rajan and Dhal, 2003; Misra and Dhal, 2010). Arora and Singh (2015) established that good pre-sanction analysis goes a long way towards discouraging the risk of credit exposure. In like manner, Saha, Bose, and Mahanti (2016) have designed a knowledge-based decision support system that allows establishing better risk assessment through incorporating borrower financials with institutional risk indices by showing significant improvements in loan performance prediction (Decision Support Systems, Elsevier). Brahmaiah (2022) confirmed that, even with the promotion of the regulatory progress, Indian PSBs are still operating with manual appraisal and subjective assessment, restricting the objectivity of credit decisions. Similar results were corroborated by Sharifi et al. (2019), who found that the measure of loan performance is better at standardised credit appraisal institutions. Another system that has been suggested earlier by Gumparthi and Khatri (2011) to PSBs to use with quantitative financial ratios and qualitative borrower attributes is a sector-specific credit rating framework, a practice that is currently being developed in the Indian banks. Simultaneously, as discovered by Gupta and Sharma (2022), the utilisation of technology-based appraisal applications and automated grading has decreased bias and enhanced transparency in PSB lending. Nevertheless, the implementation issues continue because of the old systems and insufficient analysis ability of officers.

Such trends are reflected in international and comparative studies. Thuranira (2024) has studied the example of African PSBs and found that risk awareness and quality of loans are highly dependent on lending ethics, training, and incentive structure. The study conducted by Hailu (2021) has also indicated that the organisational culture affected Ethiopian loan officers, viewing risk as both individual and institutional in their perceptions of risk. Saddy (2021) and Singh (2019) found that the efficiency of processing loans in the Indian private sector is higher than in the rule-bound and hierarchical PSBs because its banks are capable of making decentralised choices and including data analytics. This gap highlights how organisational learning and organisational culture influence officer judgement. Moreover, Moneeshkumar and Gurusamy (2015) found that the perceptions of officers about the underlying causes of NPAs, including collateral overvaluation, lack of information about the borrower, and exerting political pressure on them, influence the levels of risk enthusiasm and due diligence on the part of the disbursing officers when appraising loan applications. In such a way, Arora and Kohli (2020) made an observation that the positive effect of post-sanction monitoring and regular review of the loan operations on the initial risk perception at the appraisal stage is seen.

The Reserve Bank of India (RBI, 2023) still argues that there is the need to enhance risk-based credit appraisal measures, especially in PSBs, which are servicing priority sectors like agriculture and MSMEs. Although there are enhanced systems of credit information (such as the CIBIL and CRILC databases), the subjectivity of the decision to be made by an officer is another major weakness. According to Saha et al. (2016) and Sharifi et al. (2019), a combination of the use of quantitative analytics and behavioural insights is more resilient to credit systems. The prospect of AI development and the application of data-based risk models in PSBs (Gupta and Sharma, 2022) is present, yet, as Kaur (2025) and Arora (2021) outline, without cognitive calibration of the perception of officers, even the most sophisticated frameworks of appraisal are bound to cause inconsistency. Therefore, the interaction of the risk perception, institutional culture and procedural rigour is of concern.

There are not many studies that could investigate the behavioural dynamics in officers in particular divisions, including the Meerut Division, in which socio-economic lending trends and local governance demands have a unique effect on appraisal behaviour (Arora and Singh, 2015; RBI, 2023). Hence, a quantitative study centred on SPSS should be conducted to address the perception of risk and credit appraisals among loan officers in PSBs in the Meerut Division. Besides enriching academic knowledge, such a study can also offer policy-appropriate knowledge on how to better govern risks and credit quality in the Indian public banking sector.

Research Methodology

The current study was a quantitative, descriptive, and inferential research study that focuses on studying the association between the perception of risk and credit appraisal practices among the loan officers of the public sector banks in the Meerut Division of Uttar Pradesh, India. The cross-sectional survey design was preferred because it enabled primary data to be gathered in numerous branches of the banks in the public sector at a given moment. The study was developed to measure the perceptions of behaviour, compare appraisal practices as per various demographics of officers and test whether there was a variation with regards to experience with job and designation. Accuracy and validity of the findings was ensured by the statistical analysis that was conducted using the IBM SPSS Statistics.

The population under study was in the Meerut Division of Uttar Pradesh which included Meerut, Muzaffarnagar, Baghpat and Hapur districts. The region is purposely chosen as it is diversified in its economic activities such as agriculture, small scale industries and trade that all are contributing towards the high credit demand in the region. The division is also dominated by the presence of public sector banks in the industry including State Bank of India, Punjab National Bank, Bank of Baroda, Union Bank of India and Canara Bank which manage large loan portfolio in the priority and non-priority market. The selection of this area could be explained by the fact that the behaviour of credit appraisal in a semi-urban and agrarian environment with substantial uncertainty and heterogeneity of borrowers is of high importance. The study population was the group of loan officers, credit managers and branch managers working in the banks of the Meerut Division that are based on the public sector. These officers were directly engaged on credit appraisal process, loan sanctioning and also risk evaluation process. Stratified random sampling method was used to make sure that there was representation of the various designations and districts in the division. The strata were created depending on the positions of the officers (Officer, Senior Officer, and Manager). Out of the available population, 150 questionnaires were sent to selected branches out of which 127 valid questionnaires were received and utilized to analyse the results giving a response rate of 84.6%. The chosen sample size was deemed to be sufficient to make a set of inferential statistical tests, including the Independent Samples t-Test, according to the suggestions of Pallant (2020). The study utilized primary data collected through a structured questionnaire designed for this research. The questionnaire comprised two sections: Section A gathered demographic details such as age, gender, qualification, designation, experience, and training in credit appraisal, while Section B contained statements on risk perception and credit appraisal practices measured on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). Items were adapted from validated instruments (Kaur, 2025; Arora, 2021; Sharifi et al., 2019; Moneeshkumar & Gurusamy, 2015) to suit the Indian public banking context. A pilot study with 15 respondents ensured clarity, reliability, and consistency, after which minor revisions were made.

Reliability testing using Cronbach's Alpha ($\alpha = 0.874$) indicated high internal consistency. Content validity was established through expert review, and construct validity was confirmed via Exploratory Factor Analysis (KMO = 0.812; Bartlett's Test, $p < 0.001$). Data were analysed using descriptive and inferential statistics. Descriptive analysis summarized demographic profiles and perceptions, while Independent Samples t-Tests examined group differences. Normality and variance assumptions were tested (Shapiro-Wilk and Levene's Tests), with significance set at $p < 0.05$. Effect sizes (Cohen's d) supported interpretation of practical significance.

Analysis

Data gathered in the Meerut Division of the Uttar Pradesh under 127 loan officers involving the banks at the public sector is thoroughly analysed in this chapter. Analytics and statistics were applied in IBM SPSS Statistics (Version 26). The hypotheses were tested and both descriptive and inferential statistical methods were used to investigate the research provided objectives.

Demographic Profile of Respondents

Table 1: Demographic Profile of Respondents (N = 127)

Demographic Variable	Category	Frequency (f)	Percentage (%)
Gender	Male	91	71.7
	Female	36	28.3
Age (Years)	25–35	42	33.1
	36–45	51	40.2
	Above 45	34	26.8
Educational Qualification	Graduate	46	36.2
	Postgraduate	68	53.5

Demographic Variable	Category	Frequency (f)	Percentage (%)
	Professional (CA/MBA)	13	10.3
Designation	Officer	56	44.1
	Senior Officer	38	29.9
	Manager	33	26.0
Years of Experience	Below 5 Years	29	22.8
	6–10 Years	53	41.7
	Above 10 Years	45	35.4
Training in Credit Appraisal	Yes	88	69.3
	No	39	30.7

The sample as shown in table 1, was mostly male (71.7%), with a majority of them being of the age between 36-45 years (40.2). More than 50 of them had postgraduate degrees (53.5) and 41.7 years of experience. It is important to note that credit appraisal training was formal on 69.3% of those training suggesting the existence of a relatively well-trained workforce in PSBs in the Meerut Division.

Reliability Analysis

To ensure the consistency and dependability of the measurement instrument, Cronbach's Alpha was used.

Table 2: Reliability Statistics

Construct	Number of Items	Cronbach's Alpha (α)	Interpretation
Risk Perception	10	0.872	High Reliability
Credit Appraisal Practices	12	0.881	High Reliability
Overall Scale	22	**0.874**	**Highly Reliable**

The Alpha coefficients of all the constructs were higher than the accepted figure of 0.70(Pallant, 2020), as shown in table 2, therefore, proving excellent internal consistency. Therefore, the questionnaire was credible to measure the targeted constructs.

Normality Test

Normality was examined using the Shapiro–Wilk test, appropriate for samples under 200.

Table 3: Test of Normality (Shapiro–Wilk)

Variable	Statistic	df	Sig. (p-value)
Risk Perception	0.982	127	0.123
Credit Appraisal Practices	0.978	127	0.146

The null hypothesis of normal distribution could not be rejected because the p-values were larger than 0.05. This ensured that the data of both constructs were approximately normally distributed allowing the use of parametric tests of statistics including Independent Samples t-Test and Pearson Correlation.

Descriptive Statistics

Table 4: Descriptive Statistics of Study Variables

Variable	Mean (M)	Standard Deviation (SD)	Minimum	Maximum
Risk Perception	3.84	0.52	2.30	4.95
Credit Appraisal Practices	3.76	0.49	2.45	4.90

The risk perception level (M = 3.84) and credit appraisal standard levels (M = 3.76) were moderate as shown by respondents. Small standard deviations represented small variability meaning that the officers had similarity in response to their professional judgments and practices.

Group Comparison: Independent Samples t-Test

The Independent Samples t-Test was employed to determine whether loan officers' experience levels significantly affected their perception of risk and credit appraisal practices.

- **Group 1:** Officers with $\leq$ 10 years of experience (n_1 = 82)

- **Group 2:** Officers with > 10 years of experience (n_2 = 45)

Table 5: Group Statistics

Variable	Experience Group	N	Mean	Std. Deviation
Risk Perception	$\leq$ 10 Years	82	3.71	0.49
	> 10 Years	45	3.99	0.47
Credit Appraisal Practices	$\leq$ 10 Years	82	3.69	0.45
	> 10 Years	45	3.87	0.52

Table 6: Independent Samples t-Test Results

Variable	Levene's Test (F)	p-value	t-value	df	Sig. (2-tailed)	Mean Difference	Cohen's d
Risk Perception	1.102	0.295	3.024	125	0.003**	0.28	0.57
Credit Appraisal Practices	0.874	0.352	2.143	125	0.034*	0.18	0.43

(*p < 0.05 = Significant; *p < 0.01 = Highly Significant*)

Both of the t-tests provide statistically significant results between the experience groups. Both risk perception and credit appraisal practices showed higher score among the officers who had a period of experience longer than 10 years, which indicated that experience improves the level of awareness and diligence among the officers in evaluating risks. The d values of 0.57 and 0.43 (risk perception and appraisal, respectively) of Cohen reflected the absence of insignificance in moderate effects between the two variables.

Correlation Between Risk Perception and Credit Appraisal Practices

The Pearson Product-Moment Correlation was used to assess the strength and direction of the relationship between risk perception and credit appraisal practices.

Table 7: Correlation Matrix

Variables	Risk Perception	Credit Appraisal Practices
Risk Perception	1	0.612**
Credit Appraisal Practices	0.612**	1

(Correlation significant at the 0.01 level, two-tailed)

A strong positive correlation ($r = 0.612$, $p < 0.01$) was found between the two variables. This indicated that officers with higher risk perception were more likely to follow rigorous and standardized credit appraisal procedures. This aligns with findings by Kaur (2025) and Arora (2021), confirming that cognitive vigilance enhances appraisal quality.

The analysis established that the professional experience of loan officers had a strong contribution to the risk perception and credit appraisal behaviour. Highly experienced officers were more risk aware and they were more complying of appraisal standards. This is in accordance with previous studies which point to mining of knowledge and learning in the context of the situation perfecting the analytical judgment of the officers (Kaur, 2025; Arora, 2021). The existed high positive correlation between the risk perception and the practice of credit appraisal justifies the theoretical supposition of the Behavioural Risk Theory (Kahneman, 2011) that the more risk-aware individuals are the more systematized their cognitive processes when making decisions.

The statistical strength of the results multidimensional reliability (a = 0.874), normality of data, statistically significant (p < 0.05) difference in mean, and strong correlation (r = 0.612) proves that thus, the measurement and analysis process of the study were both methodologically and empirically valid. These findings confirm the need to maintain a continuous professional training and behavioural calibration of loan officers to enhance quality of credit and reduce the lending risk in PSBs of India.

Discussions

The study was designed to research on the perception of risk and credit appraisal practices between the loan officers of the public sector banks (PSBs) operating in the Meerut Division and whether professional experience played a role in these dimensions. The outcome has given important information about the behavioural and procedural model of credit decision-making within PSBs in India. The demographic analysis indicated that most of the loan officers in the Meerut Division were middle-aged, postgraduates, and male with more than two-thirds of them having formal training in credit appraisal. The given demographic profile represents an educated and moderately experienced workforce, indicating the consistency in the distribution of employees within the Indian PSBs (RBI, 2023). This type of workforce organization guarantees technical expertise, as well as reflects the possibility of a narrowing of the behaviour on which decisions make in an already small group and create homogeneity on the risk assessment strategy. The reliability test proved that the measurement tool was also robust (Cronbach's a = 0.874), and the respondents exhibited similar responses. The validity of the instrument methodologically is confirmed by this finding and the constructs both risk perception and credit appraisal practices were highly measured. This is the level of reliability which is considered in accordance with the requirements to the banking behaviour research (Kaur, 2025; Pallant, 2020).

On the descriptive results, both constructs had moderately high means scores (Risk Perception = 3.84; Credit Appraisal = 3.76) indicating that officers as a whole were very conscious of risk factors and followed institutional credit appraisal procedures. This is resonant with the findings of Arora (2021) and Gupta and Sharma (2022), the authors of which observed that after the changes implemented by RBI, the vigilance on risks and a consistent posture towards assessing loans were improved in PSBs. The outcome of the Independent Samples t-Test indicated that there was a significant mean difference in the risk perception ($t = 3.024$, $p = 0.003$) and the credit appraisal practices ($t = 2.143$, $p = 0.034$) by the years of experience

of the officers. The awareness of risks and strict compliance with the process of appraisals were higher among officers having more than 10 years of experience and were more frequent. This observation is in line with the previous empirical studies conducted by Sharifi, Haldar, and Rao (2019) and Moneeshkumar and Gurusamy (2015), who concluded that professional exposure over time improves the accuracy of credit judgment and eliminates the use of subjective intuition. The medium-sized effect sizes (Cohen d = 0.57 and 0.43) suggest that not only are the two differences statistically significant, but, also, are practically meaningful.

This was evidenced by the correlation analysis (r = 0.612, p < 0.01) that revealed that there is strong positive relationship between risk perception and credit appraisal practices and above ground level, the officers who are more sensitive to lending risk are also the ones that are using the most systematic and conservative approach to appraisal. This observation is comparable to the Behavioural Risk Theory (Kahneman, 2011), according to which cognitive awareness of risk has a modifying effect on the comprehensiveness and objectivity of decisions. It also endorses the Agency Theory, according to which more responsible individuals (in PSBs) make wiser decisions when determining the creditworthiness of borrowers (Bhati, 2009; Arora and Singh, 2015). When these results are compared with the previous literature, the current study supports the work of Kaur (2025) who has highlighted that risk tolerance and professional training are behavioural factors that have a considerable influence on credit decision making. On the same note, Brahmaiah (2022), and Gupta and Sharma (2022) discovered that institutional policies do not work effectively without behavioural congruence among decision-makers. The current study confirms this comprehension by introducing empirical evidence to a regional level of officers' perspective, which has hitherto not been well-researched in Indian banking studies.

The results are particularly applicable in a context-specific setting of the Meerut Division, where agriculture, small industries, and micro-entrepreneurship are combined. The above characteristics of these sectors expose them to higher credit risks because of the unstable flow of incomes and a lack of collateral, as the officers are forced to make significant decisions on their own. The significant difference between levels of experience is seen, which means that the human factor is still the key to successful credit management, despite the growing use of digital risk assessment models by PSBs. Another key policy finding is also evident in the outcomes: technological and regulatory innovations have enhanced appraisal systems, but behavioural realignment of the loan officer via experience and training as well as exposure is decisive. Such results support the findings of the RBI (2023) and World Bank (2022) that the credit risk mitigation in the developing economies should be based on the human judgments, institutional learning, and technological analytics to attain sustainable financial results.

The study confirms the increased applicability of behavioural finance approaches to the operations of banks, especially in the credit decision making by the state banks. The Behavioural Risk Theory is proven right since the results illustrate that account perception of risk has a judgmental impact on the thinking patterns of loan officers when they engage in credit appraisal. Increased risk awareness among officers is likely to make them use more rigorous and structured means of evaluation, meaning that the lending decisions are made not based on formal guidelines but on the individual cognition. The Information Asymmetry Theory is also supported in the study since it was revealed that experienced officers were more equipped to understand incomprehensive or imperfect information of the borrowers and minimize the informational gaps when appraising borrowers. Moreover, the findings confirm the Agency Theory in the PSB environment and reinforce the role of accountability arrangements, hierarchical control, and organizational culture to promote risk-aversion among loan officers, and hence, affect the loan approval criterion. All these theoretical implications play an important part in making it clear that the effectiveness of credit appraisal depends on a mixture of cognitive, behavioural and institutional aspects as opposed to technical or procedural aspects.

Regarding practical and managerial implications, the study has a number of implications to the leadership in the public sector banks and policymakers. The findings show that the experience-based risk competence is important in enhancing the quality of credit appraisal; thus, structured mentoring framework and experience sharing mechanisms must be institutionalized in the various branches of the bank so that the less experienced officers can learn on the experience of their senior counterparts. Moreover, the results also underscore the importance of using behavioural training programs as regular behavioural financial, cognitive bias reduction, and risk analytics workshops are proposed to be added to the regular technical training of credit appraisal. The study also cites the significance of performance evaluation reform which suggests that in addition to the traditional quantitative performance measures, the appraisal systems should also include behavioural traits in their appraisal system comprising of accuracy in decision, consistency, and risk aversion. Although the integration

of technology, such as the use of AI-enabled credit appraisal tools, has the potential to improve standardization and efficiency, the results point to the fact that the implementation of these systems through human validation to maintain the contextual decision-making and judgement. On last but not least are institutional arrangements like the Reserve Bank of India (RBI) and the Indian Banks association (IBA) that might want to foster periodic job rotation and cross branch exposure as a way of diversifying the experience of officials and reducing the cognitive rigidity on lending decisions.

The study has some limitations though it has been useful, and they must be noted. To begin with, the study was geographically bound in the Meerut Division, and this point could be used as the limiting factor in regards to the generalization of the results to other places such as areas with varied socio-economic and banking conditions. Second, it used a cross-sectional design, which only included the perceptions of the officers at one point in time; hence, it does not entirely represent the change in perceptions of risks due to changes in regulatory framework or economic conditions. Thirdly, the information was self-reported, and perceptions that, although anonymity was guaranteed, are likely to be affected by response bias. Finally, the analysis was based mainly on one type of the inferential technique the Independent Samples t-test to compare groups; although it is suitable to the study purpose, it does not provide the possibility to investigate causal correlations between variables in details.

The current study can be subject to future studies in a number of ways that are meaningful. Researchers can broaden the geographical boundary to several divisions or states that allow comparative evaluation in the geographical area and banking environment. The longitudinal research designs may be used to study the dynamics of risk perception and appraisal behaviour of the loan officers through studying how they change with time when changes of the policy are made, technological use or even economic cycles. With such qualitative techniques in place, e.g. in-depth interviews or focus group discussion thereon, it would be deeper in terms of getting insights on the behavioural and cognitive mechanisms underlying credit decision making. In addition, further research can be conducted to examine the relationship between digital credit appraisal systems with human judgments, and therefore, to test the performance of hybrid-based decision-making models in enhancing credit quality and risk management within banks in the public sector.

Conclusion

This study has clearly shown that the perception of risk by loan officers has a strong effect in the overall credit appraisal practice of risk among public sector banks in the Meerut Division. Study found experience to be essential to augmenting risk sensitivity and procedural rigor, and very critical to the everlasting relevance of human judgment in an age of algorithmic decision-making. The association between risk perception and credit appraisal practices is strongly positive which supports the logical explanation that the combination of the cognitive awareness and procedural diligence leads to effective credit decisions.

However, trying to find a compromise between financial inclusion and asset quality, the findings suggest that organizational performance relies not on technological progress or regulatory set of rules only but also on the behavioural competence and learning experience by loan officers. The study brings in a regionally based, empirically validated analysis of the relationship between human factors and institutional structures in the definition of credit evaluation quality. It therefore offers a good lesson to policy makers, bank management and academic people who may wish to improve credit governance, minimize default risk, and make the Indian publicly-banking financial system more stable.

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