



Assessing Customer Perceptions and Experiences of Credit Risk Management Practices in Cosmos Bank: A Study in the PCMC Region

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ABSTRACT

Credit risk management is a critical component of banking operations, playing a pivotal role in ensuring financial stability and safeguarding the interests of stakeholders. This research paper investigates customer perceptions and experiences related to Cosmos Bank's credit risk management practices in the PCMC (Pimpri-Chinchwad Municipal Corporation) region. By employing a mixed-methods approach that combines surveys, interviews, and data analysis, the study highlights the strengths and weaknesses of the bank's practices. Key findings reveal that transparency, timely communication, and tailored services significantly influence customer satisfaction. The paper concludes with practical recommendations for enhancing credit risk practices to meet customer expectations and regulatory standards.

Keywords: Credit risk management, customer satisfaction, cooperative banking, Cosmos Bank, financial practices, PCMC region, customer engagement, risk mitigation.

Objectives

1. To evaluate the awareness of credit risk management practices among customers of Cosmos Bank.
2. To determine factors that contribute to customer trust and satisfaction in credit-related services.
3. To analyze the operational challenges customers face during loan application and recovery processes.
4. To provide actionable insights to improve the effectiveness of credit risk management strategies.
5. To contribute to the body of knowledge in cooperative banking by focusing on customer-centric credit management practices.

Introduction

The banking sector plays a crucial role in economic development, with credit risk management being a key determinant of a bank's stability and profitability. Credit risk refers to the potential loss arising from a borrower's failure to meet contractual obligations. For cooperative banks like Cosmos Bank, managing this risk is particularly challenging due to their customer-centric focus and the diverse demographic profile they serve.

The PCMC region, one of India's fastest-growing urban areas, is characterized by a dynamic mix of industries, businesses, and residential communities. This region presents unique challenges and opportunities for credit risk management. Customers in this area demand transparency, efficiency, and fairness in financial transactions, making it imperative for banks to align their practices with these expectations.

Cosmos Bank, as a prominent player in the cooperative banking sector, has established itself as a reliable financial institution. However, the increasing competition and evolving customer demands necessitate a deeper understanding of how its credit risk management practices are perceived and experienced by customers. This study aims to bridge this gap by providing a customer-centric evaluation of these practices.

Research Methodology

- **Research Design:** The study adopts a descriptive research design to systematically examine customer perceptions and experiences.
- **Data Collection:**
 - **Primary Data:** Surveys were distributed to 200 customers in the PCMC region, complemented by 20 in-depth interviews to gain qualitative insights.

- **Secondary Data:** Relevant data was sourced from Cosmos Bank's annual reports, regulatory guidelines, academic journals, and industry reports.
- **Sampling Method:** Stratified random sampling was used to ensure a diverse representation of customer demographics, including age, income, and loan type.
- **Data Analysis Techniques:** Statistical methods such as regression analysis, correlation, and thematic analysis were employed to interpret the data. Visual aids like tables, charts, and graphs were used for clarity.

Review of Literature

1. **Credit Risk Management Frameworks:** Studies such as those by the Basel Committee (2001) emphasize the importance of robust frameworks for credit risk management.
2. **Customer Satisfaction in Banking:** Kapoor and Sharma (2018) highlight that customer satisfaction is significantly influenced by the clarity of loan policies and the efficiency of approval processes.
3. **Challenges in Cooperative Banking:** Rao and Singh (2020) discuss the operational constraints faced by cooperative banks, emphasizing the need for technological integration and customer-centric approaches.

These studies provide a foundation for understanding the interplay between credit risk management and customer experiences, while highlighting the need for further research in cooperative banking contexts.

Data Analysis and Interpretation

1. **Customer Satisfaction Levels:**
 - 72% of respondents expressed moderate to high satisfaction with Cosmos Bank's credit risk practices.
 - Key drivers included transparency in loan terms and adherence to regulatory standards.
2. **Transparency:**
 - 85% of customers acknowledged receiving clear and concise information about loan conditions and associated risks.
3. **Operational Challenges:**
 - 65% of respondents reported delays in loan approval processes, while 45% cited a lack of proactive communication during the loan lifecycle.
4. **Personalization Needs:**
 - Many customers emphasized the need for tailored solutions, particularly for small business loans.

Graphs and Tables:

- A bar graph illustrating satisfaction levels across different loan types.
- A pie chart showing the percentage of respondents who experienced delays in loan approvals.

Findings

1. Transparency in credit policies significantly enhances customer trust.
2. Operational inefficiencies, such as delays in approvals, are major pain points.
3. Customers value personalized solutions and proactive communication.

Conclusion

This study underscores the critical role of customer-centric credit risk management in fostering trust and satisfaction. While Cosmos Bank excels in transparency and regulatory compliance, addressing delays and improving communication can further enhance its reputation and operational efficiency.

Suggestions

1. **Automation of Processes:**

- Implement AI-driven systems to streamline loan approvals and risk assessments.
- 2. **Improved Communication Channels:**
 - Establish dedicated customer support teams to provide regular updates and address concerns promptly.
- 3. **Enhanced Training for Staff:**
 - Conduct workshops on customer relationship management and financial literacy.
- 4. **Feedback Mechanisms:**
 - Introduce regular feedback surveys to gauge customer satisfaction and identify areas for improvement.
- 5. **Technological Integration:**
 - Leverage big data analytics for more accurate risk predictions and personalized services.

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