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RESEARCH ARTICLE

FACTORS INFLUENCING BUSINESS HOUSEHOLDS' DECISION FOR BORROWING CREDIT AT VIET NAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE, TRAVINH BRANCH, VIET NAM

*Ha Hong Nguyen

Head of the Finance-Banking Department, TraVinh University, Viet Nam

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ABSTRACT

The study of factors influencing business households' decision for borrowing credit at Viet Nam Joint Stock Commercial Bank for Industry and Trade, Tra Vinh Branch, Viet Nam (Vietin Bank Tra Vinh) was conducted by collecting data from 300 business households traded at Vietin Bank Tra Vinh. By the use of the Binary Logistic regression method, the research found out that the factors influencing to borrow credit of household business's decision including: bank brand names, loan interest rates, service attitude, and loan procedures. Of those, the bank brand names and lending interest rates have the strongest impacts on borrow credit decision of business households in Vietin Bank, Tra Vinh branch.

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INTRODUCTION

Retail banking is a trend of commercial banks in the world and in Vietnam. Retail banking plays an increasingly important role in the bank's business (*Statistics from the State Bank of Tra Vinh province, 2017*). In 2017, the proportion of individual customers' credit accounted for over 50% of the total outstanding loans of the branch (*Vietin bank, Tra Vinh, 2017*). However, the status of providing loans to this group is still weak, due to limited qualifications, secured assets, conditions for bank loans, and so forth. Making a loan decision is a very necessary issue for business customers having a need for a loan, especially difficult and careful clients who often make detailed requirements and devaluations prior to establishing credit relations. While commercial banks in the area compete fiercely to win customers, especially customers with good credit history. On the other hand, a large number of individual customers strived to delay loan repayment, partly due to inappropriate and inefficient use of capital (*Nguyen, 2018*). Therefore, in order to promote credit growth and improve lending performance as well, Vietin Bank of Tra Vinh strives to accomplish all aspects of its credit activities to better serve its clients, contributing to credit growth in both quantity and quality.

*Corresponding author: Ha Hong Nguyen,
Head of the Finance-Banking Department, Tra Vinh University,
Viet Nam.

Literature Review

Research results from a survey of 260 individual in Ho Chi Minh City showed that there are four factors affecting individual customers' decisions in making bank loans, including product characteristics, convenience, loan conditions, and customers' responsibilities affecting the decision to make loans at Vietnam Joint Stock Commercial Bank for Industry and Trade in Ho Chi Minh City (Tran, 2015). Ho (2015) conducted a study on *Analyzing Factors Affecting Personal Loan Decision at EXIMBANK, Can Tho branch*. A survey of 190 individual clients was conducted in Can Tho city. With the use of binary logistic regression analysis, the research results show that there are seven factors affecting individual customers' decision in making loans, including loan procedures, interest rates, tangible media, service staff, banking service styles, bank brands, and convenience which all have an impact on individual loan decisions at EXIMBANK, Can Tho branch. Nguyen (2016) conducted a survey of 305 individual clients and business households making loans from Agribank in Vi Thanh City, Hau Giang Province. The research results show that there are six factors influencing the decision of individual clients and business households in making bank loans, including forms of loans, procedures, time of dossier processing, the geographical area of operation, the relationship between banks and customers, interest rates, the size of the bank, and staff which all make an impact on business households in making loans

from Vi Thanh city Agri Bank, HauGiang province. Le (2015) conducted a survey of 280 samples, selected the sample by convenient method, and directly sent questionnaires to individuals in the area. Research findings suggest that the factors that influence the decision to choose a bank for personal loans include convenience, bank credit policies, impacts of relationships, service qualities offered by the bank, and the image and reputation, the marketing policy, and service price of the bank. Martin Owusu Ansa (2014) conducted a study on *Banking Decision Makers in Ghana: An Analysis of Secondary School Teachers in Kumasi City*. Data were collected from direct interviews with 250 High School Teachers in Kumasi, Ghana. Research findings showed that the determinants of bank selection include interest rate, banks' prestige and safety, years of establishment of banks, low service charges, and easy loan-making. Christos Frangos *et al.* (2012) collected 277 samples from Greek citizens. Research results show that the quality of service, loan policies, and satisfaction from the service of the bank affect the decision of loan-making of individual customers. Hafeez Ur Rehman and Ahmed (2008) carried out direct interviews with 358 individual clients from banks in Lahore, Pakistan. The research tools used in the study were multivariate regression analysis, and exploratory factor analysis. Research findings show that the factors influencing the choice of Bank of individual customers in Lahore, Pakistan include Customer Service, Convenience, Bank facilities and general Environment of the bank.

MATERIALS AND METHODS

On the basis of the research cited, the author suggests a binary logistic regression analysis model as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6$$

Y: Dependent variable;

X1, X2, X3, X4, X5, X6: Independent variable

β_i : estimated coefficient

RESULTS

Hoang and Chu (2008) conducted a study by directly interviewing 300 business households who have or have not yet made loans from Vietin bank, Tra Vinh. The scale will be verified from the data collected through the Cronbach's alpha coefficient. The data will be analyzed and processed by SPSS through data analysis methods such as Cronbach Alpha Reliability Testing, EFA Discovery Factor Analysis and Binary Logistic Regression Analysis.

From the above result, the Binary logistic regression equation is formulated as follows:

$$\text{Loge} \left[\frac{P(Y=1)}{P(Y=0)} \right] = -17.896 + 1.724 \text{ bank brand names} + 1.172 \text{ loan procedures} + 1.539 \text{ loan interest rates} + 1.237 \text{ service attitudes}$$

This means when other factors remain unchanged, to decide to borrow credit of business households in Vietin Bank Tra Vinh, the brand will increase by 1.724 times with a significance level of 99% (Luong, 2018). At the same time, when other factors remain unchanged, to increase one more decision borrowing credit, loan procedures increase 1.172 times, and interest rates by 1.539 times and service attitude by 1,237 with 99% significance, respectively. As a result, bank brand and bank interest rates have the strongest impact on borrowing decisions of household businesses in banks. Tangible means and Convenience are not statistically significant.

Recommendations to attract household businesses on borrowing credit at Vietinbank Tra Vinh

Focus on developing bank brand names: The brand of banks is very important to attract business households to borrow, so apart from the history of the formation and development of the bank, the bank reputation is equally important. In order for the bank's brand to grow and become more well-known, the bank's directors often have policies to develop their own brand

Table 1. A summary of Variable Models

No.	Variable Codes	Names of variables	Basics of Variable selection	Expections of variables
1	Y	Decisions for borrowing credit	(1) Decisions for borrowing credit (0) Decisions for no borrowing credit	Survey's experts
2	X1	Bank brand names	Studies from Ho (2015), Nguyen (2016), Le (2015), and Martin OwusuAnsa (2014)	+
3	X2	Tangible means	Studies from Hafeez Ur Rehman and Ahmed (2008), Ho (2015)	+
4	X3	Convenience	Studies from Tran (2015), Ho (2015), Nguyen (2016), Le (2015), and Hafeez Ur Rehman and Ahmed (2008)	+
5	X4	Loan procedures	Studies from Tran (2015), Ho (2015), Nguyen (2016), and Martin OwusuAnsa (2014)	+
6	X5	Interest rates	Studies from Ho (2015), Nguyen (2016), Le (2015), and Martin OwusuAnsa (2014)	+
7	X6	Service attitudes	Ho (2015), Nguyen (2016), and Le (2015)	+

(Source: A summary of the author's studies)

Table 2. Results of regression coefficients

		Results of Binary logistic regression				
		B coefficient	S.E. coefficient	Wald coefficient	Level of significance	Exp(B)
Step1 ^a	Bank brand names	1.724	0.423	16.643	0.000***	5.608
	Loan procedures	1.172	0.428	7.498	0.006***	3.228
	Loan interest rates	1.539	0.298	26.699	0.000***	4.661
	Service attitudes	1.237	0.456	7.365	0.007***	3.446
	Constant	-17.896	3.082	33.716	0.000***	0.000

a. Variable(s) entered on step 1: Bank brand names, Loan procedures, Loan Interest rates, Service attitudes.

(Level of significance: *** indicating the significance level of 99%)

(Source: extracted from the research results of the author)

names, in order to strengthen their trust and prestige for business transactions. First of all, the bank management board should continue to build and maintain a good brand image of Vietinbank in the heart of customers. It is also necessary to make uniformity of images to easily recognize the Vietin bank brand from employee uniforms, interior decoration of transaction places, forms, guide sheets, leaflets, and styles of offices, transaction offices, and ATM services. The bank's focus should be on staffs with professional qualifications, experience and good counseling skills when communicating with customers, and at the same time, it is also important for banks' director boards to attach attention to the attitude of employees when dealing with customers. In addition, the Bank managing board should bring the image of the bank brand popular to customers through advertising programs, sponsorship or social security programs, which also bring positive effects in promoting the bank brand. Bank managing boards should position the image of their bank in the minds of their customers through specific actions and ensure consistency in service performance and respect their commitments and commitments to customers.

Build up flexible policies for loan interest rates: Interest rates increase competitive advantage in the market in retaining existing customers and attracting new customers. Based on the bank's mobilizing interest rate and operating expenses, a more appropriate loan interest rate schedule is set out. The bank also needs to collect information about the lending rates of its competitor banks, in order to provide appropriate interest rates and lending fees and compete in the market. At the same time, it is necessary to closely monitor the interest rate fluctuation in the market so that it can quickly and promptly react to the lending interest rates in order to retain existing customers as well as attract new customers. However, in the current market situation, the issue of customer interest is not only the interest rate, the general fee is the financial benefits that banks bring to customers; it is not just interest rates. Also, competitive pricing, value added banking services to customers such as business advisory, risk prevention, and so forth are concerns among customers.

Improve the style and service attitude of bank staff: The attitude and style of service of bank staff is very important to retain customers as well as decide on loans of business households. Any bank with skilled staff, qualifications, expertise, and enthusiasm will be a great motivator in attracting and retaining customer transactions even though that bank may not have. Advantages of interest rates and policies are also important to enhance the efficiency of staff services for business households to borrow capital in Vietin Bank, TraVinh branch. It is therefore necessary to carry out continuous and regular training in order to foster knowledge, skills, and staff skills, especially communication skills for employees, in order to better serve clients. It is necessary to enhance the dissemination and training of professional processes in order to improve management knowledge, professional qualifications, computer skills, sales consultancy skills as well as good communication skills for all branches and employees, especially those who directly deal with customers.

Formulate simple loan procedures: The simpler the loan procedure is, the easier it is for the borrower to access the loan. As a result, business households have encountered many difficulties related to lack of collateral, poor financial

information, lack of business plan or unclear business plan. In order to stabilize and attract more individual customers, the bank needs to improve its lending procedures in a simple and compact way, providing sufficient information on loan products, necessary conditions for borrowing and compliance. With the level of individual customer loans, it is important for bank staff to avoid the situation that individual customers have to travel many times and wait too long. In addition, it is necessary to increase the size of medium- and long-term loans for the facilities of individual clients. In addition, bank staff should provide detailed guidance explaining clearly and in detail the loan procedures that household customers need to have when borrowing, as well as explaining to customers the regulations or terms in the loan agreement or mortgage agreement to avoid misunderstandings or misunderstandings resulting in customer complaints or dissatisfaction with the service staff.

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