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Loan Activities of Individual Customers at Bank for Investment and Development of Vietnam Nguyen Tuan branch

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Abstract

Commercial banks' personal customer loan products are service products, so customers' capital needs are the deciding factor in the bank's forms of personal customer loans. Customers' capital needs are the basis for building and expanding the Bank's personal loan product development strategy. The problem is that banks must detect those needs as quickly as possible to respond promptly because those who take the lead will have the advantage in attracting customers to them. Customers with different occupations, family and marital statuses, and different ages will have different financing needs. Customer's ability to meet loan conditions: These are the financial factors, income, ethics, and collateral of the customer that satisfy the bank's loan conditions to ensure safety. for loan. By directly surveying 120 individual customers who have been making credit transactions at Joint Stock

Commercial Bank for Investment and Development Nguyen Tuan branch, the research has shown that factors affecting development Loan activities of individual customers include: Access information, length of credit relationship, reason for loan, loan term, loan purpose, loan procedures, loan interest rate, loan submission. Professional level of staff and officials, time limit for processing documents. Based on the current situation of analysis of factors affecting the development of credit activities at BIDV Nguyen Tuan, the author offers a number of solutions to develop the bank's credit activities in the coming time such as: Deploy products and services to young customers through digital banking applications, for interest rate factors, for bank employees, for loan procedures.

Keywords: Loan Activities, Individual Customers, Commercial Banks, BIDV

1. Introduction

Retail banking activities are the development trend of commercial banks in the world and in Vietnam. Retail banking plays an increasingly important role in banking business activities. Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) is also implementing the goal of becoming the leading modern retail bank in Vietnam. BIDV has launched a development strategy with the pillar of development being a modern commercial bank, focusing on promoting retail activities [1].

Credit for individual customers is a product that brings a large source of income to the bank, so right from the beginning of operations, BIDV Nguyen Tuan has identified individual customers as the target audience in its development orientation. Credit products. BIDV Nguyen Tuan aims for the proportion of individual customer credit to account for 66% of the Branch's total outstanding loans by 2022. However, reality shows that lending activities to individual customers of BIDV Nguyen Tuan still has many weaknesses.

The reason for this situation is that customers who want to borrow money are not qualified to borrow money, and customers who are qualified to borrow money do not want to borrow money. In addition, when individual customers need to borrow capital, especially those who are fastidious and meticulous, they often require careful consideration and evaluation of the bank's service quality to establish credit relationships for banks. Commercial banks are currently competing very fiercely to attract customers, especially potential customers. Meanwhile, a large number of individual customers who borrow capital are not proactive in repaying debt, using capital for improper purposes and ineffectively.

2. Research Overview

Martin Owusu Ansa (2014) conducted direct interviews with 250 high school teachers in Kumasi city, Ghana. Analytical methods used in the study include: Exploratory factor analysis, multivariate regression analysis to determine factors affecting bank choices of high school teachers in Kumasi city, Ghana such as: Loan interest rate; Bank reputation; Bank safety; Number

of years the bank was established; Low service fees; Easy to make loan. Among them, the factors of the number of years the bank was established and the ease of making the loan have the strongest impact on the customer's decision to choose a bank [4].

Christos C. Frangos and colleagues (2012) [2] in the study presented data from the author randomly selecting 277 samples from Greek citizens. Research results show that service quality factors, lending policies, and satisfaction with bank services affect individual customers' loan decisions [2].

Hafeez Ur Rehman and Ahmed (2008) [3] collected data through direct interviews from 358 individual customers of banks in the city. Lahore (Pakistan). The methods used in this study include: Multivariate regression analysis, exploratory factor analysis. Research results show that the factors affecting individual customers' choice of bank in Lahore, Pakistan are customer service, convenience, bank equipment and the bank's general environment [3].

Tran Khanh Bao (2015) [5] conducted a survey of opinions of 260 individual customers in Ho Chi Minh City. Methods used in the study include: Cronbach Alpha reliability test, exploratory factor analysis (EFA), linear regression analysis, analysis of differences in usage trends according to user attributes. Using T-Test and ANOVA to analyze factors affecting the decision to borrow capital at Vietnam Industry and Trade Joint Stock Commercial Bank of individual customers in Ho Chi Minh City area [5].

3. Current Status of Individual Customer Lending activities at BIDV Nguyen Tuan

The author surveyed 120 loan customers at BIDV Nguyen Tuan branch about factors affecting the development of the bank's lending activities for individual customers. Through statistical data, the results are as follows:

Regarding the Source of Information for Individual Customers Accessing BIDV Nguyen Tuan Branch:

Table 1: Source of access information for individual customers

Unit: %

Targets	bank employee	TV, internet, radio	Friends, relatives, partners	Advertising banners
Information sources	33	13	46	8

Source: Author's survey results

According to the above results, the proportion of customers who know about BIDV Nguyen Tuan's loan products from friends, relatives, and partners accounts for the highest proportion of 46%/120 sampled individual customers; Bank staff directly soliciting and introducing products is 33%; from television, radio, internet is 13%; advertising banner is 8%.

Regarding the Credit Relationship History of Individual Customers at BIDV Nguyen Tuan:

Table 2: Time history of individual customers' credit relationships

Unit: %

Targets	One year	From 2-3 years	From 4-5 years	Over 5 years
Information sources	8	10	52	30

Source: Author's survey results

Through the chart, we can see that individual customers who borrowed money at BIDV Nguyen Tuan in one year only accounted for 8%, proving that the number of new customers is quite small, the branch has not proactively sought and exploited customers. New customers, mainly relying on long-term

customers, customers with loans from 04 years or more account for a high proportion. Customers borrowing from 02-03 years account for 10%, customers borrowing from 04-05 years account for 30%, customers borrowing over 05 years account for the highest proportion of 52%. Banks should not depend too much on this traditional customer group, should have policies to develop the number of new customers, and credit officers themselves need to proactively seek customers.

Regarding the Reasons why Customers Choose Individual Credit Relationships at BIDV Nguyen Tuan:

Table 3: Reasons for borrowing money from individual customers

Unit: %

Targets	State bank	Stable interest rate	Loan procedures are simple and quick	Enthusiastic and attentive staff
Reason for loan	20	50	13	17

Source: Author's survey results

According to the survey, up to 50% of customers choose to borrow at BIDV Nguyen Tuan with the great advantage of stable interest rates for the entire loan period. The next reason for choosing is because the State owns over 50% of the charter capital. ratio, has created trust for customers when choosing to borrow money or make transactions at branches, accounting for 20%. However, BIDV's weakness is that the service attitude of its staff is not enthusiastic and the loan procedures are cumbersome, which are disadvantages in attracting customers. The staff needs to have a warm, enthusiastic attitude, a more professional transaction style and minimize paperwork.

Regarding Loan Term of Individual Customers at BIDV Nguyen Tuan:

Table 4: Loan term of individual customers

Unit: %

Targets	Short-term	Medium term, long term
Loan term	46	54

Source: Author's survey results

The loan term of individual customers at BIDV Nguyen Tuan focuses mainly on medium and long-term capital, with up to 54% of individual customers choosing to borrow medium and long-term capital, the remaining 46% are short-term. The medium and long-term loan ratio is high, because BIDV Nguyen Tuan's customers mainly borrow capital for production, business, consumption and the difference in interest rates between short-term, medium and long-term is not much, depending on the type of borrower capital.

Regarding Loan Purposes of Individual Customers at BIDV Nguyen Tuan:

Table 5: Loan purpose of individual customers

Unit: %

Targets	Manufacturing business	Consumption	Other
Loan purpose	62	25	13

Source: Author's survey results

The loan purpose of individual borrowers is mainly capital needs used in production and business to sell to increase income for individuals, households, and business households, so the rate accounts for 62% of the total number of approved customers. Sampling.

Regarding Loan Application Procedures for Individual Customers at BIDV Nguyen Tuan

Table 6: Loan procedures for individual customers

Unit: %			
Targets	Simple	Normal	Complicated and cumbersome
Loan procedures	4	25	71

Source: Author's survey results

Loan procedures at BIDV Nguyen Tuan are considered by individual customers to be more complicated and cumbersome than other commercial banks in the area.

Regarding Loan Interest Rates Applicable to Individual Customers at BIDV Nguyen Tuan

Table 7: Loan interest rates apply to individual customers

Unit: %			
Targets	Short	High	Equivalent
Loan interest rate	32	10	58

Source: Author's survey results

Loan interest rates applied to individual customers of BIDV Nguyen Tuan are considered equivalent to other large commercial banks in the area, the number of customer opinions saying they are equivalent accounts for 58%. Meanwhile, lower ratings account for 32%. The customer rate is 10% higher, because the initial interest rates some commercial banks offer loans are lower than BIDV, but after a period of time, these banks will adjust the interest rates to ensure Protect their financial income.

About the Professional Qualifications and Transaction Style of Staff and Officers at BIDV Nguyen Tuan

Table 8: Professional qualifications and transaction style of employees and officers

Unit: %				
Targets	Very good	Good	Normal	Low
Professional qualifications and trading style	10	21	67	3

Source: Author's survey results

It was found that the professional qualifications and transaction style of BIDV officers and employees Nguyen Tuan were only at a normal level, with a customer rating of up to 67%. BIDV staff capacity is rated as good at 21%, very good at only 10%, and poor at only 3%. BIDV staff Nguyen Tuan needs to try harder to improve their professional qualifications and improve their transaction style and behavior.

Regarding the Time to Process Loan Applications for Individual Customers at BIDV Nguyen Tuan

Table 9: Processing time for individual customer documents

Unit: %				
Targets	1 day	2-3 days	4-5 days	Over 5 days
Document processing time	10	40	43	7

Source: Author's survey results

The processing time for loan applications for individual customers is quite consistent with regulations. The number of customers whose loan applications were completed and disbursed within the same day accounted for 10%; from 02 - 03 days accounts for 40%; From 04 to 05 days accounts for 43%: over 05 days accounts for 5%. The legal and personal documents of individual customers currently need a lot of editing, so the resolution of documents is still a problem between the Notary Office, the People's Committees of the communes/wards/towns, and the capital city. Correction

procedures on collateral documents, Bank. That's why the processing time for documents is mainly 4 - 5 days.

Regarding customers' suggestions for developing personal credit at BIDV Nguyen Tuan, most customers proposed adjusting lower interest rates to be able to compete with other banks in the area, reducing Minimize loan application procedures. These are issues that branches need to make appropriate decisions to attract and attract new customers to the Bank.

5. Solutions to Develop Lending Activities at BIDV Nguyen Tuan

Firstly, BIDV Nguyen Tuan needs to direct the deployment of products and services to young customers through digital banking applications.

The development of personal customer service in general and individual customer lending activities are essentially retail banking lending activities (banks targeting individual customers and small and medium enterprises). Therefore, BIDV needs to set a revenue growth target by expanding its customer base, especially in younger age groups. Diverse needs from young customers will bring the next big revenue opportunity for the bank. Therefore, banks must develop technology-based services that suit the lifestyle of this customer group. Mobile banking services for smartphones need to be upgraded and improved, adding features to evaluate customers' spending or account status, thereby suggesting useful financial advice. BIDV needs to train and motivate branch staff to actively sell products and services to customers to increase revenue. Branch employees have an existing relationship with customers, but that relationship is more traditional than based on the actual quality of service the bank provides. By providing branch staff with product information, records to identify customer product needs, and incentive programs to encourage sales, banks can use existing relationships to Increase revenue from each customer. Besides, BIDV employee Nguyen Tuan needs to focus on managing customer relationships. In banking, customer relationships operate at a number of different levels. However, maintaining good relationships with customers will ensure a better understanding of customers' loan needs in the future.

Second, for the interest rate factor and loan fees

After the brand factor, the factors that affect the choice of bank to borrow money are interest rates and loan fees. Low interest rates and loan fees are competitive advantages in the market in retaining existing customers and attracting new customers. Based on the capital mobilization interest rate and the bank's operating costs, it is better to set a suitable loan interest rate schedule than to take advantage of customers by any means.

Banks also need to collect information about lending interest rates of competing banks to offer appropriate and competitive interest rates and lending fees in the market. At the same time, it is necessary to closely monitor loan interest rate fluctuations in the market to be able to come up with a strategy to respond to loan interest rates quickly and promptly to retain existing customers as well as attract customers new.

However, in the current market situation, what customers are concerned about is not only interest rates and fee schedules, but more generally, it is the financial benefits that banks bring to customers. That is not only competitive lending interest rates and an appropriate service fee schedule, but also value-added benefits the bank provides to customers such as consulting on business activities and risk prevention.

In addition, the Bank needs to proactively segment customers to offer customer care policies to retain existing customers and attract new customers. For example, the VIP customer segment, customers who are officials and employees with consumption needs, and the individual segment doing business at markets.

These subjects can enjoy a number of special preferential policies such as: Simple lending procedures compared to general policies (if any), lower preferential interest rates (down 0.5% - 1%/year). Year compared to normal interest rates), there are gifts on special occasions (Tet, birthdays...) and priority service when there are transactions. With this policy, the bank will maintain a stable

number of loyal customers, while attracting new customers, and moreover, the bank will also take advantage of this segment to cross-sell other products such as deposits. Insurance, other payment services.

Third, for the bank employee factor.

Human resources is always a "hot" issue in the current financial and banking market. Any bank that has a team of skilled, qualified, specialized knowledge, and enthusiastic staff will create great motivation in attracting and retaining transaction customers (even though that bank may not be profitable). Interest rates and policies). To increase the efficiency of staff service style for individual customers borrowing loans at BIDV Nguyen Tuan, the following solutions can be applied:

1. Conduct continuous and regular training to improve staff qualifications and knowledge, to improve special skills such as: Communication skills for staff to serve customers every day the better. On the other hand, it is necessary to closely monitor how employees serve customers, in order to improve employees' communication ability to best serve customers.
2. Enhance dissemination and training of business processes to improve management knowledge, professional qualifications, computer skills, sales consulting skills, as well as good communication skills for employees across the branch. Branch and direct departmental leaders.

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