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Evaluating the Capacity of Joint Stock Commercial Bank for Investment and Development of Vietnam Thanh Hoa Branch in Customer Financial Analysis

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Abstract

In a market economy, it is possible for businesses to lose money, stop operating or go bankrupt. In addition, the close relationship between businesses and commercial banks is inevitable, businesses want to have more capital by borrowing money from commercial banks, commercial banks practice lending operations for businesses to make profits. Therefore, when deciding to lend capital to businesses, they are very interested in the financial situation of the business through capital structure, solvency or profitability, etc. to ensure corporate customers have the ability to repay principal and interest. Credit activities of the Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) Thanh Hoa branch in recent times have greatly contributed to the operational

efficiency of BIDV in particular and contributed positively to the economy. General economics. However, currently the financial situation of borrowing businesses has many complex fluctuations due to the general context of the world economic situation, leading to many potential risks in lending activities. Therefore, one of the important solutions to improve credit quality requires BIDV Thanh Hoa to constantly improve the quality of financial analysis of corporate customers. Therefore, the closer the financial assessment of the borrowing business is to reality, the more it will improve the quality of BIDV Thanh Hoa's loans, helping the bank select customers with the best ability to borrow and repay. Reducing the rate of overdue debt or bad debt.

Keywords: Commercial Banks, Financial Analysis, Lending Activities, Bidv Thanh Hoa

1. Introduction

Credit activities are a traditional, profitable operation that determines the existence of each commercial bank. However, this is also a risky activity. In the context of deep international economic integration and competition from foreign banks, the requirement for effective credit operations of commercial banks is becoming increasingly urgent.

To ensure risk reduction in credit activities, financial analysis of corporate customers requires special attention from commercial banks. From financial analysis of corporate customers, commercial banks will make appropriate credit decisions, thereby improving the bank's competitiveness.

Improving the efficiency of corporate customer financial analysis helps banks minimize credit risks. Therefore, studying financial analysis of corporate customers is a meaningful content both theoretically and practically. Within the scope of the article, the author has addressed the following main issues:

- Systematize and clarify the basic theory of financial analysis of corporate customers in lending activities at commercial banks.
- Current status of financial analysis of corporate customers in BIDV Thanh Hoa lending activities, the successes and limitations of this work at the bank.
- Based on the current situation, the author proposes solutions to improve the quality of financial analysis of corporate customers in lending activities at BIDV Thanh Hoa.

2. Research methods

2.1 Theoretical research methods

- Collect secondary data sources: Data collected from published documents on financial analysis of corporate customers in lending activities at banks.

- Synthesize, compare, and interpret content related to financial analysis of corporate customers in lending activities at banks.
- Collect primary data: The author conducted a survey using a Questionnaire on 40 businesses borrowing capital at BIDV Thanh Hoa. After determining the survey target group, the authors used a convenient sampling method for Vietnamese businesses. Survey forms were sent via email, Facebook, and Zalo to businesses in the research sample.

2.2 Practical research methods

This is a study to analyze the financial situation of corporate customers in lending activities at BIDV Thanh Hoa. Based on the theory of financial analysis of corporate customers in lending activities, the authors collected data on the process and content of financial analysis of corporate customers in lending activities combining methods Survey businesses that have borrowed capital at branches to analyze, evaluate, and measure, thereby providing suggestions and recommendations to improve the quality of financial analysis of corporate customers in their operations. get a loan.

3. Research overview

Concept of corporate financial analysis

Before making credit decisions, commercial banks evaluate customer records, non-financial appraisal and financial analysis; These are indispensable contents in the credit process. Commercial banks act as capital sponsors or creditors of businesses; Therefore, besides the issue of income, the issue that commercial banks are most concerned about is the issue of capital preservation. Financial analysis of commercial banks' corporate customers aims to answer the questions: Is the business operating well, effectively and profitably? Can the business meet its future debt repayment commitments?

Therefore, financial analysis of corporate customers is the commercial bank's use of criteria and tools to collect and process financial information based on corporate financial reports to evaluate situation, financial capacity and potential of the enterprise; thereby helping commercial banks make accurate lending decisions^[2].

Meaning and purpose of financial analysis of customers

Customer financial analysis helps commercial banks make the right lending decisions:

The financial situation of the enterprise is shown quite fully and clearly through financial reports and typical financial indicators. Thus, financial analysis of corporate customers aims to evaluate the business status of the enterprise so that commercial banks can make the right lending decisions, decide on the direction, loan size and ability to recover capital. The correct decision-making role of a commercial bank will be: whether to decide to lend or not and if so, what limit and term is reasonable and effective. Commercial banking's business activities with currency as the object of business are inherently risky activities^[4]. Therefore, to preserve loan capital and ensure income for themselves, commercial banks cannot help but pay attention to the business field of the enterprise before financing capital. Commercial banks will certainly not have credit relationships with customers who are businesses that are always at a loss and have ineffective business plans. Along

with analyzing other aspects, businesses with a healthy financial situation, high profitability and good development prospects in the future will be given priority by commercial banks to grant credit. Once a loan decision has been made, financial analysis of corporate customers, focusing mainly on financial statement analysis, is essentially the process of determining detailed factors about the loan. Based on the operating situation, loan application plan, etc., the commercial bank determines the size of the reasonable loan demand. In addition, commercial banks also determine the loan term and repayment period for the credit granted to the business. Thus, financial analysis of corporate customers will help commercial banks make the right credit decisions; From there, increasing profitability and limiting risks in business activities.

Financial analysis of corporate customers helps commercial banks clearly determine the solvency of businesses, the basis for the commercial bank's ability to recover capital and interest.

Credit is the temporary transfer of an amount of value from the owner to the user so that after a period of time it will be recovered to a larger amount of value than the original (Nguyen Minh Kieu, 2012)^[1]. Therefore, the solvency of an enterprise is an important factor affecting the recovery of capital and interest of commercial banks. The ability to repay is reflected in the production and business activities of the enterprise. The higher the profitability of production and business enterprises, the higher the ability of commercial banks to recover capital and interest from customers. Regarding customers' payment ability, commercial banks are interested in two aspects: full payment and on-time payment. There are businesses with good business performance, but net cash flow at a certain time is negative, causing the business to not pay on time. From the financial report analysis criteria, the commercial bank will determine the most reasonable repayment period for the business. Because of the important role of determining a business's solvency in credit activities, most commercial banks always focus on solvency in the process of financial analysis of corporate customers.

Financial analysis of corporate customers serves as a basis for credit rating assessment to help commercial banks have reasonable provisioning measures.

The business activities of commercial banks always carry potential risks, especially credit risks. This is affected by many causes that can be subjective or objective reasons. Therefore, once the decision to grant credit is correct and the decision to disburse money is made, the credit risk cannot be completely eliminated. Along with disbursement, based on the results of financial analysis of businesses, commercial banks must always monitor, evaluate and classify loans to take appropriate preventive measures. Commercial banks often set up provisions for risk reserve funds, provisions for bad debts and problem debts. Provisioning is also regulated in the law on credit institutions of the State Bank of Vietnam. To add additional resources to ensure their operations, commercial banks also make provisions from their retained net profits, to ensure that the operations of commercial banks are firmly guaranteed, for the benefit and development of commercial banks. long-term development of the bank.

Financial analysis of corporate customers helps commercial banks clearly determine the prospects of commercial banks and businesses in the future.

Credit business activities of banks always have certain risks, so credit relationships must first be built on the basis of trust between banks and customers. Banks select and grant credit to customers when the bank believes in the customer's willingness to repay both principal and interest on time. For businesses that have a relationship with a bank for the first time, the trust that the business creates in the bank, in addition to non-financial factors, is a healthy financial capacity (reflected in financial indicators). important (Nguyen Minh Kieu, 2012) [1]. In the context of fierce competition between financial and non-financial institutions to survive and develop, the credit relationship between commercial banks and customers does not stop at customers needing capital to find a way to access capital. with commercial banks to be granted credit, but commercial banks must also build for themselves a suitable business strategy and marketing strategy to be able to maintain long-term relationships with customers, maintain business loyalty to commercial banks; ensuring long-term development cooperation of both sides. In other words, for a business customer, when a commercial bank has determined that it is promising and potential, the policies applied to that customer are also different. The commercial bank is also a financial institution. Financial consulting for businesses so

that their financial situation becomes healthier, this is beneficial for both commercial banks and businesses. Therefore, building a financial analysis system for corporate customers plays a very important role in the sustainable development of commercial banks. A business that frequently changes commercial banks providing credit begins the process of building trust with that commercial bank, and financial disclosure also affects information security requirements for the business. Karma. For commercial banks, identifying businesses for long-term relationships is also an advantage in reducing transaction costs and creating sustainable development for commercial banks' credit activities.

4. Evaluate BIDV Thanh Hoa's customer financial analysis capacity

To evaluate the quality of customer financial analysis at Vietnam International Commercial Joint Stock Bank - Trung Hoa Nhan Chinh branch from the perspective of businesses that have transactions and loans at the branch, the authors have conducted a survey of 40 businesses with the following sample characteristics:

Analyze financial analysis factors for corporate customers Purpose and role of financial analysis

Table 1: Purpose of financial analysis of corporate customers from the perspective of the borrowing enterprise

Criteria	The average value	Ratio (%)				
		Very mush disagreement	Disagree	Medium	Agree	Very agree
	Mean	P1	P2	P3	P4	P5
Analyzing the financial situation is one of the important bases for the Bank to decide to lend capital	4,05	0	2,3	20,1	66,6	11,0
Financial analysis needs to be maintained for business customer appraisal activities	3,76	0	2,3	26,6	64,0	7,1
Enterprises carry out regular analysis of their financial situation (analysis once a month)	3,3	0	1,9	35,5	62,25	0,35
The current company size should establish a separate finance and analysis department	3,84	0,3	3,2	21,1	62,7	12,7

Source: Calculated from author's survey results

From a business's perspective, the purpose of customer financial analysis is that the results show that Vietnamese businesses all agree that financial situation analysis is one of the important bases for banks to decide to lend capital. (Average value reaches 4.05 or more). Financial analysis needs to be maintained for business customer appraisal activities (79.55%). Enterprises analyze their financial

situation regularly (once a month) (average value is quite low: 3.3). This means that businesses perform analysis but do not progress to monthly financial analysis.

Processes and procedures for analyzing customer financial situations

Table 2: Procedures for financial analysis of corporate customers from the perspective of the borrowing enterprise

Legalization of regulations	The average value	Ratio (%)				
		Very mush disagreement	Disagree	Medium	Agree	Very agree
	Mean	P1	P2	P3	P4	P5
Bank credit officers mention to businesses a clear credit appraisal process	3,73	1,6	1,3	28,9	58,4	9,7
Appraisal steps need to include analysis of the enterprise's financial situation	3,75	1,3	2,3	24,0	65,3	7,1
Analyze the financial situation in a clear, easy-to-understand analysis process	3,77	1,0	2,3	23,4	65,6	7,8
Credit officers clearly guide the steps in the financial analysis process	3,67	1,0	4,9	26,9	60,7	6,5
Analytical procedures are simple and compact	3,77	1,0	2,6	23,1	64,9	8,4
Fast analysis time	3,79	1,0	1,6	23,7	64,6	9,1

Source: Calculated from author's survey results

Regarding customer financial analysis processes and procedures, basically businesses all think that the analysis processes and procedures are quite clear (average value from 3.67 to 3.85). When asked whether the Bank's Credit Officer mentioned to businesses a clear credit appraisal process, businesses basically said that the Credit Officer clearly explained issues related to the appraisal process as well as financial analysis (mean value from 3.73). Appraisal

steps need to include analysis of the enterprise's financial situation (accounting for 72.4%). Credit officers clearly guide the steps in the financial analysis process (67.21%). Procedures and analysis time are quite compact and ensure the business knows whether or not to decide whether to borrow or not.

Information and analytical content

Table 3: Information and analytical content of corporate customer financial analysis from the perspective of the borrowing enterprise

Make decision	Average value	Ratio (%)				
	Mean	Very mush disagreement	Disagree	Medium	Agree	Very agree
		P1	P2	P3	P4	P5
Information used in financial analysis of businesses ensures high reliability	3,85	0	4,5	17,2	67,2	11,0
The bank performs financial structure analysis	3,84	0,3	2,3	20,5	67,2	9,7
The bank performs analysis of solvency and financial security	3,77	0	3,6	24,0	64,0	8,4
The bank performs profitability analysis	3,76	0	2,9	27,3	60,7	9,1
The bank performs cash flow analysis	3,50	0	26,6	7,5	57,5	8,4

Source: Calculated from author's survey results

Table 3 shows that the information and financial analysis content of corporate customers is a fairly important basis for making lending decisions (average value from 3.5 to 3.85). Information used in financial analysis of businesses ensures high reliability (78.25%), followed by banks performing financial structure analysis (76.95% and 74.68%). Besides, the Bank performed 65.9% less cash flow analysis.

5. Solution to improve customer financial analysis capacity at BIDV Thanh Hoa

Firstly, Improve the capacity of credit officers

On the bank side:

In analyzing the financial situation of corporate customers, human resources performing this task play a key role. To improve the effectiveness of analyzing the financial situation of corporate customers, it is necessary to improve the quality of human resources at BIDV Thanh Hoa in terms of professional qualifications and professional ethics of credit officers.

Right from the staff recruitment stage, the Board of Directors needs to have appropriate recruitment criteria to select staff who not only have high professional qualifications, but also have good moral character. BIV Thanh Hoa's leadership needs to build a cultural environment of continuous learning, constantly improve professional qualifications, update new ideas such as: promoting training, regularly organizing short courses, in-depth training classes, and discussions between long-time staff and young staff who do not have much experience in financial assessment of corporate customers. At the same time, the bank also creates conditions to encourage credit officers to participate in professional training classes and domestic and international seminars to improve their own qualifications.

On the State Bank side:

The State Bank needs to increase support for improving qualifications and developing credit staff through activities such as systematizing standards, content requirements and public guidance. Assessing the financial situation of corporate customers for commercial banks. At the same time, regularly organize conferences, seminars, and summaries to share experiences throughout the industry to evaluate the achieved results and remaining limitations,

thereby providing solutions to overcome existing shortcomings in the industry. Assessing the financial situation of corporate customers at commercial banks.

Second, Increase investment in technology, equipment and facilities

On the bank side:

With the current speed of technological development, banks need to process quickly and accurately when analyzing corporate customers' finances to make credit granting decisions. A bank equipped with modern technological equipment will significantly improve information processing time, produce highly accurate analysis and evaluation results, and collect multi-dimensional information about businesses. In addition, banks should apply the development of supporting application software, limiting manual processing operations in analyzing and evaluating financial indicators. A modern workspace environment, equipped with state-of-the-art equipment and specialized support application software, will become an important competitive advantage for the bank in credit analysis. Currently on the market there are many units providing software related to corporate financial analysis such as Zoho Analytics, analysis software of Centax Accounting Company,... BIDV Thanh Hoa should choose to buy one. Financial analysis software serves analysis work aimed at the professionalism of credit officers, increasing competitiveness in lending activities and limiting credit risks at BIDV.

On the State Bank side:

The State Bank needs to continue to improve and further promote the efficiency and quality of operations of the Credit Information Center (CIC) to support and provide information to serve the analysis of customers' financial situations. business goods. Currently, CIC has provided corporate credit ratings to the system of credit institutions. In the coming time, the State Bank needs to improve its assessment of the level of risk in each industry and field of operation of businesses as a basis for commercial banks to classify and classify. Ranking businesses, thereby improving the quality of financial analysis of corporate customers.

6. Conclusion

The author has proposed a number of recommended

solutions to improve the efficiency of corporate customer financial analysis at BIDV Thanh Hoa. These solutions are proposed based on the current status of analyzing and evaluating the financial situation of corporate customers at the bank. To promote the achieved results and overcome some limitations, the author has proposed solutions to improve the quality of financial analysis of corporate customers at BIDV Thanh Hoa in terms of improving the qualifications of credit officers, use and increase investment in technology, equipment and facilities. The solutions the author offers are implemented in conjunction with BIDV Thanh Hoa, businesses and the State Bank.

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