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Solution to Promote Consumer Lending Activities at Military Commercial Joint Stock Bank Dong Da branch, Vietnam

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Abstract

Lending activity is a traditional and most important operation of commercial banks because it is the operation that brings the largest source of profit for the Bank. However, along with that, there are quite large potential consequences and risks from this activity if not given timely attention and care. In particular, consumer loans are one of the typical products, accounting for a high proportion of the Bank's operations, creating maximum conditions to help reduce the burden on households with home repairs, buying a car or getting medical treatment, as well as other necessary needs in life. On the Bank's side, expanding consumer lending is an immediate and long-term goal to further promote retail banking activities. This is a product that has an important position in the business activities of Military Commercial Joint Stock Bank (MB) Dong Da branch, with a great influence on other business areas. Furthermore,

consumer loans are a profitable item because consumer loan interest rates are often higher than other types of loans. In addition, banks can expand relationships with customers to increase their ability to mobilize other services. Besides the advantages and strengths gained from its long-standing foundation and reputation in the banking sector, MB Dong Da also encountered many obstacles. In recent times, high bad debts from customers not being able to repay their debts, or the frozen real estate market are the main reasons why the Bank's profits have decreased quite a lot. Therefore, the article focuses on researching the causes to overcome difficulties as well as proposing directions to improve the quality of consumer loan services - MB Dong Da's strong business area to continue to develop. Sustainable development in the future.

Keywords: Credit Activities, Consumer Lending, MB Bank

1. Introduction

In the reality of banking development in the world, the proportion of income from credit is decreasing, income from other services such as international payments, cards, money transfers, etc. is increasingly accounting for a high proportion. This is inevitable because the need for bank loans to supplement working capital or invest in fixed assets of economic organizations will increasingly decrease because there is an alternative, more effective mobilization channel. In the stock market, at a certain level of development, most companies will be equitized and listed on the stock market. At this time, through the stock channel, economic organizations will directly mobilize resources. Residents' capital does not need to go through banks anymore. In some cases of fixed asset investment, businesses can choose to do so through financial leasing companies, using Leasing, Factoring, etc., which will be superior to medium and long-term loans. Of the bank for investment. Therefore, there will come a time when only large investment projects that need to mobilize huge amounts of capital will need banks and often these projects will have direct direction from the Government. At this time, bank credit demand will only be the credit demand of small businesses, business households and individual consumers (retail loans) and the credit market share that banks need to pay attention to at this time. This is the demand for retail credit, especially consumer credit, a potential credit market, growing more and more with the level of economic development and people's lives. Vietnam, after a process of transformation towards a market economy, opening up to integrate with the international economy, has made rapid developments, the stock market has been formed and is constantly improving, people's lives are becoming more and more modern. It is further enhanced. Therefore, it is necessary for commercial banks to deploy the retail banking model, and is a timely trend. Besides, retail lending also means spreading risks, thereby minimizing risks in bank lending.

Currently, domestic commercial banks have early identified the target credit market as the consumer credit market, creating a fierce competitive counterweight. In addition, our country is entering integration and liberalization. Banks and thus competition will become even more fierce when there are foreign banking "giants" that are stronger than domestic commercial banks in all aspects, both in capital and experience. So, the key issue will be to maximize the potential domestic market before too many foreign banks participate in the market. From the above analysis, this article researching solutions for developing consumer lending at MB Dong Da is extremely necessary.

2. Research methods

Information collection method: The article uses secondary information through statistics from the Business Results Report at MB Dong Da for the period 2021 - 2023, documents related to consumer lending activities of the bank.

Methods of processing and analyzing information: After collecting information, it is processed using Excel software and using analytical methods such as: Descriptive statistics method, comparison method to evaluate the current state of operations. Consumer lending activities at MB Dong Da.

3. Current status of consumer lending activities at MB Dong Da

3.1 Growth in consumer lending scale

Table 1: Consumer loan scale of MB Dong Da Branch

Targets	2021	2022	2023
Outstanding consumer loans of MB Dong Da (billion VND)	4.388	4.631	5.072
Number of borrowers (customers)	1.182	1.261	1.372
Average outstanding debt/customer (billion VND/customer)	3,71	3,67	3,70

Source: Business results report at MB Dong Da, 2021-2023

Through Table 1, it can be seen that the number of customers borrowing money through MB Dong Da has increased significantly. From 1,182 customers in 2021 to 1,261 customers in 2022 and to 1,372 customers in 2023. The average outstanding debt/customer in 2021 is 3.71 billion VND/customer but in 2022 there will be a decrease in outstanding balance. The average debt when this index is 3.67 billion VND/customer and will grow again at 3.70 billion VND/customer in 2023. It can be seen that in addition to supporting new borrowers, the Science and technology staff must maintain loan balances and customers over the years while competition in loan refinancing (loan repurchase) between banks with the same interest rate is currently very intense. vibrant. Currently, the loan refinancing of the individual customer department at MB Dong Da is supporting the refinancing of loans from Techcombank, Agribank,...

General regulations on consumer lending operations apply at MB

Object for loan:

- Demand for buying residential real estate; buying project houses; Construction, repair and furnishing of houses.
- Production and business needs.
- Shopping needs, means of consumption and business.

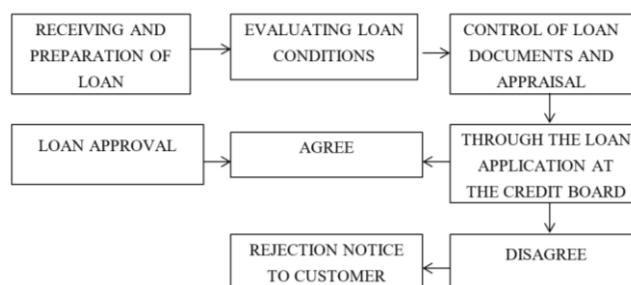
Loan conditions:

Customers who want to borrow must have:

- Customers with full civil legal capacity and civil act capacity aged 19-70 years old;
- Customers have household registration/temporary residence book (KT3) in the Province/City where MB is headquartered;
- Minimum income of customer and spouse: 10 million VND/month;
- Diverse collateral assets: Real estate, Valuable papers, Savings books/cards, Deposit contracts, Cars;
- Customers meet MB's lending regulations and conditions.

Consumer loan with collateral: Register for an experience loan on the MBB App, Maximum 80% of capital needs and no more than 03 billion VND, Loan period: Maximum 84 months.

Loan process



Source: MB Dong Da Credit Department

Diagram 1: Loan process at MB Dong Da

Step 1: Receive and guide customers to make loan application:

For first-time loan customers:

- Receive loan needs, guide customers to provide necessary documents and information to prepare loan applications.
- Introducing the Bank's product and service portfolio, guiding customers to prepare registration documents.
- Coordinate with the customer department to register information and issue customer codes according to regulations.

For customers who already have a credit relationship with MB;

- Receive loan needs, guide customers to supplement loan documents.
- Coordinate with the customer department to amend and supplement information according to regulations.

Step 2: Appraise and prepare an appraisal report:

- The appraiser collects necessary documents and information about customers and loans to carry out the following:
 - Review and evaluate the validity of loan applications;
 - Synthesize customer credit relationship information and score and rank according to MB's regulations;
 - Evaluate loan conditions;
 - Prepare appraisal reports, recommend lending or not lending.

Step 3: Control loan documents and appraisal reports, including:

- Control the legality, validity and completeness of records;
- Control customer scoring and ranking;
- Control the content of appraisal reports.

Step 4: Approve loan documents at the Credit Council (only applicable to loans that must be approved by the Credit Council):

- Prepare documents;
- Convene the Credit Council;
- The Credit Council meets to get opinions on the loan.

Step 5: Loan approval:

- Decide whether to lend or not according to credit granting authority;
- If loan is refused: Notify the customer in writing in accordance with regulations, clearly stating the reason for loan refusal;

- If you agree to the loan: In case the loan is within your authority, the approver records your agreement, signs for approval and assigns the credit department to complete the file according to regulations. In case the loan exceeds the authority of the approver, the approver records agreement, signs approval and assigns the credit department to compile a document and submit it to the competent authority for approval.

Step 6: Loan approval:

When the debt is due or the repayment term expires or the repayment term expires in the credit contract, the customer must pay all principal and interest to the Bank. In case the customer cannot repay the debt and the debt is not extended by the Bank, the Bank will take appropriate measures and terminate the credit contract.

3.2 Consumer loan structure at MB Dong Da

Structure of consumer loans by term

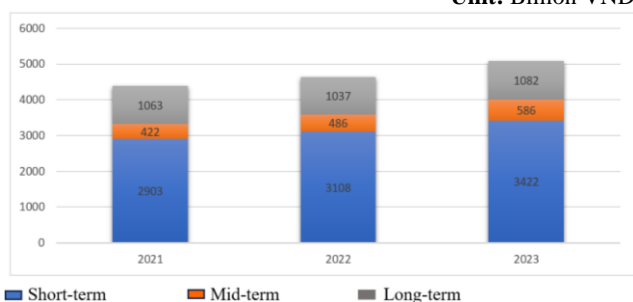
Table 2: Consumer loan situation by term in the period 2021-2023

Unit: Billion VND

Targets	2021	2022	2023	Difference 2022/2021		Difference 2023/2022	
	Value	Value	Value	Amount of money	(%)	Amount of money	(%)
total loans	4.388	4.631	5.072	243	5,54%	441	9,52%
1. Short term	2.903	3.108	3.422	205	7,06%	314	10,10%
2. Medium term	422	486	568	64	15,17%	82	16,87%
3. Long term	1.063	1.037	1.082	(26)	(2,45%)	45	4,34%

Source: Business results report at MB Dong Da, 2021-2023

Unit: Billion VND



Source: Business results report at MB Dong Da, 2021-2023

Fig 1: Outstanding consumer loans by term 2021-2023

Outstanding debt by consumer loan term in the period 2021-2023 tends to gradually increase. Specifically: In 2021, short-term outstanding debt will reach 2,903 billion VND, accounting for more than half of the outstanding debt proportion in the total outstanding debt of MB Dong Da Bank. Ranked 2nd is the long-term outstanding debt group with 1,063 billion VND, accounting for 24.23% of the total outstanding debt. These two groups of outstanding loans account for nearly 90% of the Bank's total outstanding loans. Compared to 2021, in 2022 there will not be much change in the proportion of outstanding debt of the groups: The top is still the short-term outstanding debt group with 3,108 billion VND, accounting for 67.11% of the total

outstanding debt, an increase of 205 billion VND compared to the year. 2021, ranked second is the long-term debt group with 1,037 billion VND, accounting for 22.39% of the total outstanding debt, the medium-term debt group accounts for 10.49% of the total outstanding debt. By 2023, short-term debt accounts for 67.47%, medium-term debt accounts for 11.20% and long-term debt accounts for 21.33%. The total outstanding debt increases, leading to an increase in bad debt. Faced with the difficult economic situation, banks have tightened their lending mechanisms, leading to a reduction in the group of long-term debt.

Structure of consumer loans by product

According to the structure of consumer loan products at MB Dong Da, products such as loans to buy real estate, buy project houses (Sky Forest, Swanlake, Ecopark,...) and apartments for living; loans for construction, repair, and purchase of home furniture; offset loans; Production and business loans dominate consumer lending activities over the years. Products such as consumer loans with collateral, car loans, overdraft loans, loans guaranteed by MB's salary and non-salary, mortgage loans with valuable papers account for a low proportion.

The structure of consumer loans is in the form of loan guarantees

Table 3: Consumer lending situation by collateral in the period 2021-2023

Unit: Billion VND

Targets	2021	2022	2023	Difference 2022/2021		Difference 2023/2022	
	Value	Value	Value	Amount of money	(%)	Amount of money	(%)
Outstanding consumer loans	4.388	4.631	5.072	243	5,54%	441	9,52%
Have collateral	3.895	4.110	4.558	215	5,52%	448	10,90%
No collateral assets	493	521	514	28	5,68%	(7)	(1,34%)

Source: Business results report at MB Dong Da, 2021-2023

Unit: Billion VND



Source: Business results report at MB Dong Da, 2021-2023

Fig 2: Outstanding consumer loans by collateral 2021-2023**Table 4:** Outstanding consumer loans at MB Dong Da in the period 2021-2023

Unit: Billion VND

Targets	2021	2022	2023	Difference 2022/2021		Difference 2023/2022	
	Value	Value	Value	Amount of money	(%)	Amount of money	(%)
Total loan balance	26.370	27.488	29.260	1.118	4,24%	1.772	6,45%
Outstanding consumer loans	4.388	4.631	5.072	243	5,54%	441	9,52%

Source: Business results report at MB Dong Da, 2021-2023

It can be seen: MB Dong Da's consumer loan balance in the period 2021-2023 is mostly loan balance with secured assets. The proportion of outstanding loans with collateral always accounts for over 88% of total outstanding loans. In 2021, the outstanding loan balance with collateral will reach VND 3,895 billion (accounting for 88.76%), then by 2023, the branch's outstanding loan balance with collateral will reach VND 4,558 billion, accounting for 89.87%. % total loans. The outstanding loan balance without collateral only accounts for a small percentage because this is a form of loan only for military personnel, Viettel employees, etc., so it contains many potential risks. Therefore, MB Dong Da does not encourage lending in this form.

Structure of consumer loans by scale

Table 4 shows that total outstanding consumer loans

continue to increase and account for an increasingly large proportion of total outstanding loans. By the end of 2023, outstanding consumer loans will reach VND 5,072 billion, equivalent to 17.33% of total outstanding loans. The increase in proportion is 0.48% compared to 2022 which is 16.85% when consumer loan balance is 4,631 billion VND out of total loan balance of 27,488 billion VND.

Structure of consumer loans by location

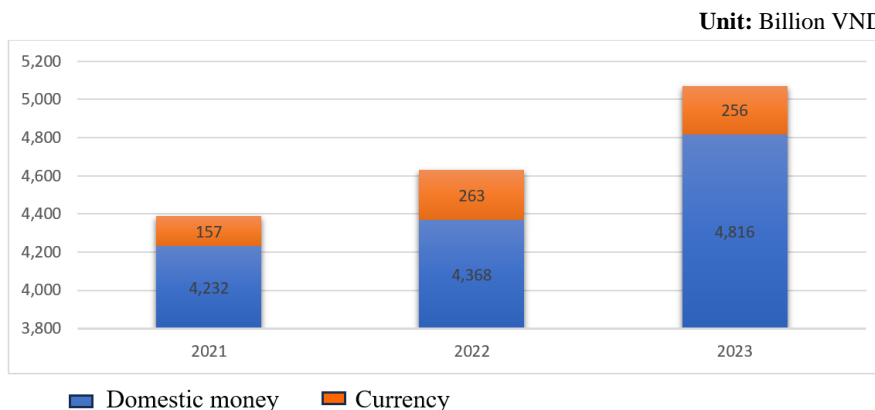
MB Dong Da's consumer loan structure by location mostly comes from customers with permanent residence in Hanoi, customers with collateral in Hanoi and customers in neighboring provinces. Like Bac Ninh, Ninh Binh...

*Structure of consumer loans by currency***Table 5:** Consumer lending situation by currency in the period 2021-2023

Unit: Billion VND

Targets	2021	2022	2023	Difference 2022/2021		Difference 2023/2022	
	Value	Value	Value	Amount of money	(%)	Amount of money	(%)
total loans	4.388	4.631	5.072	243	5,54%	441	9,52%
1. Local currency	4.232	4.368	4.816	136	3,21%	448	10,26%
2. Foreign currency	157	263	256	106	67,52%	(7)	(2,66%)

Source: Business results report at MB Dong Da, 2021-2023



Source: Business results report at MB Dong Da, 2021-2023

Fig 3: Outstanding consumer loans by currency 2021-2023

Looking at the table above, we can clearly see that the structure of domestic currency debt accounts for a large proportion (over 90%) through the years 2021-2023. Total outstanding domestic currency debt has increased but increased slightly: in 2021-2022 it increased by 136 billion VND, equivalent to 3.21%, in 2022-2023 it increased by 448 billion VND, equivalent to 10.26%. Specifically: In 2021, the outstanding debt of MB Bank - Dong Da Branch reached 4,388 billion VND. Outstanding debt by currency has a clear difference between domestic currency and foreign currency, domestic currency outstanding debt reached 4,232 billion VND, accounting for 96.44% of total outstanding debt, foreign currency outstanding debt accounted for 3.56%, equivalent to 157 billion VND. Copper. This is a common situation in the banking industry, because our country's development policy always prioritizes the development of Vietnamese businesses, so policies for domestic currency are also easier than for foreign currencies. In 2022, the outstanding debt structure will not change much, with domestic currency debt accounting for 94.32% of total outstanding debt and foreign currency outstanding debt reaching 263 billion, accounting for 5.68%. Although there has been a slight increase in the proportion of outstanding debt. The increase in foreign currency lending also shows that foreign development is also increasing. By 2023, outstanding domestic currency debt will reach 4,816 billion, an increase of 10.26%. Contributing to the increase in outstanding debt is due to the increase in domestic currency, foreign outstanding debt shows signs of decreasing, reaching only 256 billion VND and accounting for 5.05% of total outstanding debt.

3.3 Consumer lending market share

Table 6: Consumer lending market share of MB Dong Da

Chỉ tiêu	Unit: Billion VND		
	2021	2022	2023
Outstanding consumer loans of MB Dong Da	4.388	4.631	5.072
Total outstanding consumer loans of all credit institutions in the area	47.262	48.842	50.022
Proportion of outstanding consumer loans of MB Dong Da/Total outstanding consumer loans in the area	9,28%	9,48%	10,14%

Source: Business results report at MB Dong Da, 2021-2023

The consumer loan market share has grown over the years in the period 2021-2023. By the end of 2023, the consumer

loan market share will reach 10.14% of the total outstanding consumer loans in the city. Hanoi, growing by 0.66% compared to 2022, this index will reach 9.48% and this index will reach 9.28% in 2021. The market share growth proves that MB Dong Da's competitiveness is very strong and also shows the branch's potential to expand consumer lending in the near future.

3.4 Advantages of consumer lending activities at MB Dong Da

Currently, MB Dong Da Dan gradually dominates the competitive market with commercial banks that are developing in parallel. MB Dong Da has been constantly striving, practicing and training employees in professional customer care skills. MB Dong Da is increasingly asserting its brand and position in the area, gaining more trust and more transactions from people. As one of the effectively operating branches of MB, MB Dong Da clearly understands its position, role and influence in the economy in the national banking system. One of the successful contributions is to always clearly recognize the importance of consumer lending, which is an important type of credit among all types of credit. In recent times, the bank has been approaching international standards, thereby applying many positive measures in developing consumer loans to contribute to increasing business profits for the bank. Consumer lending is a basic and regular activity of MB Dong Da. With the experience learned over a long period of time, the bank has a clearer understanding of what to do and what to avoid in consumer lending activities. For example, the loan term, interest rate, and accompanying utilities are suitable and attract many customers: Besides, the bank also pays attention to loan procedures and loan conditions are not too strict.

3.5 Limitations in consumer lending activities at MB Dong Da

Although there are many measures to improve the quality of consumer lending, MB Dong Da still has some shortcomings in the management of credit granting activities as follows:

The branch has a small team of credit officers, but must manage a large number of documents. Therefore, it has created an overload for credit officers, so the work of checking capital use and managing borrowers is sometimes lacking, thus easily creating the risk of bad debt arising out of control. Control. Measures to handle and prevent bad

debts are not flexible in different cases. The time it takes to process collateral is often long.

A series of commercial bank branches have been established in the city, competition between banks is increasing, leading to competition for customers. Human resource training has not been prepared in a timely manner, and staff qualifications are not uniform.

4. Solutions to promote consumer lending activities at MB Dong Da

Perfecting the marketing strategy in the bank

Complete product policy

In order for the product to meet the needs of consumers, the Bank needs to survey, research and study models of foreign consumer loan products, and improve and build product strategies to suit their needs. Structure of the Vietnamese market and customer needs. Because in terms of immediate benefits, the Bank sells what is beneficial in the short term, but the Bank that pays attention to customer needs will have a long-term advantage. And MB Dong Da needs to pay attention to the following issues:

Firstly, expand existing consumer loan products such as home loans, car loans, study abroad loans, with more flexible conditions, especially loans for officials. Employee loans are a type of loan with a low overdue debt rate because customers are usually employees or state employees. Banks need to promote, expand, and find customers from joint ventures and affiliated companies. Although the value is small, this is a relatively safe loan product.

Second, with this type of joint venture and partnership lending, banks are not without risks. So, to limit risks, banks re-evaluate customers introduced by companies and agents. To limit losses to banks, they must choose reputable companies and agents to provide indirect credit, and must still regularly monitor these debts.

Reasonable price policy

Although the bank has come up with pricing strategies, it is still not really reasonable. Interest rates on consumer loans are quite high. Therefore, banks must have more flexible prices for all customers, meeting all customer needs.

Distribution channel

For consumer lending, the best distribution channel policy to apply is the traditional distribution channel system, with the expansion of transaction offices, branches and combination with other modern distribution channels.

Mixed promotion

Currently, the economy is quite stable, people have stable income and consumer demand will increase, the number of customers will also increase. Banks also need to take measures to meet customer needs in the coming time:

Firstly, build a specialized marketing department to professionally introduce the image and reputation of MB Dong Da to attract customers in general and individual customers in particular.

Second, regularly update information on MB Dong Da's website, post specific information about consumer loan products on the website, and at the same time build an advertising strategy in newspapers and television when needed. Providing a new consumer loan product.

Third, regularly poll customers to find out feedback from customers, find out customer reviews for the bank about its products to further improve the products and satisfy customers. Best satisfy customer needs.

Associate expanding consumer loans with improving the quality of consumer loans

Along with expanding consumer loans, MB Dong Da also needs to pay attention to improving the quality of consumer loans. Normally, the number of consumer loans is large while information about customers is not sufficient and accurate, so consumer loans contain many risks. This requires credit officers to carefully consider and monitor closely when lending. This helps the Bank avoid business risks and increase credit quality.

Improve the quantity and quality of human resources

An issue that is considered important for a bank is staff work. Along with innovating banking technology, retraining for bank staff to be able to master that technology is an urgent requirement. To meet the increasing needs of customers and bring the greatest income to thousands of banks, to maintain the bank's operations in a competitive environment, improving and expanding credit operations is key. Weak. Therefore, the recruiting officer must have the qualities and abilities to perform the job. To improve the capacity of credit officers, MB Dong Da must regularly have training courses on expertise, operations, social relations, and the ability to predict economic development issues. MB Dong Da also organizes domestic training classes, short-term and long-term courses abroad on professional expertise, style and how to organize communication with customers. In particular, Dong Da MB also needs to regularly organize, inspect, and evaluate the qualifications of young staff to have training and nurturing plans for immediate and long-term needs to include in training planning. Adjacent officers. To attract good staff and improve their work efficiency, MB Dong Da also has certain remuneration regimes for them such as: Salary, bonus, training, this will create creating strong working motivation for staff, creating a beautiful image of MB Dong Da in the hearts of customers.

5. Conclusion

With the continuous development of the world economy and the increase in domestic spending needs, the need for consumer loans has gradually become very popular with Vietnamese people. Due to the difficult credit situation of businesses, promoting consumer lending activities is a solution for credit development. For city residents, the expansion of consumer loans also creates conditions to improve people's material and spiritual lives, satisfying their increasing needs. The article studies the current status of consumer lending at MB Dong Da to find appropriate solutions and policies to clearly grasp customer needs, in order to improve the service quality of MB Dong Da in the increasingly competitive race. Difficulties among commercial banks, as well as foreign banks.

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