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Improving the Efficiency of Credit Operations at Nam Ha People's Credit Fund, Vietnam

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Abstract

Along with integration and development, in recent years the people's credit fund system has made many important contributions to the country's socio-economic development process. Based on the development momentum of recent years, the People's Credit Fund system continues to stabilize and develop the network, consolidate and improve credit quality, and promote business efficiency in terms of supporting members and customers. Capital and profit growth. The indicators of contribution to socio-economic development of the People's Credit Fund system have increasingly affirmed the important role of the collective economic model in our country's multi-sector economy,

contributing Actively contribute to creating capital, limiting and repelling loan sharking, reducing the rate of poor households, fundamentally changing the face of rural areas... Research article on the lending process and current situation loans at the Credit Fund, bad debts and provisioning of the Nam Ha People's Credit Fund, thereby providing solutions to improve the efficiency of credit operations such as solutions for research and full assessment. About customers, dispersing risks, researching and forming solid credit guarantees, building reasonable credit policies and regularly updating risk information about customers.

Keywords: Credit Activities, Bad Debt, People's Credit Fund, Nam Ha Commune

1. Introduction

Although many significant achievements have been achieved. But Vietnam is still a developing country with a middle income and people's living standards are still low. The need for capital is an urgent issue to develop production and business and this is also a long-term need for the country's socio-economic development strategy. Credit activities have determined the right direction, in many diverse forms, attracting and mobilizing maximum capital in the area. Credit has become an indispensable companion of production and business households. Credit capital plays an increasingly important role in providing capital for agricultural production and rural development. Therefore, credit loans for farming households have great significance in people's production and business, helping people improve their lives, create jobs, eliminate hunger and reduce poverty, increase income and expand. Scale production. Along with the development of the banking system, the People's Credit Fund model in the area has also been formed and developed to meet the people's urgent needs for capital.

Nam Ha is a commune with an increasingly developing production base. The people's need for capital is very large, but their own capital is not enough for production and business, so most farming households have to borrow to serve production and business. The birth of Nam Ha People's Credit Fund has contributed to helping people access capital more conveniently and easily. On the other hand, the fund is located right in the commune, so it is very convenient for people to transact and capture necessary information. Nam Ha People's Credit Fund plays a decisive role in the economic development of the commune in particular and contributes to the socio-economic development of Tien Hai district in general. In recent years, capital for production of organizations and individuals has been provided promptly by the fund, avoiding the situation of high-interest loans to disadvantaged households, helping people feel secure in production. Realizing the great role of the Nam Ha People's Credit Fund and wanting the fund's operations to increasingly develop, the article delves into the current status of credit operations and proposes solutions to improve credit operations. At Nam Ha People's Credit Fund is very necessary in the current period.

2. Lending operation process

When in need of a loan, members must present their membership card and documents proving property ownership as loan security. The credit officer will issue a loan application and application for confirmation of land use rights., business production methods.

After completing the loan application, the customer brings the mortgage contract to the Commune People's Committee for confirmation, then the customer submits the loan application with mortgage documents to the Credit Fund. Credit officers will conduct appraisals and schedule customers to receive money. After reviewing and fully supplementing the loan application, the credit officer will forward the application to the leader for signature. After appraisal, the credit fund will decide whether or not to lend within a maximum of 5 days from receipt of the application. Members borrow and repay debt at the credit fund headquarters. When paying, they must bring the credit contract to save for fund officials to pay and monitor. Do not let members borrow on behalf of members, borrow against loans, ineffective loans, loans for improper purposes or purposes prohibited by law.

At the time of repayment of principal or interest, if the member does not pay on time and is not allowed to adjust the debt term, the loan will be converted into overdue debt and will be handled according to the provisions of law.

Loan interest rates apply at the time of debt receipt. If there is any adjustment to the interest rate management mechanism of the Governor of the State Bank of Vietnam, the basic interest rate announced from time to time and the resolution of the Board of Directors of the People's Credit Fund.

Loan interest rates apply from January 6, 2024

Deposit book mortgage loan	+ 2.4%/year
Short-term loans to mortgage assets	9.3%/year
Medium and long-term loans for mortgage of assets	9.8%/year
Loan ≤ 10 million VND	5.0%/year

3. Current status of capital lending at Nam Ha People's Credit Fund in the period 2021-2023

3.1 Lending performance results

Table 1: Results of lending activities of Nam Ha People's Credit Fund in the period 2021-2023

Targets	Unit	2021	2022	2023
1. Number of members	Member	1,660	1,677	1,708
2. Number of members borrowing capital	Member	661	629	625
3. Total outstanding debt	Million VND	83,557	92,286	95,164
4. Bad debt	Million VND	292	700	700
5. Average outstanding debt	Million VND	126.41	146.72	152.26
6. Profit	Million VND	562	750	763.3
7. Growth in average outstanding debt/member	%		16.07	3.78
8. Bad debt ratio=(4)/(3)*100%	%	0.35	0.76	0.74

Source: Report on operations of Nam Ha People's Credit Fund, 2021-2023

Number of members

Implementing market exploitation and customer attraction activities relatively well, the number of members and operating capital of Nam Ha People's Credit Fund have gradually increased over the years. Nam Ha People's Credit Fund has fulfilled the Party and State's goal of establishing a People's Credit Fund to take advantage of the local capital sources of the population, promptly meeting capital needs for economic production. Members' business in the area, creating reputation in the area, attracting members to participate. In 2021, the number of members of the Nam Ha People's Credit Fund will be 1,660 members. By 2023, the number of members of the Fund will be 1,709 members.

Growth in the number of loan members

Regarding the number of members borrowing capital from the Nam Ha People's Credit Fund over the years, there has been a slight decrease, specifically: In 2021, there were 661 loans. In 2022, there will be 629 visits, down 32 times, corresponding to a decrease rate of 4.8% compared to 2021. In 2023, there will be 625 visits, down 4 times, corresponding to a rate of 0.64% compared to 2022.

Debt

This is an indispensable criterion when it comes to lending activities. However, analyzing outstanding debt combined with bad debt will allow us to more accurately reflect the effectiveness of lending activities. In general, although the

number of loan members has decreased slightly over the years, the Nam Ha People's Credit Fund still keeps its outstanding loans increasing steadily over the years at a stable rate. Specifically, in 2022, the total outstanding debt is 92,286 million VND, an increase of 8,729 million VND, equivalent to an increase of 10.45% compared to 2021. In 2023, the total outstanding debt is 95,164 million VND, an increase of 2,878 million VND, equivalent to an increase of 3.12% compared to the year. 2022.

Average outstanding loan growth/member

With the measures to attract customers that the People's Credit Funds have implemented, the average outstanding debt target/customer is relatively stable and tends to increase gradually, specifically: In 2021 it is 126.41 million VND, in 2022 is 146.72 million VND, an increase of 16.07% compared to 2021. In 2023, it is 152.26 million VND, an increase of 3.78% compared to 2022.

Risk control results

Bad debt and bad debt ratio: Through practical operations and results, the bad debt ratio of Nam Ha People's Credit Fund over 3 years has been low but tends to increase slightly, the highest being 2022 with a rate of 0.76%. In 2021, bad debt is 292 million VND, in 2022 and 2023 bad debt is up to 700 million VND, an increase of 408 million VND compared to 2021. However, the Fund's bad debt ratio in all 3 years is below 3%, within allowable safety ratio.

Provision rate:

Table 2: Provision rate for the period 2021-2023

Targets	2021	2022	2023
Risk provisioning (million VND)	195	311	336
Increase or decrease (million VND)		116	25
Up/down (%)		59.49	8.04

Source: Sales settlement at Nam Ha People's Credit Fund, 2021-2023

In 2021, Nam Ha People's Credit Fund sets up a risk provision of 195 million VND and this number increases to 311 million VND in 2022, an increase of 116 million VND, equivalent to 59.49% compared to 2021. 2023 is 336 million VND, an increase of 25 million VND, equivalent to an increase of 8.04% compared to 2022. It can be seen that the amount of risk provisioning for the period 2021 - 2023 is gradually increasing. This increase along with the low bad debt ratio shows that the Fund has focused on ensuring safety in lending activities.

3.2 Fluctuations in outstanding debt

Nam Ha People's Credit Fund has made the most of mobilized capital to lend, taking interest from lending activities to pay for mobilized capital and at the same time pay operating expenses and create profits for Fund. The Fund's area of operation is mainly agricultural production and small service businesses, so the production cycle or service business cycle is small and does not last long, usually 1 year and less than 5 years; On the other hand,

long-term loans have many erratic market fluctuations and interest rates are difficult to control, so Nam Ha People's Credit Fund only focuses mainly on short-term and medium-term loans, not long-term loans. Outstanding debt is often divided by term, economic sector and capital use purpose. According to the term, short-term loans are mainly, according to economic sector, service loans account for the largest proportion. According to the purpose of capital use, loans for service business and professions are mainly. Table 2: The situation of fluctuations in outstanding loans at Nam Ha People's Credit Fund in the period of 2021 - 2023 gives an overview of how the Fund's loan situation increases and decreases.

To suit the local economic development situation, the Fund mainly makes short- and medium-term loans. Following Table 2, we see: In 2022, short-term debt balance is 55,320 million VND, accounting for 66.21%, medium and long-term debt balance is 28,237 million VND, accounting for 33.79% of the total outstanding debt. Similarly, in 2022 and 2023, short-term debt balance still accounts for the majority, increasing steadily each year, while medium and long-term debt balance only accounts for a small percentage, with unstable growth. Thereby, it shows that the Fund has done a good job in lending, short-term loans always account for a large proportion. Short-term credit is intended to meet the needs of temporary capital shortages, equipment and machinery purchases, small construction investments, has a short duration, and has a fast capital turnover rate, thus also reducing risks.

Table 3: Fluctuations in outstanding loans of Nam Ha People's Credit Fund in the period 2021-2023

Targets	Unit: Million VND									
	2021		2022		2023		2022/2021		2023/2022	
	Value	%	Value	%	Value	%	(+/-)	%	(+/-)	%
Total loans	83.557	100	92.286	100	95.164	100	8.729	10.45	2.878	3.12
1. By deadline										
Short-term	55.320	66.12	58.089	62.94	64.562	67.84	2769	5.01	6.473	11.14
Medium term, long term	28.237	33.79	34.197	37.06	30.602	32.16	5.960	21.11	(3.595)	(10.50)
2. According to economic profession										
Agriculture, forestry, fisheries	32.794	39.25	70.740	33.31	34.202	35.94	(2.054)	(6.26)	3.462	11.26
Industry and construction	2.336	2.80	2.912	3.16	1.631	1.71	576	24.66	(1.281)	(44.00)
Service	48.427	57.96	58.634	63.54	59.331	62.35	10.207	21.08	697	1.19
3. According to loan purpose										
Agricultural production	41.298	49.42	32.710	36.89	34.041	35.77	(8.588)	(20.80)	1.331	4.07
Business, services	42.260	50.58	59.576	63.00	61.123	64.23	17.316	40.97	1.547	2.60
Life activities	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-

Source: Report on operations of Nam Ha People's Credit Fund

Along with the trend of economic integration, economic restructuring develops with many components. Nam Ha People's Credit Fund has expanded and applied loans to different customers and economic sectors. Looking at Table 3, we can see that by economic sector, services account for the largest proportion and maintain stable growth over the years. Because the service industry is a smokeless industry that holds an important position in the economic structure and brings higher economic efficiency than other economic sectors. Behind are agriculture, forestry, and fisheries with unstable outstanding loan growth; Industry and construction account for the lowest proportion.

Nam Ha is a purely agricultural commune, but in the past few years the Party Committee and commune authorities have been determined to implement the district's resolution

on innovation, economic restructuring, growth and prioritizing the development of business sectors. Service. Table 3 shows that outstanding debt according to the purpose of capital use has increased sharply over the years, in which: Loans to the agricultural production industry have changed, with continuous increases and decreases over 3 years, loans to the business industry Services have increased steadily over the years and gradually tend to increase strongly, accounting for a high proportion in the economic structure. Specifically: In 2021, the outstanding debt of the agricultural production industry is 41,298 million VND, accounting for 49.42%, the outstanding debt of the service business industry is 42,260 million VND, accounting for 50.58% of the total outstanding debt. In 2022, outstanding debt to agricultural production industries will be 32,710

million VND, down 8,588 million VND, equivalent to 20.8%, outstanding debt to the service business sector will increase to 17,316 million VND, equivalent to an increase of 40.97% compared to 2021. By 2023, the outstanding debt of the agricultural production industry is 34,041 million VND, down 1,331 million VND, equivalent to a decrease of 4.07%, the outstanding debt of the service business industry is 61,123 million VND, an increase of 2.06% reaching 1,547 million VND compared to 2022, this is consistent with the development situation because by 2023, prices in agriculture will be more stable, so the need for loans will decrease, while the service industry still needs capital to invest in expanding types of services. And develop evenly.

4. Solutions to improve the quality of credit activities at Nam Ha People's Credit Fund

Research and fully evaluate customers

In credit activities, in order to have a healthy, quality loan, the Credit Fund must regularly analyze and evaluate the activities of borrowers and factors related to credit granting. Research on borrowers' opinions is often focused on the following aspects:

Research legal capacity and human resource behavioral capacity of clients

The customer's legal capacity and behavioral capacity demonstrate the customer's legal status to borrow capital. At the same time, this is also a prerequisite for the Credit Fund to consider lending and to determine the customer's responsibility before the law in terms of loan repayment to the Credit Fund.

Research financial capacity and debt repayment ability of customers

Researching the financial capacity and debt repayment ability of borrowers is essentially a credit fund that must analyze and evaluate the following aspects: Operational scale, business capacity, financial performance results, situation, ability to pay, and current status of the debtor.

Capacity and qualities of executives of legal entities and private enterprises.

Assessing the capacity and qualities of the person running production and business activities is often through: Considering the professional capacity, organizational capacity, management and administration, reputation, and ethical character of the leader. Consider the management capacity and quality of the borrower mainly through observing the borrower's activities over a certain period of time and based on: The borrower's decisions in administration and management, ways to solve their problems.

Customer's business capacity

To evaluate the customer's actual business capacity through consideration of:

Business strategy, customer product strategy.

- Is the ability to organize production and business, arrange distribution networks for products and services reasonable or unreasonable? Profitability in business.
- Ability to seize opportunities and profit opportunities.
- Customer's ability to forecast and forecast.
- Ability to respond to fluctuations and changes in the market and the economy.

Spreading risks

Risk dispersion of the People's Credit Fund is the division of risks of loss, by dividing credits into many projects or many borrowers, avoiding concentration of loan capital on one customer. Nam Ha People's Credit Fund needs to build for itself a credit policy with diversification from time to time. Diversify customers, diversify loan fields, loan terms, diversify credit operations to spread risks.

Research and form solid credit guarantees

For the People's Credit Fund, the purpose of establishing credit guarantees for borrowers is to guard against, prevent and limit risks that may occur in credit activities. Because credit guarantees are the requirements set forth for the Credit Fund to be able to satisfy certain requirements if customers borrowing capital from the Credit Fund cannot repay principal and interest.

Currently, Nam Ha People's Credit Fund implements measures to secure loans with assets and secure loans in cases where there is no security with assets.

Develop a reasonable credit policy

Nam Ha People's Credit Fund, in addition to relying on factors such as the current state of its capital, the ability and experience of its staff, must also research and grasp the conditions of the natural environment, socio-economic situation in the area of operation as well as throughout the country; financial and monetary situation, loan demand in the operating area, because these are the basis of important factors that form credit policy.

Risk information about customers

Regularly collect risk information about customers and loans. The organization of information collection can actually be conducted regularly by the credit fund and can be done in many ways, such as: Direct investigation through the borrower's production and business activities, Investigation through customers, investigation through the borrower's customers, investigation through direct interviews, negotiations with borrowers... especially investigation through members of the Credit Fund, main organizations local authorities, mass organizations, social organizations, etc.

On that basis, conduct analysis and assessment of the level and possibility of risks to take timely adjustment and handling measures. To facilitate the process of analysis, evaluation and making accurate decisions, Nam Ha People's Credit Fund staff should note that the information they collect must be complete, timely and relevant. Quality. Therefore, before going into analysis, there needs to be information screening. Redundant information and noisy information need to be eliminated. At the same time, uncertain information needs to be clearly verified and appraised.

5. Conclusion

In recent times, along with the development of the province. Nam Ha People's Credit Fund has also continuously developed. As a branch of the People's Credit Fund system, it plays a key role in mobilizing capital to lend and invest in economic sectors to serve local economic development. Over the past 3 years, although the provincial economy has faced many difficulties, the branch has strived tirelessly and

achieved significant achievements. However, it is also important to note that the Fund still has many limitations such as operating areas, competition from commercial banks, and low mobilized capital. This poses difficulties and challenges for the branch's leadership and staff that require a high concentration of both mind and strength in moving the Fund forward.

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