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Financial Capacity Affecting the Credit Lending Activities at the Commercial Banks Post-Covid-19 in Vietnam

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ABSTRACT

For nearly 2 years, Vietnam's economy has been negatively impacted by the Covid-19 pandemic. In that context, individual customers play an essential role in developing commercial banks and the country's economic and social activities. With the competition of banks, customers can choose products and services. The customer will select the bank with the most practical effect and the best credit policy. If customers are unsatisfied with the bank's products or services, they are ready to immediately choose other banks' products and services. Therefore, taking care of old customers and attracting new customers is always an issue that many banks be solved. Therefore, the paper's primary goal is to explore critical factors affecting individual customers' credit lending at commercial banks post-Covid-19 in Vietnam. The data get from 700 individual customers lending credit with commercial banks and used structural equation modeling (SEM) and SPSS 20.0, Amos software. The paper finds five factors affecting individual customers' credit lending with a significance level of 0.01, and five hypotheses are accepted. The article's value determines the financial capacity's most substantial impact on individual customers' credit lending activities. Finally, the author had necessary recommendations for improved credit lending activities to develop effective consumer loan lending services. This service is formulated to meet the consumption needs of individuals, bring positive impacts to the whole society, and make an essential contribution to the economic growth of each country post-Covid-19 epidemic.

INTRODUCTION

Credit activities ensure capital needs in production, business activities, and consumption needs of individuals in the economy. Many significant activities, projects, and works, with the scale of hundreds of billions of VND, but not all investors have enough capital to carry out their tasks. With increasing consumer demand, economic activities had to continuously rotate to match with customers. And the introduction of credit contributes to the distribution of credit capital to business owners, regulating the entire economy and facilitating the continuous production process. At the same time, these are also sources of forming fixed and working capital of enterprises for people in the country or abroad. Credit is also considered a tool to support people in the context of complicated epidemics and increased unemployment. Since then, it has dramatically affected daily life. Many people have been unable to take care of each meal in the family. In addition, credit has supported consumers to promptly solve economic problems, helping them to buy cars, build houses, do small businesses, etc.

Credit lending activities contribute to strengthening the economic accounting regime of enterprises: Economic accounting is the calculation of expenses and business results of an enterprise with the role of credit; it has affected the appropriate measures to adjust business activities. Because of the development of technology, almost 90% of the capital of enterprises will be deposited into bank credit management. In addition, when there is a need to use capital to invest in business projects, businesses can borrow directly from banks, also known as bank credits or credit institutions, to serve their business activities its business. When using bank loans, companies must respect credit activities, that is, make sure to repay loans according to the agreed time limit with the bank, avoiding the case of being late bad debt situation affects the business's reputation and reliability to its partners. Because of this, businesses need to know how to consider using capital to suit the company's operating situation. Therefore, the paper's primary value is to study factors affecting individual customers' credit lending to commercial banks and propose policy recommendations to improve the credit lending activities in Vietnam post-Covid-19.

1. LITERATURE EMPIRICAL REVIEW

1.1 Credit lending activities (CLA)

Credit lending activity is a collection of opinions, reflecting the most common attribute and expressing the nature of this relationship. Credit lending activities of credit institutions and foreign bank branches to customers is a form of credit extension in which credit institutions. The credit institution assigns or commits to hand the customer a sum of money for use for a specified purpose within a certain period following the agreement on the principle of repayment of both principal and interest (Aysan & Disli, 2019; Berger & Bouwman, 2009). Many studies mentioned the concept of a loan contract, which is a written agreement between an organization and a credit institution, with a customer being an organization or individual, whereby the credit institution agrees to advance an amount of money for the customer to use within a certain period, provided that both principal and interest are returned, based on trust. The written agreement between a credit institution (lender), on the other hand, and an organization and individual (borrower), on the other, to establish certain rights and obligations of the parties in the process borrow money, using and pay the loan (Dahir et al., 2019; Kahn & Winton, 2004; Laidroo, 2010). Thus, committing to give the borrower a sum of money to use for the purpose, the borrower must comply with the principle of repaying the loan principal and interest when it is due. Accordingly, the lending process starts from the application and approval stage until the debt is fully recovered, aiming to bring loan efficiency (Silva et al., 2018; Heid & Kruger, 2011).

1.2 Financial capacity (FC)

Financial capacity means the ability to ensure financial resources for the operation of the bank to achieve the goals set by the enterprise. Or, correctly understood, financial capacity is raising capital to meet the bank's activities and ensure the bank's financial safety. When assessing the financial capacity of a bank, it is necessary to focus on 3 main criteria, including Assets, capital, and business results. Assess the property's condition: A comparison of total assets at the end of the period and at the beginning (Louhichi & Boujelbene, 2017; Haq & Heaney, 2012). Combined with considering the proportion of each investment in total assets and the trend of fluctuations to see if the balance is high or low and whether it is suitable for the type of asset business or not. From there, we can consider the level of assurance for the production and business process of the bank (Khanifah et al., 2020; Onyiriuba, 2016; Chen et al., 2013). Assess your capital situation: Including analysis of volatility and capital structure to see whether the business is financially independent or dependent, as well as to know the current difficulties of the bank.

Evaluate business results: This includes analyzing business results for 3 years and looking at fluctuations to see if the business is profitable, thereby determining whether its financial capacity is excellent or weak (Roulet, 2018; Kosak et al., 2015; Beutler et al., 2020). Thus, the author gave hypothesis H1 below:

Hypothesis H1: Financial capacity affects the credit lending activities at commercial banks.

1.3 Management capacity (MC)

Management capacity is the combined characteristics of 3 factors knowledge, skills, and attitude of each individual. Competence is also expressed through the ability to apply and control to achieve efficiency through goals at work. A person with good competence has the right amount of knowledge, skills, and attitudes for the job and knows how to use them competently to meet the needs of the position being undertaken (Nepp et al., 2012; Gomez et al., 2020; Ben Naceur et al., 2018). Management capacity is the knowledge, skills, behaviors, and attitudes an administrator needs to be effective in various organizational and administrative activities. Improving governance, administration, and transparency in the operation of credit institutions is one of the contents and requirements set out in the strategy for developing the banking industry. Thus, the author gave hypothesis H2 below.

Hypothesis H2: Management capacity affects the credit lending activities at commercial banks.

1.4 Credit process (CP)

Credit is considered an indispensable business activity for the development of a country. Credit activities will help the State, people, and businesses solve many problems related to consumption, business, etc., especially during the complicated development of the epidemic. The credit process is a summary table describing the bank's job, from receiving a loan application from a customer to deciding to lend, disburse, collect debts and liquidate credit contracts (Adesina, 2019; Bassett et al., 2020). The bank credit process is understood as a summary of the bank's job description from receiving a customer's loan application until the decision to lend, disburse, collect and liquidate the credit contract. And the bank credit process is understood as a summary of the bank's job description from receiving a customer's loan application until deciding to lend, disburse, collect the debt and liquidate the contract credit (Abdul-Rahman et al., 2018; Broner et al., 2014). And compliance with the credit process at banks is critical. Each form of credit will carry different operating procedures. Thus, the author gave hypothesis H3 the following:

Hypothesis H3: The credit process affects the credit lending activities at commercial banks.

1.5 Banking technology (BT)

The Industrial Revolution 4.0 has been happening at a fast pace and unpredictable developments, affecting the socio-economic development of the global economy, including Vietnam. By identifying the impacts of the Industrial Revolution 4.0 on the financial - banking sector. Modern banking technology helps banks boost business operations, reduce transaction costs, and increase security, transparent and safer transactions with new technologies such as Blockchain and biometrics in the banking system payment, using fingerprints, and replacing payment cards (Bustamante et al., 2019; Carlson et al., 2013; Cornett et al., 2011). At the same time, building a cashless society is an excellent opportunity for banks to promote their products and services. The demand for online payment increases as e-commerce activities develop and the internet of things technology becomes more popular, which is also an excellent opportunity for banks to expand their business in the 4.0 industrial revolution. Digital banking is trending strongly in Vietnam and many countries worldwide (Havranek et al., 2016; Qayyum & Noreen, 2019; Berger et al., 2017). The development and application of digital banking bring many benefits to all 3 groups: customers - banks - the economy. Thus, the author proposes the final hypothesis H4 as follows:

Hypothesis H4: Banking technology affects credit lending activities at commercial banks.

1.6 Quality of human resources (QHR)

A substantial bank or not depends greatly on human resources. The better the quality of human resources, the more banks develop and have a firm foothold in the market. The quality of human resources is all the characteristics that reflect the nature and specificity related to human production and development activities. The higher the quality of human resources, the higher the labor productivity. The quality of human resources is an essential factor in the digital transformation process and business development and is the guiding foundation for all commercial banks' activities (Ozili & Outa, 2017; Usman, 2015). High-quality human resources are the subject of system operation, digital technology infrastructure control, and plan implementation according to digitized processes. The creativity of human resources in participating in the bank's activities is an essential basis for new ideas and initiatives to help improve business processes, thereby improving business processes, system performance, cost savings, and risk reduction for commercial banks in the process of digitization. Thus, the author gave hypotheses H5 following:

Hypothesis H5: Human resource quality affects commercial banks' credit lending activities.

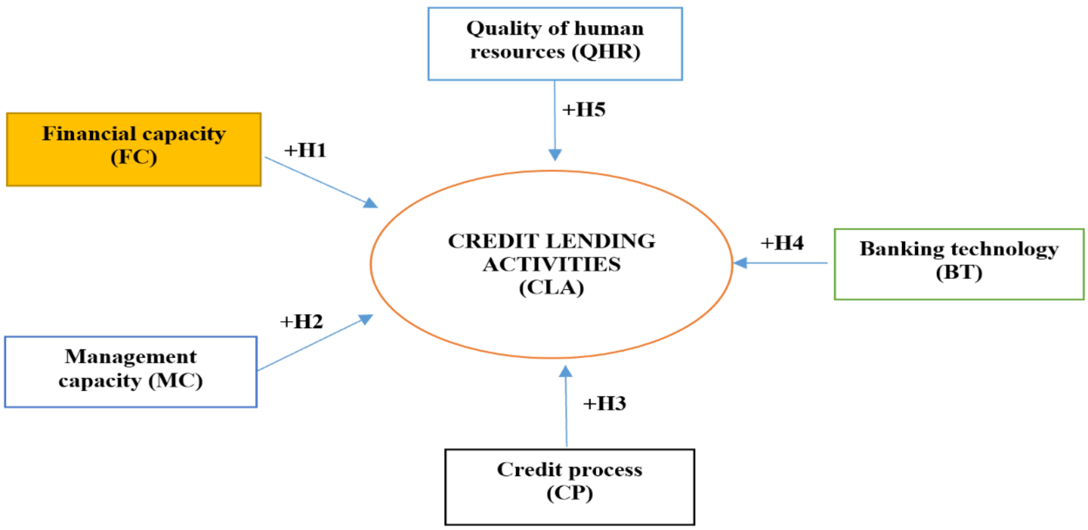

Figure 1. A research model for critical factors affecting individual customers' credit lending activities at commercial banks

Source: The author proposed

2. METHODOLOGY AND DATA

Measures and appropriate questionnaires to collect necessary information and complete survey questionnaires for quantitative research. Qualitative research is a form of exploratory research in which data is contained in qualitative form. First, the study is based on theories, previous research models, and draft scales for the factors of individual customers' credit lending activities at commercial banks. Next, conduct a face-to-face interview (hand-to-hand) based on the discussion outline to collect opinions from 50 customers who regularly bank to redefine these draft scales, thereby correcting the scale.

Step 1: The author identifies the research problem related to individual customers' credit lending activities at commercial banks. This research process aims to systematize and combine the results of previous studies, clarifying the fundamental theoretical issues about the factors affecting individual customers' credit lending activities at commercial banks (Hair et al., 2021).

Step 2: The author aims to identify factors affecting individual customers' credit lending activities at commercial banks. The author designed all questions in part of the questionnaire arranged on a scale of 1 to 5 (5-point Likert scale), showing the increasing level of agreement of the respondents to the issue of the author's business interview. The specific meanings are as follows: (1) disagree entirely. (2) Disagree. (3) Normal. (4) Agree. (5) agree entirely (Hair et al., 2021).

Step 3: The author applied qualitative research. The author discussed the proposed research model with 7 managers related to big banks and consulted experts working for those commercial banks in Vietnam. The author develops a discussion outline and conducts in-depth interviews with 30 experts in banking management. The author analyzes and discusses survey results, compared with previous studies on individual customers' credit lending activities at commercial banks, discovers the factors, and tests the hypothesis from the results (Hair et al., 2021).

Step 4: The author applied quantitative research: The author surveyed 700 customers related to individual customers' credit lending activities at commercial banks from March to May 2022 in Vietnam. The sampling method is convenient and mailed to each individual, but 659 samples were processed. Measure the level of impact of factors by SEM model. Collected data with a sample size of at least five models on an observed variable. In this study, the total number of observed variables is 23, so based on the technique, the minimum number of enterprises needed to achieve this study is 23 x 5 = 115 (Hair et al., 2021). Check the model's goodness of fit, and GFI, AGFI, CFI, and NFI with a value > 0.9 is considered a good fit. After that, the data was collected to evaluate the scale's reliability, such as Cronbach's Alpha and exploratory factor analysis (EFA), to shorten the observed variable in the factor.

Step 5: The author discusses results and policy recommendations from examining the fit of factors with market data. The author proposed policy recommendations to develop individual customers' credit lending activities at commercial banks in Vietnam post-Covid-19. Finally, confirmatory factor analysis (CFA) and structural modeling were conducted to consider the measurement model's satisfactory ability and to see if the measurement model is acceptable. Thus, the research process is a sequence of actions in a row associated with the knowledge base and logical thinking steps. In this concept, the research process includes a series of steps to think and apply knowledge of research methods and specialized expertise, from posing a problem to finding an answer. The steps in the research process must follow a particular sequence mentioned above.

3. EMPIRICAL RESULTS

3.1 Analysis of the situation for individual customers' credit lending activities at commercial banks

Determining that removing difficulties for production and business activities of enterprises and people affected by the Covid-19 pandemic is a crucial task over the past time, the banking industry has drastically implemented solutions to satisfactorily meet the demand for credit capital for production and business, such as: restructuring the repayment term, exempting and reducing interest and fees, keeping the debt group unchanged at credit institutions); policies to reduce lending interest rates for customers, loan programs to pay wages to stop working; and pay salaries to restore production. Solutions for exemption and reduction of payment service fees.

In 2021, the State Bank made three adjustments to operating interest rates with a total reduction of 1.5-2% per year. In addition, with the incentives of the State Bank and the Government's support for businesses and people, such as: allowing tax payment deadlines to be delayed and interest rates reduced, commercial banks are required to lower interest rates for affected companies. The impact of the pandemic... helped banks' credit growth to increase slightly compared to the same period last year. Credit activities in Vietnam have developed quite strongly, with the active participation of many credit institutions, including the involvement of more and more financial institutions. Although still modest, the total outstanding consumer credit and the proportion of credit to the actual credit economy increased sharply in recent years. Consumer lending activities of financial institutions have basically met people's needs, increased access to finance, and contributed to stimulating consumption, thereby supporting economic growth.

The prospect of the banking industry in 2022 depends significantly on the ability to control the Covid-19 epidemic and the economy's recovery speed. If the recovery speed of the economy is good, the economy's capital absorption capacity increases, the banking system's capital supply activity will be enhanced, and asset quality and income will be improved by the bank, so it will be better. In 2022, the growth figures in agriculture, industry, trade, tourism, and services... in the first months of the year show that Vietnam's economy continues to prosper, giving forecasts that GDP growth in the second quarter reached over 7% and the whole year over 7%. In that context, Vietnam Report's survey indicates that the dark shadow of the pandemic has receded, giving way to a bright picture of the banking industry in 2022.

3.2 Analysis of descriptive statistics and Cronbach's alpha for factors affecting individual customers' credit lending activities at commercial banks

Table 1. Testing descriptive statistics and Cronbach's alpha for the individual customers' credit lending activities at commercial banks

Code	*Items*	*Cronbach's alpha*	*Mean*	*Std. Deviation*
Financial capacity (FC)		**0.932**	-	-
FC1	Modify loan conditions, loan procedures	0.911	3.0152	1.00443
FC2	Prioritize loan approval for customers who are facing many difficulties in business	0.931	3.0121	1.03576
FC3	Review and adjust loan credit packages to suit customer needs	0.897	3.1214	0.96306
FC4	Customers can easily access the bank's capital, and banks always have available loans	0.903	3.0470	1.00873
Management capacity (MC)		**0.951**	-	-
MC1	Manage transactions, avoid loss of deposits and withdrawals for individual customers	0.921	3.0334	0.98874
MC2	Support disbursement of loan packages, investment packages	0.950	3.0121	1.00599
MC3	Confidentiality of business information, transaction history, financial revenue, and expenditure	0.933	3.0865	0.96289
MC4	Promote socio-economic growth through arbitrage, interest, and investment from transactions	0.935	3.0486	1.00337
Credit process (CP)		**0.846**	-	-
CP1	Banks need to issue clear credit regulations	0.793	3.3915	0.87605
CP2	Developing detailed credit regulations	0.801	3.4977	0.96342
CP3	Credit officers comply with regulations	0.838	3.2747	0.97483
CP4	Quick disbursement time	0.785	3.3657	0.89312
Banking technology (BT)		**0.944**	-	-
BT1	The technology system is highly appreciated	0.918	3.0091	0.99233
BT2	The bank's statement and reporting system is operational, and accurate information	0.936	2.9985	1.00681
BT3	Easy-to-use information access system	0.931	3.0819	0.96408
BT4	Technology system that integrates many utilities for users such as QR Pay, air ticket booking...	0.924	3.0076	1.02918
Quality of human resources (QHR)		**0.882**	-	-
QHR1	The team of highly qualified human resources at the commercial bank	0.843	2.3596	0.64738
QHR2	The professionalism of banking personnel in their positions	0.823	2.4052	0.61741
QHR3	The quantity and quality of IT staff in the banking industry	0.879	2.3961	0.65885
QHR4	Building and developing high-quality human resources to meet the requirements of the customers	0.847	2.4249	0.67638
Credit lending activities (CLA)		**0.931**	-	-
CLA1	The bank provides the highest loan amount	0.916	3.4234	0.96195

CLA2	Low deposit requirement	0.867	3.3278	0.98561
CLA3	Low-interest rate and quick loan disbursement	0.916	3.2822	0.99658

Source: Author collected and processed from SPSS 20.0

Table 1 tests the reliability of the scale, including five independent factors (1) Financial capacity (FC), (2) Management capacity (MC), (3) Credit process (CP), (4) Banking technology (BT), and (5) Quality of human resources (QHR). Besides, the dependent factor shows individual customers' credit lending activities at commercial banks. Table 1 shows that Cronbach's alpha for various factors affecting individual customers' credit lending activities at commercial banks is higher than 0.7.

Table 2. Testing critical factors affecting individual customers' credit lending activities

Relationships			*Standardized estimate*	*S.E*	*C.R*	*P*	*Result*
CLA	<---	FC	0.553	0.037	14.986	***	Accepted
CLA	<---	MC	0.087	0.028	2.669	0.008	Accepted
CLA	<---	CP	0.182	0.040	5.310	***	Accepted
CLA	<---	BT	0.170	0.032	5.529	***	Accepted
CLA	<---	QHR	0.102	0.059	3.809	***	Accepted

Source: Author collected and processed from SPSS 20.0, Amos

Table 2 shows five factors affecting individual customers' credit lending activities at commercial banks, with a significance level of 0.01. The article's novelty is finding out the financial capacity factor that substantially impacts individual customers' credit lending activities at commercial banks, with a standardized estimate of 0.553.

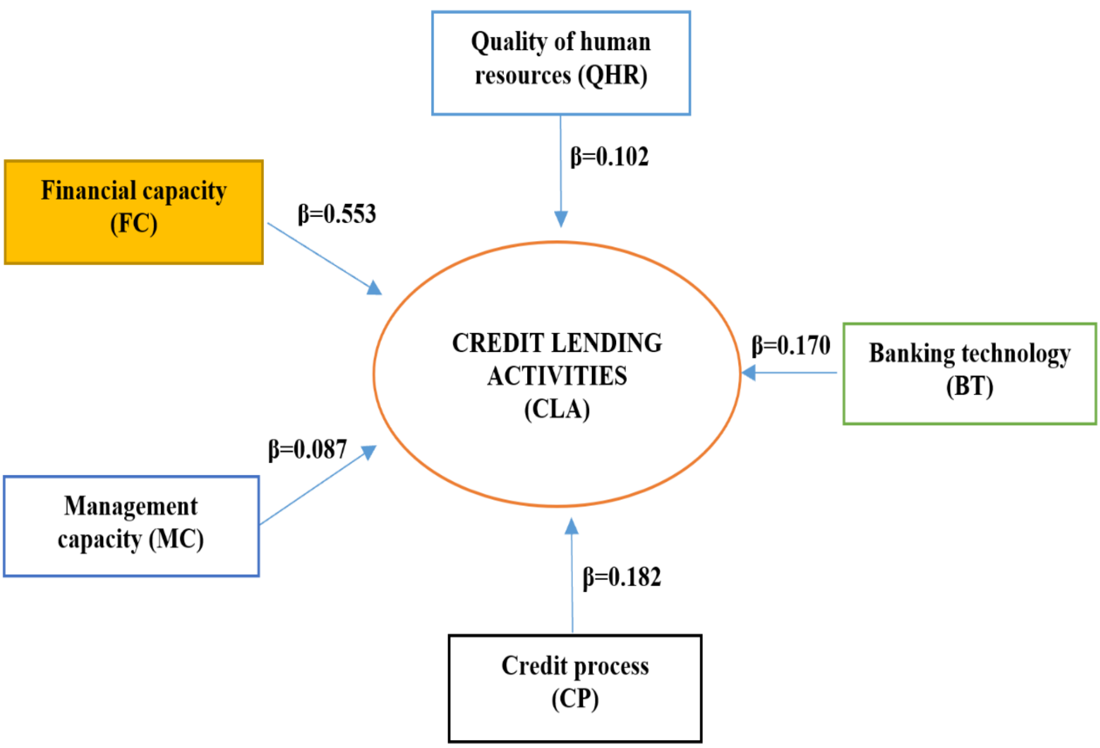

Figure 2. Testing for various factors affecting individual customers' credit lending activities

Source: Author collected and processed from SPSS 20.0, Amos

Figure 2 showed that the assessment of the key factors affecting individual customers' credit lending activities at commercial banks: CMIN/DF = 2.785 (<5.0), GFI = 0.933 (>0.800), TLI = 0.965 (>0.900), CFI = 0.972 (> 0.900) and RMSEA = 0.052 (<0.08). The article aims to determine the five factors affecting individual customers' credit lending activities at commercial banks in Vietnam, especially the financial capacity factor, which is the most important.

Table 3. Testing Bootstrap 50.000 samples for factors affecting individual customers' credit lending activities

Parameter			*SE*	*SE-SE*	*Mean*	*Bias*	*SE-Bias*
CLA	<---	FC	0.049	0.001	0.557	0.000	0.002
CLA	<---	MC	0.028	0.001	0.073	-0.002	0.001
CLA	<---	CP	0.052	0.001	0.210	-0.004	0.004
CLA	<---	BT	0.036	0.001	0.172	-0.005	0.003
CLA	<---	QHR	0.062	0.001	0.209	-0.005	0.006

Source: Author collected and processed from SPSS 20.0, Amos

Table 3 shows that testing Bootstrap with 50.000 samples for factors affecting individual customers' credit lending activities at commercial banks, with a significance level of 0.01.

3.3 Result discussion

With the unpredictable developments of the epidemic situation, banks need to consider plans to maintain business operations and respond to the difficulties they have faced and will face, and at the same time, turn risks into threats by taking advantage of the pandemic.

Firstly, improve the quality of credit appraisal: The bank needs to strengthen the training and retraining of credit officers and staff on appraisal experience. During the appraisal process, credit officers need to regularly update information, industry forecasts, market prices, and financial and technical information, and they need to survey the reality of the industry in which the customer is doing business. This helps to ensure that the assessment is always accurate and highly effective. In addition, credit officers should attach importance to direct contact and interview with customers. Credit officers must go to consumer, production, and business customers to survey reality to avoid being deceived by customers. to minimize bad debts, banks need to persistently comply with the instructions of the State Bank in rescheduling the repayment period, exempting and reducing loan interest for customers borrowing capital at the bank. This will cause banks to sacrifice their profit targets.

Secondly, reducing credit growth is an excellent opportunity for banks to adjust their loan portfolios towards a new, safer, more sustainable risk appetite. Even this is an opportunity for banks to change their asset portfolio, reduce the proportion of credit, and increase other assets. Although this is not easy because credit is always considered the most fundamental asset of the banking business, it also brings the most losses if credit risk occurs. Therefore, many banks always aim to reduce the proportion of credit, reduce interest income from the credit, and increase the balance of service activities, thereby increasing revenue from non-credit activities to improve the training and retraining of the bank's officers and employees: Regularly fostering and improving the professional qualifications of the staff. Periodically organize refresher courses to improve professional qualifications and help credit officers update and understand the newly issued regulations and regulations so that they have solid professional knowledge. Specifically, regular training on lending operations, credit risk management methods, and experience in handling situations.

Thirdly, digitalizing documents, procedures, working, and transaction methods internally and with customers through this epidemic are considered urgent. Accelerate the completion of the extensive data system and quickly put digital banking products and e-banking transactions into use, especially with the retail banks serving individual customers and small and medium enterprises to reduce direct dealings with this customer group and improve the efficiency of lending activities for personal, household and business consumption: The Bank must continue to improve and renovate the lending process for personal, family and business consumption in the direction of simplifying procedures, reducing hassles for borrowers, but still ensuring loan safety, and at the same time improving the appraisal ability to shorten the loan settlement time; Establish a simple and straightforward enforcement mechanism to shorten the gap between policy and actual implementation; Develop effective lending policies; Open an effective lending policy, there should be clear regulations on the conditions, principles of appraisal, loan term, and interest recovery.

Fourthly, modernizing information technology: The bank needs to equip and upgrade software programs, establish an internal information system, complete and synchronously to serve business safely and effectively. It is convenient for providing timely and accurate information, helping direct and manage the bank's operations best. The Covid-19 epidemic is an opportunity for banks to test the effectiveness of their policies on risk management, including operational risk. This is an excellent opportunity for the bank to know if the current operating process and human resources system is operating effectively and if any place can be adjusted to be more optimized. Especially in terms of human resources, when currently, we are continuously assessed as a country with low labor productivity, many laborers in the apparatus are inefficient, so this will be an opportunity for banks to improve the role of inspection and examination. The bank should promote internal assessment and analysis to enhance credit quality and efficiency, reducing staff shortages and credit loans not following the bank's regulations, such as: exceeding the limit, without collateral, using capital for wrong purposes, carrying out comprehensive inspection and supervision of all aspects, prioritizing in-depth examination of topics and areas leading to negative impacts; Improve the capacity and responsibility of inspection and control officers and take responsibility for the unit's inspection results.

Finally, the commercial bank also needs to foster and train more staff, especially accounting department staff and sales staff. Since most accounting work is done on computers nowadays, accountants need to be proficient in using accounting software to help process and manage information faster, more timely, and accurately, and sales staff are capable of dealing with customers in the bank. Thereby, it also contributes to improving labor productivity and business performance. To further strengthen the leadership role of the Board of Directors in the joint stock commercial bank. Promote the activities of trade unions and movements of emulation for good labor, innovation initiatives, and cultural, artistic, and physical training movements, creating an exciting atmosphere to contribute to the implementation of business tasks.

CONCLUSIONS

Lending is one of the main activities bringing high profits for commercial banks, so the issue of improving loan quality is always the bank's top concern, and it is an important goal to achieve. The data get from 700 individual customers lending credit with commercial banks and used structural equation modeling (SEM) and SPSS 20.0, Amos software. The paper finds five factors affecting individual customers' credit lending with a significance level of 0.01, and five hypotheses are accepted. The results of the research model are determined according to the standardized Beta coefficient, including (1) Financial capacity (FC), (2) Management capacity (MC), (3) Credit process (CP), (4) Banking technology (BT), and (5) Quality of human resources (QHR) focus on performing well the following specific vital tasks. Thus, the Bank's leadership has determined that for sustainable development in the period of integration and competition, it is not possible to forever take advantage of the advantage of being a wholesale bank in the past, but must develop in parallel with retail and wholesale. With the retail development strategy, the current target customers of commercial banks are large organizations and enterprises and small customers such as individuals and households. Finally, the goal of personal credit development of commercial banks is included in the overall plan of retail banking development. From now until the end of 2022, commercial banks must continue supporting people and businesses to remove difficulties and prepare for economic recovery. The State Bank of Vietnam continues to implement many measures, solutions, and critical credit management, such as moderate credit growth associated with credit quality improvement, focusing on production and business fields and priority areas, and strictly controlling credit in potentially dangerous areas.

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