

AGRIBANK QUALITY OF CREDIT SERVICES FOR PRODUCTION HOUSEHOLDS – DONG HY BRANCH

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ABSTRACT

The quality improvement of Agribank credit services, Thai Nguyen branch has helped in developing the local socio-economy, increasing rich households, reducing poor ones, creating employment and ensuring social welfare and security. It also contributes to increase the competitiveness of credit activities and increase the business efficiency of Agribank - Dong Hy Branch.

Keywords: *credit, bank, production households, Agribank*

1. Introduction

Agribank Vietnam, Dong Hy branch is an enterprise so competition is inevitable. Although it is a currency trading enterprise, with specific characteristics in financial and economic activities, it, like other businesses, uses production factors such as labor, labor data, employees as inputs to produce outputs in the form of financial services that the production households (PHs) require. Currently, in Vietnam, 80% of commercial banks' revenue is from credit services. Therefore, in order to survive and develop, commercial banks in general and Agribank-Dong Hy - Thai Nguyen Branch in particular must improve the quality of credit services. Especially in the current context, the financial market is developing strongly, with more and more banks, the level of competition is increasing, making business activities become more and more difficult. Therefore, to increase the competitiveness in the market and have the highest business efficiency, improving the quality of credit services is the goal to determine the success for commercial banks in general and Agribank, Dong Hy-Thai Branch in particular.

Along with the birth of many other types of economy, the type of production household has asserted itself, bringing tremendous results to the economy, especially in the field of rural agriculture, contributing to hunger eradication and poverty alleviation, improving the life of farmers. As a companion of agriculture and rural areas, in recent years, Agribank in general and Agribank, Dong Hy - Thai Nguyen branch in particular has been the main channel of capital transfer to production households, creating jobs to help farmers make money. In fact, most of Agribank's PHs, Dong Hy-Thai Nguyen branch are farmers who borrow money to develop. However, due to both objective and subjective factors, the quality of credit services for production households at Agribank - Dong Hy-Thai Nguyen branch still has the most limitations such as lending and appraisal processes, which create many obstacles for production households. The inspection and the supervision are not highly qualified and the level of modern equipment application is limited, causing difficulties in transactions of production households, etc.

2. Business results of credit services from production households of Agribank, Dong Hy - Thai Nguyen Branch

2.1. Capital mobilization activities from production households

Capital is a very important factor for bank business operations and any business that wants to operate must have capital. Particularly, it is always regarded as a top priority and a basis for commercial banks to organize all of their business activities.

Thanks to the good implementation of capital mobilization through the restructuring in a stable direction for a long period, the growth of residential deposits through diversification of capital mobilization forms, the capital from production households of Agribank - Dong Hy branch was gradually stabilized, gaining encouraging achievements.

Table 2.1: Capital mobilization situation from production households of Agribank - Dong Hy Branch

Unit: million dong

Capital	Year 2017		Year 2018		Year 2019	
	Total	Proportion	Total	Proportion	Total	Proportion
<i>Total mobilization</i>	111.440	100%	123.469	100%	147.595	100%
<i>1. Classified by customers</i>						
<i>1.1 Deposits of customers</i>	4.157	3.73%	6.346	5.14%	12.901	8.74%
<i>1.2 < 12-month term deposits</i>	97.399	87.40%	103.060	83.47%	102.622	69.53%
<i>1.3 12-to-24-month term deposits</i>	9.784	8.78%	13.936	11.29%	31.733	21.5%
<i>1.4 > 24-month term deposits</i>	100	0.09%	127	0.10%	339	0.23%
<i>2. Classified by currency</i>						
<i>2.1 Domestic capital</i>	109.913	98.63%	121.839	98.67%	145.868	98.83%
<i>2.2 Foreign capital</i>	1.527	1.37%	1.630	1.36%	1.727	1.17%

(Source: Business result report of Agribank - Dong Hy Branch)

According to the table above, the total capital mobilized from the production households continuously increased over the years. Specifically, in 2018 it was 123,469 million VND, reaching 99,82% of the plan for the year 2018, with an increase of 12,029 million compared to the beginning of the year, accounting for 10.79% increased rate. The total mobilized capital from local production households until December 31, 2019, was 147,595 million, reaching 101.3% of the plan in 2019, going up 24,126 million in comparison with the beginning of the year, equivalent to 19.54% increased rate.

In general, the mobilizing interest rates at Agribank were larger than other banks and credit institutions (from 0.5-2%). Deposit rates were only higher than Techcombank (6.69%) and Sacombank (6.2-6.4%) at over-12-month deposits (deposit interest rates at Agribank was 4%). It is reasonable because this is a highly stable capital source, used in medium-and-long-term investment. On the other hand, the bank needs to increase capital mobilization of the PHs with medium-and-long terms to increase capital expenditure stability. As the local people's credit funds are at a low reputation, the interest rates are very high to be able to compete with commercial banks.

2.2. Credit activities for production households

2.2.1. Situation of total outstanding loans

With the motto "borrow to lend" the capital is used for credit lending activities to meet capital needs in production, business, services in each economic sector. This is an important indicator, a major activity reflecting the bank's business performance. Agribank - Dong Hy Branch always pays attention to the use of capital in parallel with improving the credit quality, ensuring the effective use of credit capital to fully recover capital and interest.

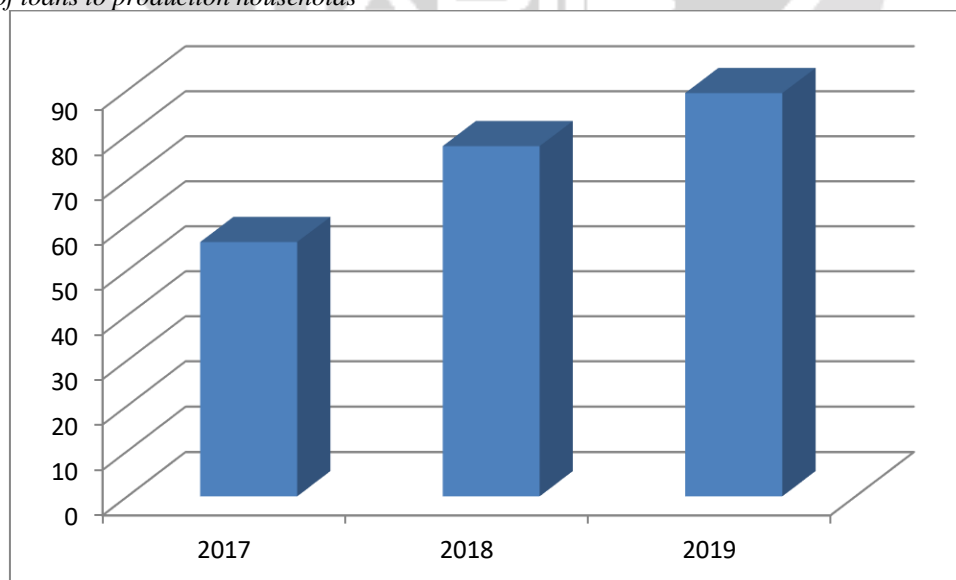
Table 2.2: Outstanding loan analysis, the structure of outstanding loan*(Unit: Million dong)*

Targets	Year 2018		Year 2019		Difference 2019/2018	
	Money	Proportion	Money	Proportion	Money	Rate (%)
Total outstanding loans	63.330	100	76.066	100	+ 12.736	+ 20,11
According to terms	63.330	100	76.066	100	+ 12.736	+ 20,11
Short-term loans	46.370	73,22	37.386	49,15	- 8.984	- 19,38
Medium-term loans	15.934	25,16	35.721	46,96	+ 19.787	+124,18
Long-term loans	1.026	1,62	2.959	3,89	+1.933	+ 188,4
According to capital loans	63.330	100	76.066	100	+ 12.736	+ 20,11
Outstanding loans for ordinary capital	61.373	96,91	74.195	97,54	+ 12.822	+20,89
Outstanding priority loans	1.957	3,09	1.871	2,46	-86	- 4,40

(Source: Business result report of Agribank - Dong Hy Branch)

Total outstanding loans until December 31, 2019 was 76,066 million, reaching 101.4% of the plan in 2019, 12,736 million more than at the beginning of the year, equivalent to 20.11% increased rate. This is a good result for the bank's business. It is also necessary to mention the increasing turnover of investment in rural agriculture, improving the rural industrialization and modernization at a significant speed. In addition to paying attention to the investment scope, Agribank - Dong Hy Branch is also concerned about the quality so the bank has shifted the credit investment structure in a way that is beneficial to its socio-economic development, increasing the proportion of medium and long-term loans to implement strategic investment projects. With loans for production and business, the bank has tried to ensure that the loans are for right PHs and consistent with their production needs, contributing to creating jobs to expand local jobs.

2.2.2. The sales of loans to production households

**Figure 2.1. Fluctuations in Agribank's loan sales to production households - Dong Hy Branch in the period of 2017 – 2019**

(Unit: million dong)

In the period of 2017-2019, the bank's loan sales to the PHs increased continuously in absolute numbers, with the average loan sales of VND 89,471 million equivalent to the average growth rate of 16.42%, showing that the business activities are developing well and somewhat profitable.

Till 2017, short-term loan turnover was still high, accounting for 52.4%, but until 2019 when the medium and long-term capital mobilization scale reached 60.96%, the loan structure has shifted so that the turnover for medium and long-term loans accounted for a higher proportion than loans under the province's economic programs such as tea plantation, farm economy development. Obviously, the bank capital has contributed to economic restructuring, creating a solid development step.

The growth in enables the bank's loans to production households to be high and stable, primarily due to the demand for capital for the economic development of the local PHs, and because of the bank's new services.

2.2.3. Turnover of debt collection from production households

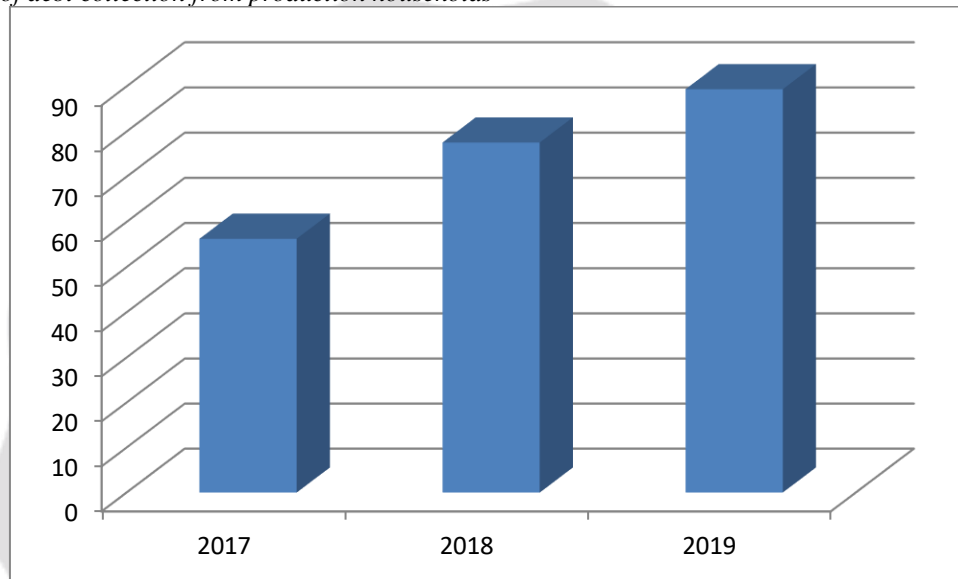


Figure 2.2. Fluctuations in the turnover of debt collection of production households of Agribank - Dong Hy Branch in the period of 2017-2019

(Unit: million dong)

Debt collection turnover is an indicator showing the ability to recover loans in the period and the need to pay attention to boosting debt collection turnover in banking credit activities.

Debt collection turnover of PHs in 2017 was 56,027 million VND and in 2018 reached 77,573 million VND, increasing 21,510 million VND (equivalent to 38.39%). And by 2019, the debt collection turnover was VND 89,358 million, an increase of VND 11,785 million (equivalent to 15.19%).

Debt collection turnover of Agribank's PHs - Dong Hy Branch in a relatively stable development period has the average growth rate for 3 years of 26.29%. The average revenue of debt collection for 3 years was VND 74,319 million. The reason for the high debt collection turnover of the PHs was that half of the loan structure was still short-term loans. In 2016, the short-term debt collection turnover was 49.15% of the total outstanding debt of the year.

3. Solutions to improve credit service quality for production households of Agribank - Dong Hy Branch

3.1. Strengthening the reliability of the PHs

The trust of the PHs for the bank's credit products and services is the premise for the PHs to continue using, using more, and introducing the credit products and services of the bank to others. If the trust of the PHs is lost, they will not return. Therefore, the bank needs to:

- Focus on providing credit services as promised and as what the bank announced to the PHs. This is a

- condition to build the trust of the PHs. The provision of this credit service needs to be on time as promised.
- Exactly conduct bank transactions, which is one of the extremely important conditions in building the trust of the PHs. Incorrect or slow transactions will lose the trust of the PHs. Once they lose their trust, the PHs will not return and may have bad word-of-mouth about the bank. Therefore, the bank needs to thoroughly supervise the staff to conduct fast and accurate transactions.

The quality of the bank's credit service depends not only on the technological factors or the qualifications of its staff, but also on the quality of its management and operations, and the quality of its inspection and control. control and survey service quality. Therefore, the branch needs to regularly improve the level of management and administration of its staff, and must regularly review the internal processes and regulations at the branch to promptly detect shortcomings so that the bank can timely supplement and adjust them, select officials with professional qualifications and good ethical qualities, etc. into the inspection and control department and regularly conduct surveys on quality service.

3.2. Improving the quality of human resources

The quality of human resources is of utmost concern by Agribank - Dong Hy branch through the recruitment of qualified staff who can meet the job demands.

Training policy: Training and developing employees are the top priority of the Agribank - Dong Hy branch. The objective is to build and develop the proficient staff, who have business ethics and professionalism in the working style and enthusiasm for the PHs. The employees in the system of Agribank are encouraged to provide in-depth professional training suitable to their job functions to perform well the diverse credit services of the bank and prepare for work with higher responsibilities. Agribank has set up its training center with a complete curriculum system including all banking operations, legal knowledge, and management organization.

Agribank's managers and executives - Dong Hy branch also focused on intensive training in strategic management, marketing management, risk management, quality management, etc. In addition, they promoted the sharing of skills and knowledge among bank members to build an unrelenting learning organization to prepare the foundation for continuous and sustainable development. Regarding the policy, all employees in the system of Agribank have the opportunity to attend professional training courses according to the needs of work inside and outside the bank and be financed by the bank for all expenses.

3.3. Strengthening the policy to serve the PHs

In order to improve the quality of the bank's credit service for its PHs, contributing to the satisfaction of the PHs, Agribank - Dong Hy branch should:

- Issue policies to encourage goods and mechanisms, such as credit mechanism, (preferential on fees, interest rates, etc.) for each separate production household, review the current PHs (the PHs opened accounts, borrowed capital, deposited money, etc.) to provide other credit services.
- Attract PHs to open new accounts at Agribank - Dong Hy branch through promotion programs to encourage the PHs to open accounts and use the services, deploying to provide comprehensive credit products and services and providing other products as soon as the PHs opened accounts.
- Build the information base of the PHs through evaluations, researches, and market surveys to classify the PHs to approach and provide credit products and services to the PHs.
- Develop overall policies to attract and develop big PHs and develop points accumulation program (for loyal PHs) to implement programs to take care of the PHs.
- Build a Credit Service Center for PHs (Contact Center) to support answering questions of the PHs.
- Properly train staff, so that the bank staff can build trust for the bank.
- The bank staff needs to be well-trained, equipped with good communication skills, so they can better serve the PHs.
- The bank staff should be fully equipped with the necessary skills and knowledge so that they can respond to questions and queries of the PHs.
- Especially, employees of the bank need to be well-trained so that they not only politely communicate, but also always courteously serve the PHs.

In order to implement the above solutions, it is necessary to regularly train and foster knowledge, and skills for employees, so that they can improve their capacity to serve the PHs.

To improve the quality of training: to have proficient staff, with professional and ethical standards, professional working style and enthusiastic service attitude to the PHs, employees should be encouraged to provide in-depth professional training as well as soft skills suitable to each job in order to better perform the bank's diverse credit services and prepare them for higher accountability. New employees need to be trained to understand the organizational structure, business

processes, sales skills, customer service skills, product development skills, negotiation skills, problem-solving skills, etc. Managers need intensive training in strategic management, marketing management, risk management, quality management, etc. After each course, it is necessary to evaluate the results of training in a scientifically and seriously and assess the progress of the staff after the training based on the results of work so that the training policy is more appropriate.

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