

# THE SITUATION OF LENDING ACTIVITIES OF JOINT-STOCK COMMERCIAL BANK IN NGHE AN PROVINCE, VIETNAM

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## Abstract

*This study conveyed to analyze lending activities of joint-stock commercial banks in Nghe An province of Vietnam. Data for the study collected from joint-stock commercial banks' reports on their lending situation. The study results are the basis for proposing recommendations to contribute to more development of lending activities of joint-stock commercial banks in Nghe An province, Vietnam.*

**Keywords:** *Lending, banks, Vietnam*

## 1. Introduction

In the context of deeper and broader international economic integration, to develop the economy, the demand for development resources is growing. The resources when mobilized will contribute to supporting the development of businesses, thereby facilitating the development of the local and national economy.

By the end of 2017, there were branches of joint-stock commercial banks without state capital, branches of state-owned joint-stock commercial banks, these banks have made a relatively large contribution in supporting capital flows for enterprises in Nghe An province. However, with the demand for loans by enterprises is large, the scale of borrowed funds of banks has not fully met the needs of enterprises.

The role of lending activities of joint-stock commercial banks for enterprises development as well as promoting economic development of localities, countries not only get the attention of policymakers but also the attention of researchers, the research was carried out to exploit different aspects and problem areas of lending activities, of SME development, some typical studies such as Kazuo Ogawa et al (2011), Vo Duc Toan (2012), Nguyen Thi Mui (2006) etc.

Therefore, it is necessary to study the real situation of lending activities of commercial banks in Nghe An province.

## 2. The actual situation of lending activities of joint-stock commercial banks in Nghe An province, Vietnam

The size of borrowed funds of joint-stock commercial banks depends heavily on the capital mobilization of banks, on the mobilization of resources as reported by joint-stock commercial banks to the State Bank as follows:

**Table 1: Statistics of capital mobilization of joint-stock commercial banks in Nghe An province**

*Unit: VND billion*

| <b>Banks</b>  | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| Maritime Commercial Joint Stock Bank                | 401,71      | 441,37      | 416,47      | 342,69      | 375,78      |
| Sai Gon Thuong Tin Commercial Joint Stock Bank      | 551,93      | 657,24      | 843,15      | 1065,11     | 1221,07     |
| Vietnam Export Import Commercial Joint Stock Bank - | 746,73      | 779,89      | 862,72      | 869,48      | 943,45      |

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Vinh Branch  |         |         |         |         |         |
| Asia Commercial Joint Stock Bank                         | 348,15  | 636,85  | 1138,89 | 1092,28 | 1176,22 |
| Prosperity Joint Stock Commercial Bank                   | 1016,75 | 1223,0  | 1455,89 | 1804,19 | 1794,88 |
| Technological And Commercial Joint Stock Bank            | 781,67  | 910,23  | 929,79  | 949,64  | 1094,31 |
| Military Commercial Joint Stock Bank                     | 528,8   | 587,17  | 745,78  | 767,76  | 862,05  |
| Bac A Commercial Joint Stock Bank                        | 1874,67 | 3980,63 | 4934,86 | 5023,49 | 6452,01 |
| Vietnam International Commercial Joint Stock Bank        | 1235,4  | 1501,71 | 1433,43 | 1529,84 | 1639,57 |
| Southeast Asia Commercial Joint Stock Bank               | 363,79  | 836,63  | 580,84  | 822,95  | 1087,10 |
| Ocean Commercial Joint Stock Bank                        | 459,11  | 671,83  | 1007,65 | 511,07  | 617,13  |
| Global Petroleum Commercial Joint Stock Bank             | 470,7   | 553,1   | 590,06  | 487,59  | 357,69  |
| Ho Chi Minh City Development Joint Stock Commercial Bank | 811,03  | 1093,25 | 1241,01 | 1141,06 | 1754,77 |
| An Binh Joint Stock Commercial Bank                      | -       | -       | -       | -       | 67,30   |
| Orient Commercial Joint Stock Bank                       | 111,06  | 161,74  | 293,0   | 242,8   | 361,95  |
| Sai Gon Joint Stock Commercial Bank                      | 843,96  | 1972,85 | 2311,97 | 2752,27 | 3603,77 |
| Saigon Hanoi Commercial Joint Stock Bank                 | 1210,58 | 1566,3  | 2096,11 | 2015,23 | 2243,85 |
| Vietnam Thuong Tin Commercial Joint Stock Bank           | 825,16  | 1179,74 | 1336,15 | 2145,24 | 1894,22 |
| Lien Viet Post Joint Stock Commercial Bank               | 299,92  | 351,59  | 1918,11 | 2397,79 | 3299,56 |

|  |        |        |       |        |         |
|--|--------|--------|-------|--------|---------|
| NHTMCP Tiên phong                          | -      | -      | -     | 217,93 | 344,24  |
| BaoViet Commercial Joint Stock Bank        | 243,81 | 356,51 | 490,6 | 600,95 | 756,28  |
| Vietnam Public Joint Stock Commercial Bank | -      | -      | 271,0 | 465,76 | 1025,44 |

Source: State Bank

As the above table shows, mobilized capital of joint-stock commercial banks tended to increase in the study period from 2012 to 2016, in 2015 and 2016, the amount of capital mobilization will include the Vietnam Public Joint Stock Commercial Bank and Tien Phong Commercial Joint Stock Bank, having two more branches in Nghe An of these two banks also facilitate the expansion of access to borrowed resources of small and medium-sized enterprises in the field of industry and construction in Nghe An province.

Among joint-stock commercial banks operating in Nghe An province, Bac A Commercial Joint Stock Bank, LienVietPostBank, Sai Gon Joint Stock Commercial Bank, Asia Commercial Joint Stock Bank, Vietnam Prosperity Joint Stock Commercial Bank are some of the banks that currently have the largest capacity and amount of capital raised among joint-stock commercial banks.

One of the most important sources of capital for enterprises, especially SMEs, is the borrowed resources from joint-stock commercial banks; conversely, SMEs are also the target customers of many joint-stock commercial banks, the author's survey results show more clearly about that:

**Table 2: The situation of borrowers of joint-stock commercial banks**

Unit: Customer

|   | 2012          | 2013          | 2014          | 2015          |
|---|---------------|---------------|---------------|---------------|
| <b>Total customer loans at banks (1+2+3)</b>                      | <b>12.132</b> | <b>14.207</b> | <b>16.494</b> | <b>19.234</b> |
| 1. Customers are individual households                            | 10.744        | 12.557        | 14.440        | 16.732        |
| 2. Customers are large enterprises                                | 44            | 43            | 57            | 67            |
| 3. Customers are SMEs   | 1.344         | 1.607         | 1.997         | 2.435         |
| <i>3.1. Which customers are SMEs in industry and construction</i> | 456           | 486           | 642           | 931           |
| <b>Percentage of total borrowers</b>                              |               |               |               |               |
| Total customer loans at banks                                     | 100,00        | 100,00        | 100,00        | 100,00        |
| 1. Customers are individual households                            | 88,56         | 88,39         | 87,55         | 86,99         |
| 2. Customers are large enterprises                                | 0,36          | 0,30          | 0,35          | 0,35          |
| 3. Customers are SMEs   | 11,08         | 11,31         | 12,11         | 12,66         |
| <i>3.1. Which customers are SMEs in industry and construction</i> | 3,76          | 3,42          | 3,89          | 4,84          |

Source: The author's combined results are based on the annual report of joint-stock commercial banks in Nghe An province

Through the data table, the number of customers borrowing from the bank increased significantly over 4 years, from 2012 to 2015, an increase of 7102 customers, which SMEs in the industry and construction industry also increased over the years, showing that the demand for capital to invest and expand production of enterprises is increasing.

In total customers of banks, except for individual customers who often borrow from small scale but the number of these customers is relatively large at banks, corporate customers are only 0.36% of large corporate customers out of the total 11% -12 %% corporate customers of banks. More concretely, between 11% -12% of corporate customers of banks come from 3.42% and 4.84% of customers are SMEs in industry and construction. This

shows the relatively close relationship between joint-stock commercial banks and SMEs in industry and construction through an intermediary channel that is borrowing activities.

Some key performance indicators of joint-stock commercial banks were collected and calculated by the author from the survey results in 2012-2015 as follows:

**Table 3: Some key indicators of average operation of the bank for the period 2012-2015**

*Unit: million VND*

| No. | Indicator                                       | Balance<br>31/12/2012 | Balance<br>31/12/2013 | Balance<br>31/12/2014 | Balance<br>31/12/2015 |
|-----|---|-----------------------|-----------------------|-----------------------|-----------------------|
| 1   | Loans to customers                              | 423.605               | 459.742               | 545.102               | 603.164               |
| 1.1 | <i>Outstanding short-term debt</i>              | 259.793               | 305.325               | 326.263               | 341.384               |
| 1.2 | <i>Outstanding medium and long term debt</i>    | 163.812               | 154.417               | 218.839               | 261.780               |
| 2   | Customer capital mobilization                   | 640.905               | 880.339               | 1.128.178             | 1.187.055             |
| 2.1 | <i>Mobilized from residents</i>                 | 540.944               | 706.394               | 914.620               | 997.958               |
| 2.2 | <i>Mobilization from economic organizations</i> | 99.962                | 173.946               | 213.558               | 189.097               |
| 3   | Charter capital                                 | 176                   | 176                   | 412                   | 412                   |
| 4   | Profit before tax                               | 11.430                | 5.137                 | 6.473                 | 4.374                 |

*Source: Author's survey results*

The data collected according to the bank's carry forward period is December 31 every year, the study results show that: The amount of capital lending by banks increased over the years, in 2012, the average amount of customer loans to each bank was 423.605 (million dong), by 2015 the number had increased to 603,164 (million dong), this also shows that the activities of joint-stock commercial banks tend to develop in the research period.

The profitability of joint-stock commercial banks tends to fluctuate unevenly, however, on average, banks are operating effectively with positive profit before tax.

**Table 4: The situation of the average outstanding loans to customers on the bank during the 2012-2015 period**

*Unit: million dong*

|     | Criteria  | 2012    | 2013    | 2014    | 2015    |
|-----|---|---------|---------|---------|---------|
| 1   | Outstanding loans to customers bank average                         | 423.605 | 459.742 | 545.102 | 603.164 |
|     | <i>In which, customer debt is SMEs in industry and construction</i> | 111.792 | 128.249 | 151.379 | 156.624 |
| 1.1 | Outstanding short-term debt bank average                            | 259.793 | 305.325 | 326.263 | 341.384 |
|     | <i>In which, customer debt is SMEs in industry and construction</i> | 78.347  | 81.074  | 77.369  | 96.070  |
| 1.2 | Outstanding medium and long term debt                               | 163.812 | 154.417 | 218.839 | 261.780 |
|     | <i>Including customer debt is SMEs in industry and construction</i> | 95.611  | 45.465  | 65.603  | 70.557  |

|       |   |        |        |        |        |
|-------|---|--------|--------|--------|--------|
| 1.3   | Outstanding loans from entrusted  | 72.066 | 21.619 | 22.900 | 38.036 |
| 1.3.1 | Overdue debt  | 294    | 425    | 906    | 2.141  |
|       | <i>Including overdue loans of SMEs in Industrial &amp; Construction</i> | -      | 131    | 318    | 1.180  |
| 1.3.2 | Bad debt  | 71.772 | 21.194 | 21.994 | 35.895 |
|       | <i>Including overdue loans of SMEs in Industrial &amp; Construction</i> | -      | -      | 159    | 216    |

Source: Author's survey results

The above data table shows that: The average outstanding loans of customers to each bank tended to increase gradually during the study period, customer loan balance in 2012 was VND 42,605 million, this figure increased sharply to VND 603,164 million in 2015, in the average loans to customers, the bank includes short-term loans, medium and long-term loans, and entrusted loans. In the number of outstanding loans to customers average bank the average short-term loan balance of the bank accounts for the largest proportion of approximately 50% of the total outstanding loans of banks

Overdue debt of SMEs in the field of industry and construction is relatively small, in 2012 and 2013, there were no SMEs in the field of industry and construction belonging to the group of overdue customers of joint stock commercial banks, this also shows a good signal in the operation of these businesses.

### 3. Some recommendations

To further growth lending activities of joint-stock commercial banks in Nghe An province, Vietnam, a number of solutions have been proposed as follows:

- Firstly, it is necessary to expand the scale of capital mobilization for banks
- Secondly, looking for more enterprises and individuals who need bank loans.
- Thirdly, cooperate with partners to expand the lending scale to customers
- Fourth, simplify loan procedures for customers of banks
- Fifth, research and expand banking services and products.

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