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### Developing Credit Activities at Asia Commercial Joint Stock Bank, Vietnam

Nguyen Thi Thu Le

University of Labour and Social Affairs, Hanoi, Vietnam

Corresponding Author: Nguyen Thi Thu Le

#### Abstract

Currently, the financial market plays a very important role, the growth of the financial market greatly affects the economy of each country, and the important subject of the financial market is the bank. Banking is one of the important links that make up the smooth movement of the economy. Along with other economic sectors, the bank is responsible for participating in stabilizing the monetary market, controlling and repelling inflation, creating jobs for workers, helping investors, and developing the market. Capital market, foreign exchange market, payment participation and payment support... Therefore, if you want a stable and developed economy, the banking system itself must also be stable and developed. In banking activities, credit activities are an important area, credit relationships are the backbone

relationship, determining all economic activities in the national economy, it is also the main source of profit, determines the existence and development of the bank. However, banking credit activities are activities that contain many risks. In the current difficult economic situation, in order for commercial banks to operate effectively and minimize risks, the first issue is to pay attention to improving the efficiency of credit operations. The article is based on data from the annual report of Asia Commercial Joint Stock Bank (ACB), combined with the use of qualitative research methods to analyze the current status of credit activities at ACB Bank, from which Provide solutions to develop ACB Bank's credit activities in the coming time.

**Keywords:** Credit Activities, Asia Commercial Joint Stock Bank, Credit Balance, Credit Bad Debt

#### 1. Introduction

The commercial banking system is a part of intermediary banking, occupying the most important position in terms of asset size and composition of operations. Because it is part of the intermediary banking system, the Commercial Bank also has activities to collect small accumulated resources from businesses, economic organizations, and individuals to form its business capital and then conduct loan. This creates capital flow in the economy. That on the one hand meets the capital needs of borrowers to develop production, on the other hand increases idle capital, while also bringing profits to the bank. Commercial Bank's activities include 3 areas: Debt operations (capital mobilization), credit operations (business lending) and intermediary brokerage operations (payment services, agents, consulting, information...). Among these three areas, lending is the one that brings direct profits to Commercial Banks, and is also one that carries many risks. This operation is always the top concern of the Government and commercial banks themselves because it greatly affects the existence and development of commercial banks as well as ensuring capital supply for operations. Production and business in the entire economy. Therefore, ensuring the safety of credit activities is an extremely pressing issue at most commercial banks in the world in general and in Vietnam in particular. Because of the importance of credit activities, this article delves into the nature and operation of this operation filled with unexpected risk factors.

#### 2. Research methods

Information collection method: The article uses secondary information through statistics from the summary report of Asia Commercial Joint Stock Bank ACB for the period 2021 - 2023, documents related to operations bank credit.

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. Credit operations at Asia Commercial Joint Stock Bank ACB.

**Table 1:** Credit scale in the period 2021-2023

Targets	Unit: Billion VND									
	2021		2022		2023		Compare 2022/2021		Compare 2023/2022	
	Amount of money	Proportion (%)	Amount of money	Proportion (%)	Amount of money	Proportion (%)	Difference	Proportion (%)	Difference	Proportion (%)
short-term liability	134,89	43,5	147,79	45,94	145,57	4,18	12,9	9,56	-2,22	-1,5
Medium-term loan	77,83	25,1	66,46	20,66	67,94	20,62	-11,37	-4,6	1,48	2,23
Long-term loan	63,88	20,6	68,2	21,2	73,8	22,4	4,32	6,72	5,6	8,21
Lending bond instruments	32,25	10,4	37,96	11,8	40,53	12,3	5,71	17,7	2,57	6,77
Other loans	1,25	0,4	1,29	0,4	1,66	0,5	0,04	3,2	0,37	28,68
Total loan sales	310,1	100	321,7	100	329,5	100	11,6	3,74	7,8	2,43

Source: ACB summary report, 2021-2023

### 3. Current status of credit activities at Asia Commercial Joint Stock Bank

#### Scale of credit growth at ACB Bank

##### Loan sales growth rate:

The fluctuation of credit scale in the three years 2021 - 2023 is shown in the data Table 1 above:

Through the data table above, we see that total loan sales at ACB in recent years have increased but slightly. In 2021, it will reach 310.1 billion VND, by 2022 it will increase to 321.7 billion VND and by 2023 it will increase to 329.5 billion VND. This increase is equivalent to 11.6 billion

VND from 2021 to 2022 to 2023, an increase of 7.8 billion VND compared to 2022.

Although the business situation is still difficult, ACB still maintains and promotes outstanding loans to large, strong customers in the area such as: Viet Han Steel Company, Region III Petroleum Company, Son Truong Limited Liability Company... Besides, ACB also applies preferential credit policies for customers who are facing difficulties.

##### Outstanding loan growth rate:

**Table 2:** Changes in credit balance in the period 2021 - 2023

Year	Unit: Billion VND		
	2021	2022	2023
short-term liability	134,89	147,79	145,57
Medium-term loan	77,83	66,46	67,94
Long-term loan	63,88	68,2	73,8

Source: ACB summary report, 2021-2023

**Table 3:** Outstanding credit situation by term

Targets	Unit: Billion VND									
	2021		2022		2023		Compare 2022/2021		Compare 2023/2022	
	Amount of money	Proportion (%)	Amount of money	Proportion (%)	Amount of money	Proportion (%)	Difference	Proportion (%)	Difference	Proportion (%)
Total loan sales	310,1	100	321,7	100	329,5	100	11,6	3,74	7,8	2,43
Short-term liability	134,89	43,5	147,79	45,94	145,57	44,18	12,9	9,56	-2,22	-1,5
Medium and long-term loans	175,21	56,5	173,91	54,06	183,93	55,82	-1,3	-0,74	10,02	5,76

Source: ACB summary report, 2021-2023

Through the data table above, we see that total loan revenue as of December 31, 2023 reached 329.5 billion VND, of which short-term outstanding debt reached 145.57 billion VND, accounting for 44.18% of total outstanding loans, Medium and long-term debt reached 183.93 billion VND, accounting for 55.82% of total outstanding debt. In 2022, short-term debt balance increases by 12.9 billion VND, equivalent to 9.56%; Meanwhile, by 2023, short-term loans will tend to decrease slightly by 2.22 billion (1.5%). In contrast, medium and long-term loans decreased slightly in 2022, down 1.3 billion, equivalent to a decrease of 0.74% compared to 2021; But by 2023, medium and long-term loans will tend to increase by 10.02 billion VND, up 5.76% compared to 2022, reaching 183.93 billion VND.

In particular, short-term loans are mainly for individuals who borrow for consumption, household production and business, or organizations with short-term business projects with quick capital turnover. Medium and long-term loans are mainly for businesses and companies to invest in production, fixed assets, and facilities.

According to the data table, we see that the proportion of medium and long-term loans of banks is higher than the proportion of short-term loans and tends to increase each year.

##### Credit balance structure by currency:

Including VND and foreign currency converted to VND, shown specifically in the following table:

**Table 4:** Credit balance structure by currency

Targets	2021		2022		2023		Compare 2022/2021		Compare 2023/2022	
	Amount of money	Proportion (%)	Amount of money	Proportion (%)	Amount of money	Proportion (%)	Difference	Proportion (%)	Difference	Proportion (%)
	VND	309,4	98,2	319,96	97,7	325,9	97,1	10,56	3,41	5,94
Currency	5,6	1,8	7,54	2,3	9,8	2,9	1,94	34,6	2,26	29,97
Total loans	315,1	100	327,5	100	335,7	100	12,4	3,94	8,2	2,5

Source: ACB summary report, 2021-2023

The above data table clearly reflects the outstanding debt structure as well as the trend of fluctuations in the outstanding debt structure by currency of the Bank in recent years. In particular, loans in Vietnamese Dong account for a large proportion of total outstanding loans (>96%). In 2022, it will increase by 10.56 billion VND compared to 2021, accounting for 3.41%, in 2023 it will increase by 5.94 billion VND compared to 2022. The remaining loans in foreign currency account for a small proportion of the total outstanding debt (< 3%). Due to the issuance of Circular 24/2012/TT-NHNN amending Article 1 of Circular 11/2011/TT-NHNN of the Governor of the State Bank effective August 23, 2012 regulating the termination of capital lending in gold from credit institutions to manage the circulation of gold in the market. Gold is not used as a

means of payment, so there are no loans in gold.

Looking at the table above, we see that the foreign currency loaned at ACB is not much. Partly because the demand for loans in foreign currency is not high, the other part is because the state's foreign exchange management policy is quite strict, so the appraisal and lending in this object is also more tightly managed and encounters many problems. Difficulties in the lending process. Therefore, the bank's credit policy does not focus on lending in foreign currencies but focuses more on lending in domestic VND. However, it will still increase from 2021-2023, in 2022 it will increase by 1.94 billion, equivalent to 34.6%, and by 2023, it will increase by 2.26 billion (29.97%) compared to 2022.

*Outstanding debt structure according to credit extension:*

**Table 5:** Structure of credit balance by credit extension form

Targets	2021		2022		2023	
	Amount of money	Proportion (%)	Amount of money	Proportion (%)	Amount of money	Proportion (%)
	Loans to domestic economic organizations and individuals	306,4	97,24	321,18	98,07	328,52
Discount loans for bonds and valuable papers	2,08	0,66	1,93	0,59	2,35	0,7
Financial leasing	3,78	1,2	2,16	0,66	1,68	0,5
Financing loans, investment entrustment	2,84	0,9	2,23	0,68	3,15	0,94
Total loans	315,1	100	327,5	100	335,7	100

Source: ACB summary report, 2021-2023

Looking at the table above, we can clearly see that the credit balance structure is divided by form of credit, the form of loans to individuals and domestic economic organizations accounts for the highest proportion (>97%), while other forms of credit account for a small proportion. Fluctuations of credit balance according to the form of credit granting are consistent with economic fluctuations in each period. In 2022, loans to domestic economic organizations and individuals will reach 321.18 billion, an increase of 14.78 billion VND, and by 2023, it will increase to 328.52 billion. This form of credit mainly brings benefits to banks, including loans to economic organizations to do business

and expand production; Individuals borrow mainly for consumption. Discount loans for bonds and valuable papers account for a very low proportion of the total credit balance, accounting for only 0.7% in 2023, because although this form brings great profits, the risks are very high as well as the disadvantages. Again, cumbersome and complicated. The remaining two forms are similar, financial leasing and grant loans, and investment entrustment all account for a very low proportion of the total credit balance.

*Structure of credit sales by economic sector:*

**Table 6:** Sales and credit structure by economic industry

Targets	2021		2022		2023		Compare 2022/2021		Compare 2023/2022	
	Amount of money	Proportion (%)	Amount of money	Proportion (%)	Amount of money	Tỷ trọng (%)	Difference	Proportion (%)	Difference	Proportion (%)
	Industry	170,2	54,9	172,43	53,6	169,03	51,3	2,23	1,31	-3,4
Trade in Services	129,3	41,7	140,26	43,6	152,23	46,2	10,96	8,47	11,97	8,53
Agriculture, Forestry, Fishery	4,34	1,4	4,18	1,3	3,62	1,1	-0,16	-3,69	-0,56	-13,4
Other sectors	6,26	1,9	4,83	1,5	4,62	1,4	-1,43	-22,84	-0,21	-4,35
total revenue	310,1	100	321,7	100	329,5	100	11,6	3,74	7,8	2,43

Source: ACB summary report, 2021-2023

The development of the credit portfolio by industry reflects the general economic development of the area. ACB's credit sales to industry, commerce and services account for over 90% of total sales. This trend is consistent with ACB's credit strategy in the upcoming period: Focusing on industries that play an important role in the economic development of Hanoi city.

From 2021 to 2023, credit granting sales to the industrial sector, although decreasing, still account for the highest proportion of ACB's total credit granting sales. The industry mainly focuses on large enterprises, so sales are quite high.

Investing in the trade and service industry also consumes a lot of capital and realizing that this is a potential market, ACB also expanded lending to these subjects. Some potential customers operating in the field of trade and services have had credit relationships with the Bank such as: Tien Manh Transport Services Limited Liability Company, Region III Petroleum Company, etc. From 2021 to 2023, the Bank's credit granting revenue for the commercial and service sectors tends to increase: From 41.7% (2021) to 43.6% (2022) and continue to increase. To 46.2% (2023). Lending activities in the agriculture and forestry sector tend to stagnate during this period, with insignificant increases and decreases.

#### *Overdue debt situation*

Looking at the Table 7, we see that although overdue debts account for a small proportion of the total outstanding debt, they are actually a larger number, because loans whose

principal and interest have not yet been recovered when due will be banked. Loan term relaxation means extending debt or adjusting debt term so that customers have time to repay their debt to the bank. If after the grace period the customer still cannot repay the debt to the bank, the loan will be transferred to the debt group as overdue debt. However, this poses potential risks to the bank's ability to collect debt, affects the bank's profits, affects the quality of credits and reduces the efficiency of the bank's credit operations.

**Table 7:** Overdue debt rate in the period 2021 – 2023

Unit: Billion VND			
Targets	2021	2022	2023
Overdue	13,49	13,43	12,75
Total loans	315,1	327,5	335,7
Overdue debt rate	4,28	4,1	3,8

Source: ACB summary report, 2021-2023

From 2021 - 2023, the overdue debt rate tends to gradually decrease. In 2021, this rate will be 4.28%, but by 2023, the overdue debt rate will decrease to 3.84%. Currently, loans are in the main group of overdue debts belonging to customers with long-term relationships with the bank such as Son Truong Limited Liability Company, Tien Manh Limited Liability Company, and some others. Individual customers, accordingly the bank has applied a preferential credit policy for large customers with long-term credit relationships with the bank in order to share difficulties with customers to maintain the overdue debt rate. At a safe level.

**Table 8:** Overdue debt by economic sector in the period 2021-2023

Career	Unit: Billion VND					
	2021		2022		2023	
	Amount of money	Proportion (%)	Amount of money	Proportion (%)	Amount of money	Proportion (%)
Industry	5,94	44	6,16	45,9	6,01	47,1
Trade and Services	3,59	26,6	3,64	27,1	3,58	28,1
Agriculture and Forestry	1,48	11	1,52	11,3	1,09	8,6
Other professions	2,48	15,6	2,11	15,8	2,07	16,2
Total overdue debt	13,49	100	13,43	100	12,75	100

Source: ACB summary report, 2021-2023

The overdue debt rate by economic sector is unevenly distributed, focusing mainly on the industrial sector. Accordingly, in 2021, the overdue debt is only 5.94 billion VND, in 2022 it will increase to 6.16 billion VND, but by 2023 this number will decrease slightly to 6.01 billion VND. The reason is partly because the credit balance of this industry accounts for a large proportion of the total outstanding debt at ACB, the other part is due to recent years of business activities in the industry in general and especially the steel industry in particular. Inefficient operations affect customers' ability to repay debt. Loan balance for this industry mainly focuses on large, reputable customers such as: Xuan Hoa Limited Liability Company, Viet Han Steel Company...

The trade and service industry has the second highest rate of overdue debt after the industry, accounting for over 26% of overdue debt. The reason is that the general difficult economic situation affects all economic sectors in society, leading to consumers tightening their spending, affecting the revenue of companies in this industry that have credit relationships with bank. The agriculture and forestry sector hardly gives new loans but only focuses on recovering old overdue debts and overdue debts that arose during the year but are not significant. Other industries (health, education...).

#### *Bad debt situation*

**Table 9:** Classification of debt groups for the period 2021-2023

Group debt	31/12/2021		31/12/2022		31/12/2023	
	Surplus	Proportion (%)	Surplus	Proportion (%)	Surplus	Proportion (%)
1. Qualified debt	301,61	95,72	314,07	95,9	322,94	96,2
2. Debt needs attention	4,22	1,34	5,86	1,79	5,37	1,6
3. Substandard debt	3,31	1,05	3,96	1,21	3,96	1,18
4. Doubtful debt	5,67	1,8	3,34	1,02	3,19	0,95
5. Debt has the potential to lose capital	0,29	0,09	0,27	0,08	0,24	0,07
Total	315,1	100	327,5	100	335,7	100

Source: ACB summary report, 2021-2023

Looking at the table above, we see that group 1 (qualified debt) tends to increase while groups 2-5 are unstable. Group 1 debts as of December 31, 2023 are 322.94 billion VND, an increase of 8.87 billion VND compared to 2022 (314.07 billion VND), in 2022 it is an increase of 12.46 billion VND compared to 2021 (301.61 billion VND). This group of debts includes debts that are overdue for less than 10 days and the bank still has a high ability to recover the debt. Group 2 debt (debts requiring attention) are debts that are overdue for less than 30 days and have had their repayment period extended by the bank. In 2023, this number is 5.37 billion VND, a decrease compared to 2022. In 2022 is 5.86 billion VND. Customers in this debt group are Xuan Hoa Limited Liability Company, Mai Thu Trading and Services Joint Stock Company, and some individual customers.

ACB's bad debt group of debt groups 3,4,5 as of December 31, 2023 is 7.39 billion VND, accounting for 2.2% of the total outstanding debt (in 2021 it is 2.94%, in 2022 it is 2.31%). Although this number is still within the bank's safety level (3%), it has a significant impact on the bank's revenue and credit activities. Debt group 5 has the potential to lose capital, which tends to decrease year by year; in 2021 it will be 0.09%, in 2022 it will be 0.08% and in 2023 it will decrease to 0.07%. The customer in this debt group is Son Truong Limited Liability Company, although it is a familiar customer, due to the business's production and business situation last year facing many difficulties despite the bank's application of policies. Preferential credit loosens debt terms long enough for the company to be able to recover its ability to repay debt, but facing the current difficult situation, this customer's ability to repay debt is very difficult. In addition, customers in this debt group also include a number of individual customers at ACB and one customer in the Hung Vuong area.

Risk provisioning is a factor that ensures bank safety for each bank's credit activities. Bad debt is gradually decreasing over the years, although not significantly, it is also the effort of the whole ACB. In addition, ACB is also gradually restructuring debt for customers to continue to gradually reduce bad debt while ACB is also increasing the level of risk provisions. The provision level is much higher than the amount to be handled, helping ACB to be completely proactive in handling bad debts.

#### Profits from credit activities

The ultimate goal of a bank is profit. Improving a bank's credit efficiency can lead to increased costs, reducing profits. If credit scale is expanded inappropriately, credit safety can be threatened. Therefore, improving credit efficiency must be consistent with the bank's capabilities, ensuring credit safety while still bringing profits to the bank.

In recent years, the bank has achieved the following results:

**Table 10:** Credit business results for the period 2021 – 2023

Chỉ tiêu	Unit: Billion VND		
	2021	2022	2023
Profits from credit activities	21,75	28,1	47,45
Average credit balance	350,4	359,6	364,5
Total profit of the bank	25,061	36,081	74,465
Profit rate of credit activities	2,42	2,57	2,63
Contribution of credit activities	72,8	77,9	78,1

Source: ACB summary report, 2021-2023

According to the above data, we see that the profitability rate of credit activities in the last three years has tended to increase: 2021 is 2.42%, 2022 is 2.57%, 2023 is 2.63%. This shows that the scale of credit activities is expanding, the profits it brings to ACB are still the main ones.

In 2021, if the Bank only focuses on lending, by 2022 and 2023 the bank will have policies to balance capital between loan capital and mobilized capital (380.5/344.49), not only exploiting capital resources benefit from lending, but the bank also focuses on mobilized capital to improve credit efficiency for the bank. In addition, the bank has new policies that not only focus on credit activities but also develop other activities to disperse risks and increase revenue from activities such as services and payments.

#### 4. Solutions to develop credit activities at ACB Bank

##### Firstly, strengthen debt management and resolve bad debts

Credit is a potentially risky activity. There are many causes of credit risk, but mainly credit risk is understood as the bank's inability to recover all principal and interest when the loan comes due. And when the loan cannot be recovered or is at risk of not being recovered, it is bad debt or problem debt. Problematic debt greatly affects the bank's operations, so banks need to take measures to prevent problem debt and, when there is problem debt, take measures to handle it. Therefore, banks need to: (1) Strengthen debt management by fully implementing the lending process and strictly implementing this process. (2) Perform customer analysis well. (3) Accurately implement debt maturity to match the customer's production and business cycle, classify debt to orient risk level, and classify customers. (4) Strengthen inspection and supervision of customers' loan usage activities. (5) Actively monitor the periodic collection of principal and interest from customers, credit officers must be responsible for periodically checking the customer's interest and debt repayment, and exclusively promote debt repayment when the debt is outstanding. That debt is due Solve bad debt by: (1) Banks need to have measures to prevent and prevent bad debt from the beginning such as

strictly evaluating loan projects, loans secured by assets, and strengthening the work of bad debt. Collect and check customer information. (2) Warning and detecting bad debts arising is extremely important and greatly determines the process of handling bad debts in the future. (3) Regularly check, evaluate and analyze the current situation and causes of bad debts. Clarify the responsibilities of each relevant credit officer, reward and punish promptly.

*Second, strengthen the training of credit officers and appraisal officers with high expertise and good professional ethics.*

Although in today's era, science and technology have become the main productive force, people still affirm their central position, the decisive factor in the success or failure of a bank's business activities. Goods as well as credit activities. Furthermore, credit activities are an activity that contains many risks. Therefore, it is necessary to have a team of credit officers and appraisers with high expertise and good professional ethics to limit risks in credit activities. Therefore, the bank has specific and reasonable human resource development policies:

(1) Continuously improve the professional qualifications and ethical qualities of credit officers because it directly affects the efficiency of the bank's credit operations. For current working staff, it is necessary to regularly reassess their capacity and qualifications to arrange appropriate work. As for new employees, there are still many limitations in practical knowledge, so it is necessary to train from the beginning, through real situations that arise to gain experience. At ACB, credit officers have to do all the work such as appraisal, customer profile preparation, disbursement, inspection, and supervision of credits... So, it is easy to cause risks and inefficiencies. Work efficiency is not high. Therefore, it is necessary to specialize the work of credit officers and clearly divide responsibilities for each person and each department. Proactively launch emulation movements, promptly and specifically encourage individuals and groups with good achievements as well as resolutely handle violations to promote the spirit of striving for improvement among officials. Staff.

(2) Organize seminars, credit seminars, and exchange experiences with other banks to exchange experiences and improve the professional qualifications of credit officers.

*Third, marketing in banking*

Marketing in banking is not simply advertising like businesses do to introduce products when the bank's products are intangible. Marketing in banking comes from daily communication, in relationships with customers to gain customer trust, then the bank's reputation will be favorable in designing and promoting new products and services. To customers so that they can grasp information about the bank's best products and services. To increase the efficiency of credit activities as well as increase the number of customers coming to borrow money, banks should not passively wait for customers to come to them but should proactively seek information and contact customers. Doing well in Marketing will help banks promote their image, thereby attracting customers, increasing credit balance and increasing profits from lending activities.

## 5. Conclusion

Credit activities are always an important issue for commercial banks in general and ACB Bank in particular. Credit is always the main activity, bringing high profits to

banks but also has many potential risks. Therefore, developing credit activities is a prerequisite for determining the existence of banks. Therefore, to overcome limitations in bank credit activities, it is necessary to focus on a number of solutions such as (1) Strengthening bad debt management and handling. (2) Strengthen the training of credit officers and appraisal officers with high professionalism and good professional ethics. (3) Marketing in banking.

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