International Journal of Economics and Financial Issues

ISSN: 2146-4138

available at http: www.econjournals.com

International Journal of Economics and Financial Issues, 2018, 8(5), 64-67.

The Factors Affecting the Access to Banking Credits of Family Businesses in Tra Vinh Province, Vietnam

Ha Hong Nguyen*

Head of Banking and Finance Department, Tra Vinh University, Vietnam.*Email: honghaicbtv@yahoo.com.vn

ABSTRACT

The study on the factors affecting the access to banking credits of family businesses in Tra Vinh province by directing survey of 250 family businesses in 7 districts and 1 city in Tra Vinh province in which multivariable regression model has been used. The results show that the access to banking credits of family businesses depends on gender, education, years of experience, income, assets and social relations. Based on the results of the analysis, it could be proposed that a number of measures to improve the ability to borrow capital from credit institutions for family businesses and at the same time imply policies for commercial banks in the province. Tra Vinh can improve the ability to serve family businesses better in the future.

Keywords: Family Businesses, Credit Institutions, Banking Credits, Commercial Banks, Multi-variable Regression
JEL Classifications: G21, M1

1. INTRODUCTION

In Vietnam, business activities of family businesses can have many advantages from the procedure of establishment of business units to tax administration reform in this form of contracting, without gathering invoices, recording bookkeeping, which has created favorable conditions for family businesses to strongly develop and these favorable conditions could offer a great impact on the cause of poverty alleviation in the localities as well as the whole country of family businesses. Moreover, these favorable conditions can help us create jobs and raise incomes, increase budget revenue, contribute to sustainable development in the process of building new rural areas in the past years. In 2016, our country has a total of 4.658 million family businesses with a workforce of nearly 8 million employees. If the state contributes 32.2% to gross domestic product, the non-state economy contributes to 48, 3%; (collective economy 5%, private economy 10.9%, individual economy 32.4%); foreign invested sectors 19.5% (GSO, 2016).

It can be stated that the role of commercial banks is very important in timely responding capital to family businesses to supplement the business capital to ensure the production processes, business activities and services are continuously and increasingly developed (Ministry of Industry and Trade, 2016).

However, the family business sector still operates with small scale, out of date technology, product quality cannot be competitive; they can face difficulties in accessing capital from banks, labor and land, especially in the current period, when the economy in the integration and domestic periods are more volatile, the purchasing power can decrease. Some family businesses could be in danger of bankruptcy … (VCCI Can Tho, 2017). Researching on the factors affecting the access of bank credit of family businesses in Tra Vinh province to focus on the factors affecting the ability to access bank credit, it could be proposed the better solutions for family business economic development in the future.

2. LITERATURE REVIEW

The research of Francis Nathan Okurut (2006) studies the factors that affect the access to non-official credits in South Africa. Using the Heckman probit model, the author identifies the access to credit under the influences of age, sex, household size, academic levels, household expenditure, and the races of household hosts.

Khandker (2003) showed that household factors affecting access and received credits by farmers' households in which these are the ages of the household hosts, academic levels, competitive characteristics production - business products in Bangladesh.

However, for households to borrow capital, academic levels and land ownerships are key factors.

Le and Pham (2011) on "determinants of official credit loans of households in Hau Giang" used the Tobit model and concluded that the amount of official credit loans of households can be affected by factors such as academic levels, occupation of household hosts, the income of households, distance to district or town market, number of credit institutions, collateral, the number of loans. In general, these factors can be the barriers for the poor, less well-educated, less relationship and poorly-resourced household hosts living in remote and isolated areas. The analysis also shows that if credit institutions expand their operations by increasing the number of branches or sub-branches in rural areas, households will get more loans at low interest rates, so it can limit their dependence on unofficial credits.

Analyzing the factors affecting the access to credits of small traders in markets and commercial centers in District 5, Ho Chi Minh city, the study used the logit model to examine factors influencing household hosts borrowing money. The author estimates the size of interviews with 300 households in a convenient mode, divided equally by the size of the units. The results of the regression modeling show that factors can affect access to credits such as factors related to the characteristics of the hosts, ethnicity of the household hosts, business experience (business year), the genders of household hosts, secondary school education, upper secondary school, stall rental contracts and business location in An Dong. Factors related to business results: Business capital, sales revenue, taxes and incomes Su (2012).

Nguyen and Nguyen (2011) studied on access to official capital credits of rural households in Hanoi, typically in Hoang Van Thu commune, Chuong My districts. This study reveals that the main factors influencing access to official credits are households' educational background, economic status of the households, genders of household hosts, lending rates, loan duration and loan amount of formal credit institutions. In addition to these factors, the attitudes and enthusiasm of credit officers can be also considered as an important factor affecting the decision of borrowing money or not.

Hoang (2007), studied on supporting small and medium enterprises (SMEs) in terms of expanding offering credits in Tan Binh district. We used the regression model to examine the three independent variables namely Revenue, Profit, and Profit Margin affecting the loan portfolio for SMEs. As a result, the loan balance of the SMEs depends on the revenue of the businesses.

Lai (2012), studied on factors affecting access to credit capital of farmers in Ben Cat district, Binh Duong province. The data used in the study were collected via direct interviewing 220 farming households and using the binary logistic model for analysis. Research results show that 6 factors affecting the access to credit capital of the households including interest rate, loan procedures, participation in socio-political organizations, certificates of land use rights (LURCs, loan amounts meet the needs and age of the household hosts.

Using the probit model, a number of factors have been identified that affect the access to official credits of farmer households in Kien Giang Province. Specifically, access to credits by household is correlated with age, educational levels of household hosts, number of members and total assets of households. In contrast, households' access to credit is negatively correlated with household size and income (Truong and Tran (2010).

3. RESEARCH METHODOLOGIES

Multivariable regression models of factors influencing access to banking credits of family businesses in Tra Vinh province are inherited from the study by Okurut (2006); Khandker (2003) and Le and Pham (2011):

$$Y = \beta 0+\beta 1X1+\beta 2X2+\beta 3X3+\beta 4X4+\beta 5X5+\beta 6X6+\varepsilon$$

Y (access to banking credits) = *β0+β1Ages+β2 level of educations+β3 business experience+β4Income+ β5Collateral+β6Social Relationship+ε*

From the theoretical basis and through the results of qualitative research, research data collection will be carried out by interviewing of 250 family businesses in 7 districts: Tra Cu; Cang Long, Cau Ke, Cau Ngang, Duyen Hai, Tieu Can, Chau Thanh and Tra Vinh city in Tra Vinh province from December 2017 to May 2018 through direct questionnaire survey, with the sample size of n = 250 (Hoang and Chu, 2008). The meanings of variables and expectations from the model are presented in Table 1.

Table 1: The meanings of variables and expectations of the model

Variable name	Meaning interpretation	Expected signs	Foundations of selecting variables
Ages (X_1)	Ages (years)	+	Nguyen and Bui (2011)
Level of educations (X_2)	The number of years of schooling (year)	+	Le and Pham (2011)
Business experience (X_3)	The number of years involved in the business of the households by the time of study (year)	+	Nguyen (2010)
Income (X_4)	Average annual income of the households from business activities (In million VND)	+	Phan (2013)
Collateral (X_5)	The total value of the assets of the households can be mortgaged to meet the needs of the credit institutions (In million VND)	+	Phan (2013)
Social relationship (X_6)	Fake variable is 1 if the households have relatives or friends working at state-owned agencies at all levels (commune, district, province or central) or at local credit institutions, otherwise 0	+	Experts' surveys

4. RESULTS

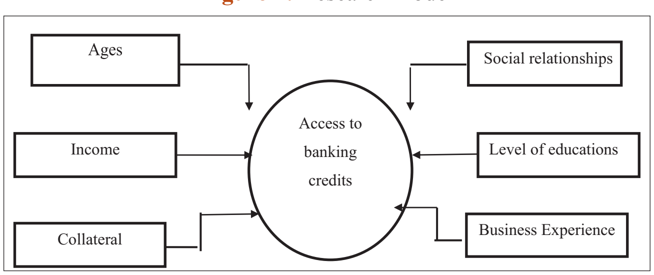
The results of data analysis using the multivariable regression model in are presented in Table 2.

The estimated results show that the model has $R^2 = 0.743$, meaning that the regression model was constructed in accordance with the data to 14.3% or 74.3% of the households' access to banking credits which can be explained according to the independent variables in the regression model. The regression equation predicts the impact of factors on capital access as determined by Figure 1. It can be seen that the statistical value F is calculated from the R_change value of the full model (F = 76.368) corresponding to the meaning level observed Sig. = 0.000[a] which can conclude that the constructed model is consistent with the overall.

The estimated results show that there are six factors influencing the access to capital of family businesses as follows: 03 variables with 99% reliability, the experience of the family businesses (X3); the income of households (X4); social relationship of (X6) of the above factors with a significance level of 1%; 1 variable with reliability of 95% and 5% with a reliability level of 90%. The level of education (LoE) of variables with a meaning level of 10%., on the other hand, 1 variable age of household head (X1) was not statistically meaning.

Thanks to the multiple regression analysis, it can be seen that there are four variables that have the strongest impact on household loan opportunities. If the householder wishes to borrow, the household hosts must have 11.3% years of experience because the more number years of experience the households have, the easier it is for them to access scientific advances in their business activities. 11.1% of income is the next thing that business households have to prove that the households have a stable source of income from business activities because of stable income for new households having plans and ability to pay debts; 3.7% of the actual survey relationship shows that family businesses already have a prior relationship with a bank employees (who have borrowed many times, familiar with bank employees and so on. The processing time is quite fast and the rate of approval is relatively high).

Figure 1: Research model



The collateral variables accounted for 4.8% of households accessing loans as collateral assets play an important role for repayment. In terms of academic level, 4.1% of respondents indicated that higher education attainment of access to loans is faster because they are more knowledgeable about the process and learn new experiences in business.

5. SOLUTIONS TO IMPROVE ACCESSING TO BANK CREDIT OF FAMILY BUSINESSES IN TRA VINH PROVINCE, VIET NAM.

5.1. Experience

This factor affects the ability of banking loans of family businesses to borrow from official credit institutions. Therefore, family businesses need to accumulate more experience to expand the business activities as well as the access to credit capital of family businesses. It can be very necessary for business owners to improve their experience via in-service classes, in addition to improving their levels of knowledge to improve their business knowledge in order to achieve more effective business performance.

5.2. Household Income

One of the conditions for borrowing high capital from oficial credit institutions is also the repayment conditions of borrowers. Therefore, credit institutions view the income of a family business as one of the criteria to determine the loan limit and loan repayment period. Households with higher incomes will be given priority loans by credit institutions than other ones. Family businesses need to develop plans to use the capital effectively, prove the source of money and spend loans with the right purposes so that more access to official credit sources.

5.3. Collateral Factors

In fact, credit institutions can hesitate to lend to family businesses. In recent time, the business environments could be tougher due

Table 2: The results of regression analysis by using multivariable regression model

Variables	Regression coefficient		Standardized regression coefficients (beta)	T	Sig.	VIF
	B	Standard deviation				
Constant	−0.047	0.052		−0.905	0.367	
X1: Ages	−0.009[NS]	0.016	−0.025	−0.574	0.607	1.885
X2: Level of educations	0.041*	0.021	0.081	1.936	0.054	1.622
X3: Business experience	0.113***	0.024	0.298	4.662	0.000	3.773
X4: Income	0.111***	0.019	0.204	5.851	0.000	1.125
X5: Collateral	0.048**	0.021	0.126	2.345	0.020	2.673
X6: Social relationship	0.037***	0.013	0.105	2.764	0.006	1.323
Number of observations	250					
R^2=0.743	R^2 edition=0.733					
F=76.368	Sig. = 0.000[a]					

*10% meaning level; **meaning 5%; ***1% meaning level; [NS]not statistically meaning. Source: The results of model analysis to the lack of investment capital to expand business, strong competition and so on. Moreover, the collateral can be land assets, problems issuing certificates of land use rights, asset sales when bad debts arise can also cause banks to have many troubles. Therefore, the lending without collateral of credit institutions is limited because the ability to recover capital cannot be strong enough. Therefore, in the future, credit institutions should study to issue credit products for family businesses with the important criterion which could be the ability to repay debts from business income not based entirely on the value of the current assets.

5.4. Social Relationship

This factor affects the amount of capital that family businesses can borrow from official credit institutions. Therefore, family businesses should establish close relationships with credit officers or local officials to help them understand credit information more quickly, because they know the banking staff can know their business contexts. Because of this reason, they are more willing to lend than others.

5.5. LoE

It can be necessary to facilitate the raising of intellectual level in rural areas by opening seminars and training courses on business management skills. The banking staff can intensify the propaganda and guidance for households with limited qualifications. At the same time, family business hosts themselves must constantly study and actively participate in programs and projects implemented or supported by the Government.

REFERENCES

Francis Nathan Okurut. (2006), Access to Credit by the Poor in South Africa: Evidence from Household Survey Data 1995 and 2000.

General Statistical Office. (2016), Vietnam Socio-Economic Statistics, 45-48.

Hoang, D.K.T. (2007), Support to Small and Medium Enterprises in the Field of Credit Extension, Master Thesis, Ho Chi Minh City University of Economics.

Hoang, T., Chu, N.M.N. (2008), Analysis of Research Data with SPSS University of Economics. Ho Chi Minh City: Hong Duc Publishing House. p46-61.

Khandker, S.R. (2003), Microfinance and poverty: Evidence using panel data from Bangladesh. The World Bank Economic Review, 19, 263-286.

Lai, T.T.H. (2012), Factors Affecting Access to Credit Capital of Farmers in Ben Cat District, Binh Duong Province. Chi Minh City: Postgraduate Master of Economics, Open University of Ho Chi Minh City.

Le, K.N., Pham, V.H. (2011), Determinants of official loan size of households in hau giang. Journal of Banking, 9, 42-48.

Ministry of Industry and Trade. (2016), Report on the Development of Small and Medium Enterprises in Vietnam. p12-14.

Nguyen, P.L., Nguyen, M.D. (2011), Access to official credit sources of rural households in Hanoi: A case study in Hoang Van Thu commune, Chuong My district. Journal Science and Development, Hanoi University of Agriculture, 9(5), 844-852.

Nguyen, Q.N. (2010), Current Status and Solutions for Livelihoods of Ethnic Minorities in the Mekong Delta: Case of Cham in an Giang and Khmer in Tra Vinh. Scientific Research Project at the Grassroots Level, Can Tho University. p23-29.

Nguyen, Q.N., Bui, V.T. (2011), Factors affecting income of ethnic minorities in the Mekong Delta. Journal of Science, Cantho University, 18, 240-250.

Phan, D.K. (2013), Factors influencing access to formal and informal credit of households in the Mekong Delta. Journal of Science, Cantho University, 28, 38-53.

Su, N.A. (2012), Analyzing the Factors Affecting the Access to Credit Capital of Small Traders at the Market and Commercial Centers in District 5. Thesis Master of Economics, University of Economics Ho Chi Minh City.

Truong, D.L., Tran, B.D. (2010), Factors affecting access to official credit of households in Kien Giang province. Banking Magazine, 4, 29-33.

Vietnam Chamber of Commerce and Industry, Can Tho Branch. (VCCI Can Tho). (2017), Report on the Development of Business Individual Mekong Delta. Vietnam: Vietnam Chamber of Commerce and Industry, Can Tho Branch. p3-5.