

# Factors Affecting the Decision to Choose a Loan Bank for Individual Customers at Sacombank - Vung Tau

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**Abstract:- This research is conducted to build and test a theoretical model among factors affecting individual customers' borrowing decisions at Sacombank-Vung Tau. The study used qualitative research method combined with quantitative research. The research results show that the factors influencing the customer's decision to choose a loan bank include: bank image ( $\beta = 0.269$ ); service staff ( $\beta = 0.2$ ); financial benefits ( $\beta = 0.438$ ); suggesting relatives ( $\beta = 0.276$ ). The four factors explains 70% of the variance in the decision to choose a loan bank. The research results provide suggestions to the bank managers in improving major factors to increase the customers' decision to borrow capital at the bank. Some limitations and future research directions are also mentioned.**

**Keywords:-** Decision to Choose a Loan Bank, Individual Customers.

## I. INTRODUCTION

In various business activities of a bank, credit activities are one of those that bring the biggest source of revenue and profit for the bank. In which, the customer segment that accounts for a major proportion in terms of number and balance is the group of individual customers. Individual customers have very diverse and rich loan needs such as production and business loans, home loans, car loans and other consumer loans. Like other commercial banks, Sacombank - Vung Tau branch is also facing many difficulties in achieving credit growth target. The number of deployed products has not met the needs of customers. On the other hand, in terms of advertising, human resources still have many limitations and obstacles that affect the branch's ability to develop personal credit activities.

The question that needs to be addressed are: what should Sacombank - Vung Tau Branch do to access the high demand for loans of individuals and achieve the goal of personal credit growth?; What solutions does the bank need to offer to keep existing customers and attract new potential customers?

The study is conducted to build and test the factors affecting the decision to choose a loan bank of individual customers. From the obtained results, the study provides managerial implications to improve the factors affecting the

decision to choose a bank for a loan of individual customers at Sacombank.

## II. LITERATURE REVIEW AND RESEARCH MODEL

### 2.1. Loan decision

Loan capital is capital formed from borrowing, to a predetermined time to be returned to the lender.

Loan capital of an entity is formed through credit relationships. The basic characteristics of loans are repayment and compensation. The repayment of a loan is reflected in the repayment obligation of its owner to the person who has transferred the capital. At the end of the loan term, the owner of the loan capital must return it to the person who transferred the capital to him and the principal debt must be accompanied by a credit interest that represents the compensatory nature of the loan.

### 2.2. Previous relating studies

Research by Martin Owusu Ansa (2014) conducted face-to-face interviews with 250 teachers in Ghana. Factors affecting the choice of bank of high school teachers includes: Loan interest rate; Bank reputation; Security of the bank; Number of years of establishment of the bank; Low service fees; and the Easiness to make loan.

Christos C. Frangos et al. (2012) studied the factors affecting the customer's decision to borrow from a bank. The research results show that the factors of service quality, lending policy, satisfaction from the bank's services have influences on the decision of individual customers to borrow money.

Hafeez Ur Rehman and Ahmed (2008) collected data through direct interviews from 358 individual customers of banks in Pakistan. The research results show that the factors affecting the choice of a bank of individual customers are customer service, convenience, equipment of the bank and the general environment of the bank.

### 2.3. Theoretical model and research hypothesis

Based on the reviewed theory, factors such as financial benefits, bank image, service staff, and suggesting relatives are proposed to have positive influences on the decision of individual customers to choose a loan bank.

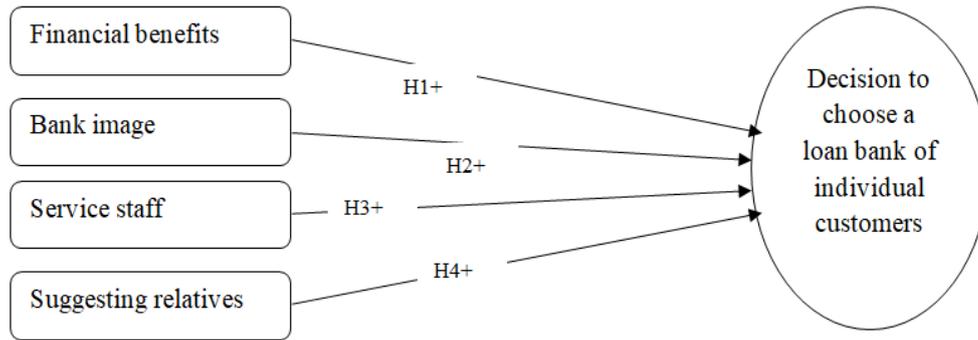


Figure 1. Proposed research model

III. RESEARCH METHODS

The group interview method is carried out in qualitative research, collecting opinions from 11 customers who are having loans at the Bank. The qualitative research method is conducted with the goal of testing if the theoretical model suit the research context, supplementing and modifying the scale accordingly.

Preliminary study (n = 60): Preliminary research sample was performed by preliminary analysis through Cronbach's alpha coefficient and EFA discovery factor to evaluate the convergent and discriminant value of the scale. Observable variables that are not qualified in this step will not be used in later steps and the remaining variables will be used at the official quantification stage.

Formal research (N = 210): The main topic is surveyed by the official research questionnaire. The scales will be

evaluated through Cronbach's Alpha coefficient and EFA analysis, CFA analysis. Next, in order to test the proposed research hypotheses, the study used the analysis of linear structural model (SEM).

IV. RESEARCH RESULTS

The results of testing the theoretical model and basic research hypothesis are presented. The theoretical model has 109 degrees of freedom. SEM results show that the model has a Chi-squared of 199,749 (p = 0.000). If adjusted for degrees of freedom with CMIN/df = 1.833 < 2, the other criteria are satisfactory: TLI = 0.943; CFI = 0.955; RMSEA = 0.064. Thus, the SEM results show that the model is compatible with market data.

The estimated results of the (normalized) theoretical model are shown in Figure 2. These results show that hypotheses H1 to H4 are accepted at 99% confidence.

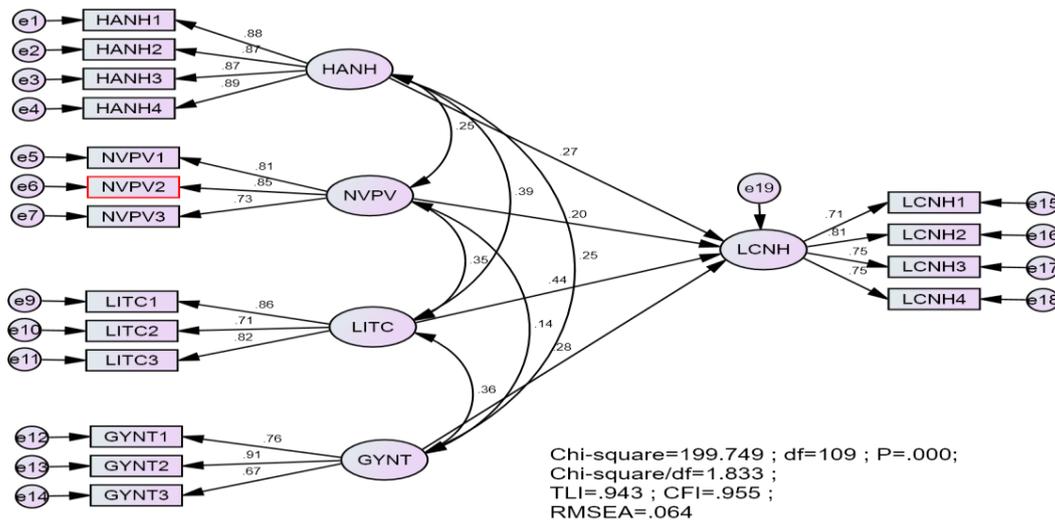


Figure 2. SEM results of theoretical (normalized) model

Table 1. SEM estimated results

Relationship			Estimated			C.R.	P
			B	S.E.	$\beta$		
LCNH	<---	HANH	0.281	0.066	0.269	4.281	***
LCNH	<---	NVPV	0.213	0.067	0.2	3.16	0.002
LCNH	<---	LITC	0.462	0.081	0.438	5.724	***
LCNH	<---	GYNT	0.388	0.091	0.276	4.273	***

The coefficient of determination of the estimated model ( $R^2 = 70\% > 50\%$ ) shows that the explanatory level of the model is strong. This shows the level of explanation of the independent variables to 70% of the variance of the individual customers' decision to choose a bank for a loan.

## V. CONCLUSION

After adjusting and supplementing, the scales are reliable and satisfy the allowable values. The research results show that the factors affecting the decision to choose a bank for a loan of individual customers at Sacombank Vung Tau branch include: (1) financial benefits, (2) bank image, (3) service staff, and (4) suggesting relatives.

Regarding the research method: The research results have added to the scale system of factors affecting the decision to choose a bank for a loan of individual customers in the world by adding a case in Vietnamese market. This will support applied researchers to conduct their researches in Vietnamese market.

Regarding research in the field of behavior: The results of the measurement model in this study contribute to support researchers in the field of behavioral science in general as well as in the field of human resources in particular. The scale applied in this study must be evaluated for their validity and reliability in different cases.

The test results show that the theoretical model fits the market data. The research hypotheses proposed in this study are accepted and have important implications for bank leaders and managers.

Finally, the theoretical model added to the theoretical system in the behavioral field. Researchers can refer to this research model for their researches in different fields of activity. In each different field, the relationship building is also different, therefore the new relating research models needed to be carefully tested, reviewed and constructed.

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