



Thai Nguyen University
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CREDIT RISK MANAGEMENT IN AGRIBANK – THAI NGUYEN PROVINCE

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APPROVAL SHEET

DEDICATION

**This piece of work is dedicated
To my wife and my children,
All the staffs of the
Agribank in Thai Nguyen Province**

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ABSTRACT

This study was conducted on the basis of practical reasoning combined with analysis of the status and operation characteristics of the Bank for Agriculture and Rural Development, Vietnam to build a strategy for credit risk management effectiveness, which proposed solutions and recommendations for improvement, improve credit risk management of the Bank for Agriculture and rural Development of Vietnam, contributing to the economic restructuring of agriculture and rural towards industrialization and modernization, promoting our country's economic integration and development.

The result will the present situation of credit risk in terms of bad debts, undue debts, overdue debts, debts requiring attention, under qualified debts, doubtful debts and frozen debts. as perceived by managers and staff of the Agribank, and from that, the researcher recommended the appropriate solutions to limit credit risk in effective ways in bank.

The findings of the study shows that with respect to “segment structure which contain the big risks”, respondents evaluated it with mean of 3.5 corresponding to level More Risky. The evaluated the item “Credits for industries” with highest mean of 3.6 corresponding to level More Risky and ranking first of all. They evaluated the item “Credits for service sector” with lowest mean of 3.2 corresponding to level Risky and ranking last of all. For overall assessment of both managers and staffs, they evaluated all items of ‘types of customers, which contain the big risks’ with mean of 3.4 corresponding to level More Risky. They evaluated the item “individuals” with mean of 3.6 corresponding to level More Risky and ranking first of all. They evaluated the item “Big companies and organizations “ with lowest mean

corresponding to level Risky and ranking last of all. For overall assessment of two groups of respondents, they evaluated all items of “not have guarantee properties” with mean of 3.1 corresponding to level Risky. They evaluated the item “Not have guarantee properties” highest mean of 3.6 corresponding to level More Risky and ranking first of all. While, the item “Have guarantee properties” was evaluated with lower mean corresponding to level Less Risky. With respect to “the account outstanding acc to time”, two groups of respondents evaluated short term credit with highest mean of 3.5 corresponding to level More Risky and ranking first. While, the item “medium and long term credit” received lower mean of 3.2 corresponding to level Risky and ranking last. With respect to overdue debts, both groups of managers and staffs evaluated all items of “overdue debt” with mean of 3.3 corresponding to level Risky. They gave highest mean of 4.3 for the item “Both principal and interest can be recovered partially” corresponding to level Most Risky and ranking first. While, the item “Both principal and interest can be recovered fully” was evaluated with lowest mean of 2.4 corresponding to level Less Risky and ranking last of all. With respect to undue debt, both groups of respondents evaluated “undue debt” with mean of 3.2 corresponding to level Risky. They evaluated the item “Customers are traditional borrowers” with highest mean of 3.5 corresponding to level More Risky and ranking first of all. They evaluated the item “It is easy to collect principle and interest” with lowest mean of 3.1 corresponding to level Risky and ranking last of all. With respect to “debt requiring attention”, two groups of respondents evaluated “debt requiring attention” with mean of 3.6 corresponding to level More Risky. They assessed the item “The interest rate is suitable for customers” with highest mean of 3.6 corresponding to level More Risky and ranking first. While, the item “The mechanism for this debt is so clear” received lower mean of 3.5 corresponding to rank

last. With respect to qualified debt two groups of respondents evaluated “qualified debt” with mean of 2.9 corresponding to level Risky. They evaluated the item “Able to pay the interest and principle at maturity” with highest mean of 3.6 corresponding to level More Risky and ranking first of all. The item “The interest is made free for customers” was evaluated with lowest mean of 1.7 corresponding to level Least Risky and ranking last of all. With respect to doubtful debt, all respondents evaluated the item “The bank controls closely this type of debt” with highest mean of 4.3 corresponding to level Most Risky and ranking first of all. While, they evaluated the item “Creditors do not carefully appraise the borrowers” with lowest mean of 3.5 corresponding to level More Risky and ranking last of all. With respect to frozen debt, two groups of respondents evaluated frozen debt with mean of 3.3 corresponding to level Risky. They evaluated the item “There are a lot of customers classified in frozen debt group” with highest mean of 3.6 corresponding to level More Risky and ranking first of all; and evaluated the item “The rate of frozen debt is too high” with lowest mean of 3.2 corresponding to level Risky and ranking last of all. With respect to “bad debt”, both groups of respondents evaluated the item “It is difficult to collect both interest and capital” with highest mean of 3.7 corresponding to level More Risky and ranking first of all. While, the item “The mortgage is hard to sell” was evaluated with lowest mean of 3.5 corresponding to level More Risky and ranking last. Considering all items of “bad debt”, they evaluated them with mean of 3.6 corresponding to level More Risky. With respect to items of subjective criteria, all respondents evaluated all items of subjective criteria with mean of 3.6 corresponding to level Frequent. They evaluated the item “Credit process follows the common regulations of State bank” with highest mean of 4.3 corresponding to level Always and ranking first. While, the item “The information quality in banking network and outside is good” was evaluated

with lowest mean of 2.8 corresponding to level Often and ranking last. With respect to objective criteria, both groups of respondents evaluated all items of objective criteria with mean of 3.7 corresponding to level Frequent. They evaluated the item “The political and legal environment is stable” with highest mean of 4.5 corresponding to level Always and ranking first of all. While, the item “The economic environment facilitates for both bank and customer” was evaluated with lowest mean of 3.1 corresponding to level Often and ranking last of all. With respect to the Credit activities aspects of Agribank Thai Nguyen in term of four aspects, both groups of respondents evaluated the Credit activities aspects of Agribank Thai Nguyen term of four aspects with mean of 3.3 corresponding to level Risky. They evaluated the item “Segment structure contain the big risks” with highest mean of 3.5 corresponding to level More Risky and ranking first of all. They gave lowest mean for “Based on the guarantee level, types of guarantee contain the big risks” with mean of 3.1 corresponding to level Risky. With respect to all items of Current status of debts, both groups of respondents, they evaluated all items with mean of 3.4 corresponding to level More Risky. They evaluated the item ‘doubtful debt’ with mean of 4.0 corresponding to level Risky and ranking first of all. They evaluated the item “under qualified debt” with lowest mean of 2.9 corresponding to level Risky and ranking last of all. With respect to two aspects affecting the risk management of credit, respondents evaluated them with mean of 3.7 corresponding to level More Risky. Two items were evaluated with a same mean of 3.7.

It is recommended that the research and define the appropriate types of credit for individuals. The bank should require guarantee properties for credits. The bank should pay more attention more on long – term and medium credits. Review procedure and conditions of them to manage and control in order to minimize risks of

credit. Review to define appropriate solutions to collect interest and capital. Review and find suitable solutions to recovery both principle and interest fully. Research to find suitable solutions to collect principle and interest. Review to produce clear mechanism for “debt requiring attention”. Review to decrease cost to improve the competitive ability of services. Creditors should carefully appraise the borrowers. Review to define exactly ability of borrowers before credits. Review to establish a good information network. Carefully manage segment structure; define exactly targeted customers. The bank should pay attention on both subjective criteria and objective criteria affecting on risk management of credit.

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