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Factors Affecting Individual Customers' Loan Decision: A Case Study of LienVietPost Joint Stock Commercial Bank - Hue Branch

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Abstract

This study aims to identify the factors influencing individual customers' loan decisions at LienVietPost Joint Stock Commercial Bank (LPBank) – Hue Branch. It was designed with a sample size of 325 respondents, the study reveals that the independent variables—namely service quality, lending policies, loan interest rates, convenience, interpersonal influence, and bank reputation and image—as well as the customer's loan intention, exert direct and positive impacts on the dependent variable (individual loan decisions). Based on these empirical findings, the author proposes targeted managerial implications to enhance credit service delivery, thereby retaining existing clients and effectively expanding LPBank Hue's individual customer base.

Keywords: *Convenience, interest rate, lending policy, reputation, image.*

1. Introduction

In the current years, the banking sector plays a pivotal role in the overall development of Vietnam's economy. Credit lending operations at Joint Stock Commercial Banks (JSCBs) serve not only as a traditional cornerstone but also account for a substantial proportion of their asset structure and revenue streams. Amidst shifts in the political-economic environment, achieving credit growth presents a significant challenge for domestic JSCBs. Individual customer segments—particularly those with stable, middle-to-high incomes—are recognized as a critical driver in banks' retail strategies. This expanding market has also seen the active participation of non-bank financial companies, intensifying competition within the credit lending sector. Consequently, individual consumers have become increasingly discerning and cautious in their borrowing decisions. This research aims to clearly identify customer expectations when applying for bank loans, with a particular focus on determining the key determinants driving their financial choices. Based on these empirical findings, actionable managerial implications are proposed to retain loyal clients and effectively attract prospective customer segments.

2. Theories and research model

2.1 Theories

2.1.1. TRA model

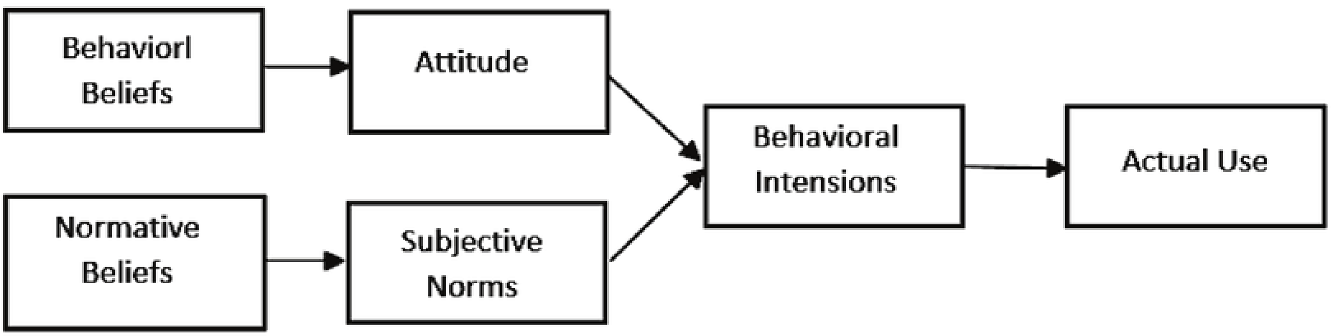


Figure 1. Theory of Reasoned Action (TRA) of Ajzen and Fishbein's (1975)

2.1.2. TPB model

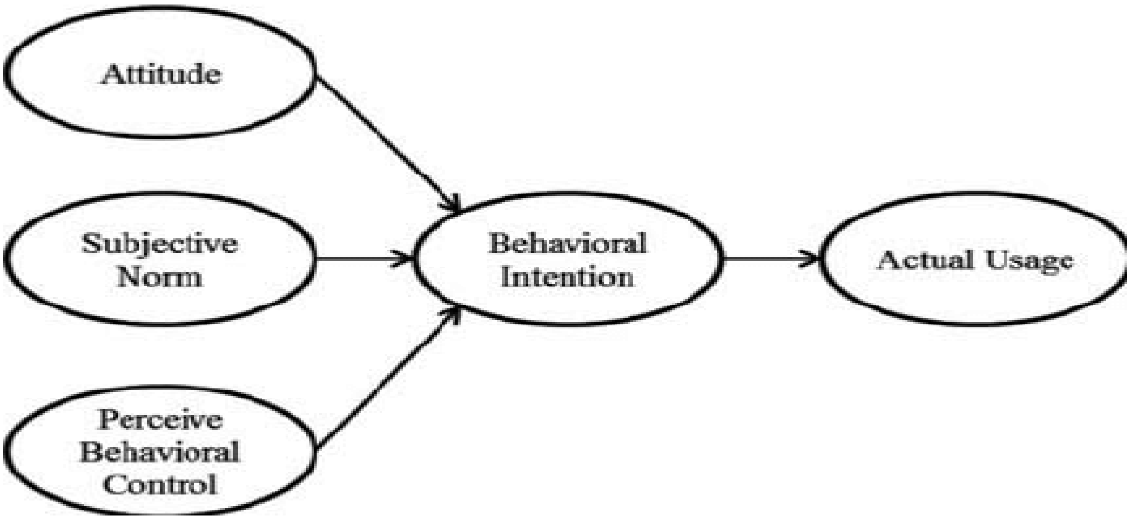


Figure 2. Theory of planned behavior

2.1.3. TAM model

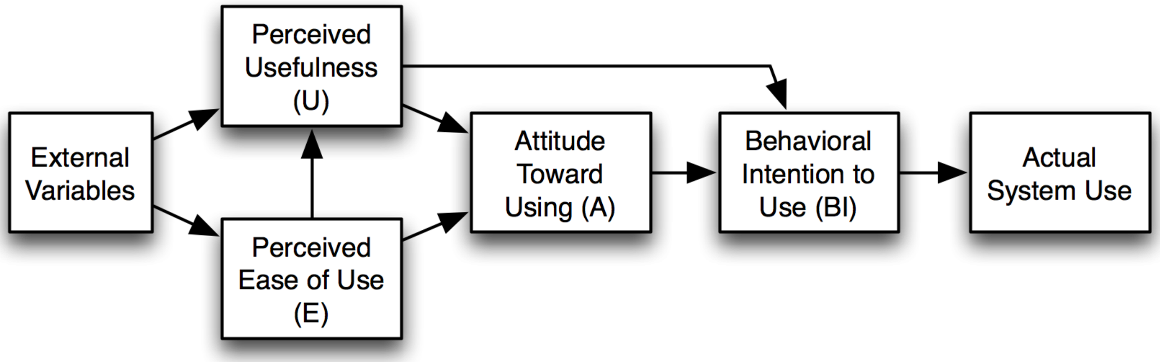


Figure 3. Technology acceptance model

2.2. Research model

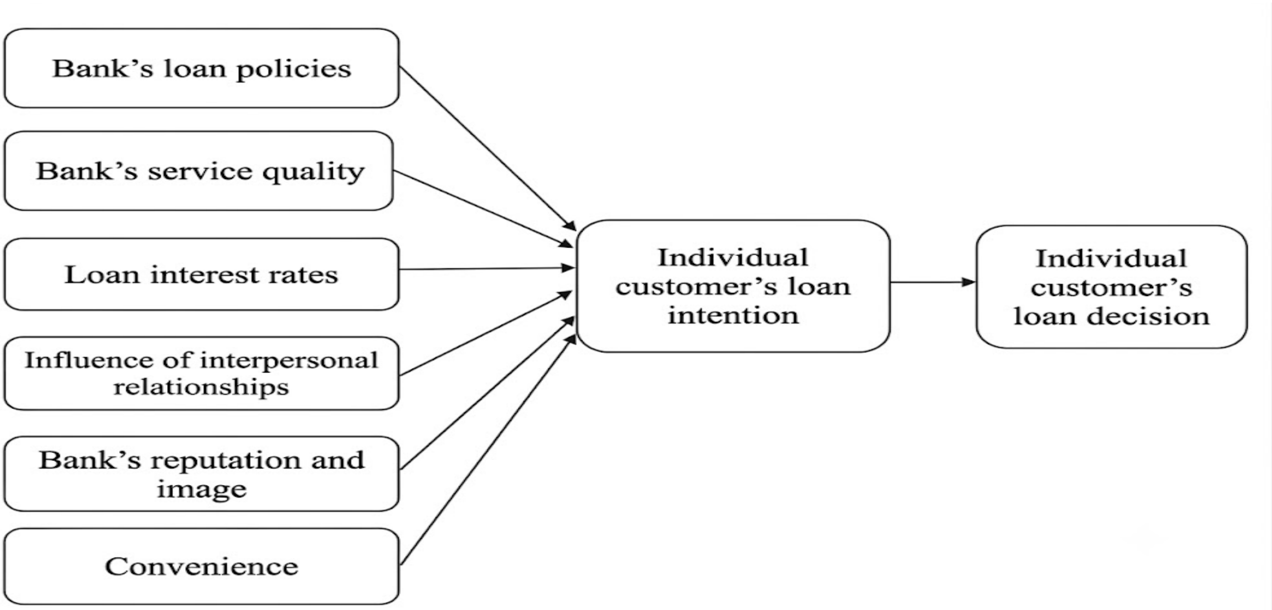


Figure 4. Research model

3. Method

This study employs a mixed-methods approach, combining both qualitative and quantitative research methods. A preliminary study was conducted by reviewing theoretical frameworks and measurement scales from prior literature to develop the initial research model. Following this, in-depth interviews were carried out with bank staff, prospective borrowers, and current credit customers at LPBank. The insights gained from this preliminary research served as the foundation for refining and finalizing the official questionnaire. The finalized questionnaire was administered to a sample size of over 250 respondents. The survey was distributed to target customers via Google Forms. Subsequently, the collected data was analyzed using SPSS and AMOS software to evaluate the reliability and validity of the measurement scales, as well as to test the structural model and hypotheses.

4. Results

4.1. Cronbach's Alpha

Kết quả xử lý cho thấy hệ số Cronbach alpha của các thang đo là khá tốt, hệ số đều đạt điều kiện lớn hơn 0.6. Hệ số tương quan biến tổng của các biến quan sát có hệ số lớn hơn 0.4 .

4.2. Exploratory Factor Analysis

Table 1. Rotate matrix of independent variables

Rotated Component Matrix[a]								
	Component							
	1	2	3	4	5	6	7	8
QH3	,903							
QH2	,876							
QH1	,872							
QH4	,790							
HA2		,874						
HA3		,870						
HA1		,846						
HA4		,838						
TT3			,838					
TT4			,828					
TT2			,797					
TT1			,783					
CL3				,822				
CL1				,814				
CL2				,814				
CL4				,805				
LS3					,832			
LS2					,795			
LS4					,775			
LS1					,761			
CS3						,812		
CS2						,783		
CS1						,762		
YD3							,908	
YD2							,893	
YD1							,877	
QD3								,879
QD2								,874
QD1								,845

4.3. Confirmatory Factor Analysis

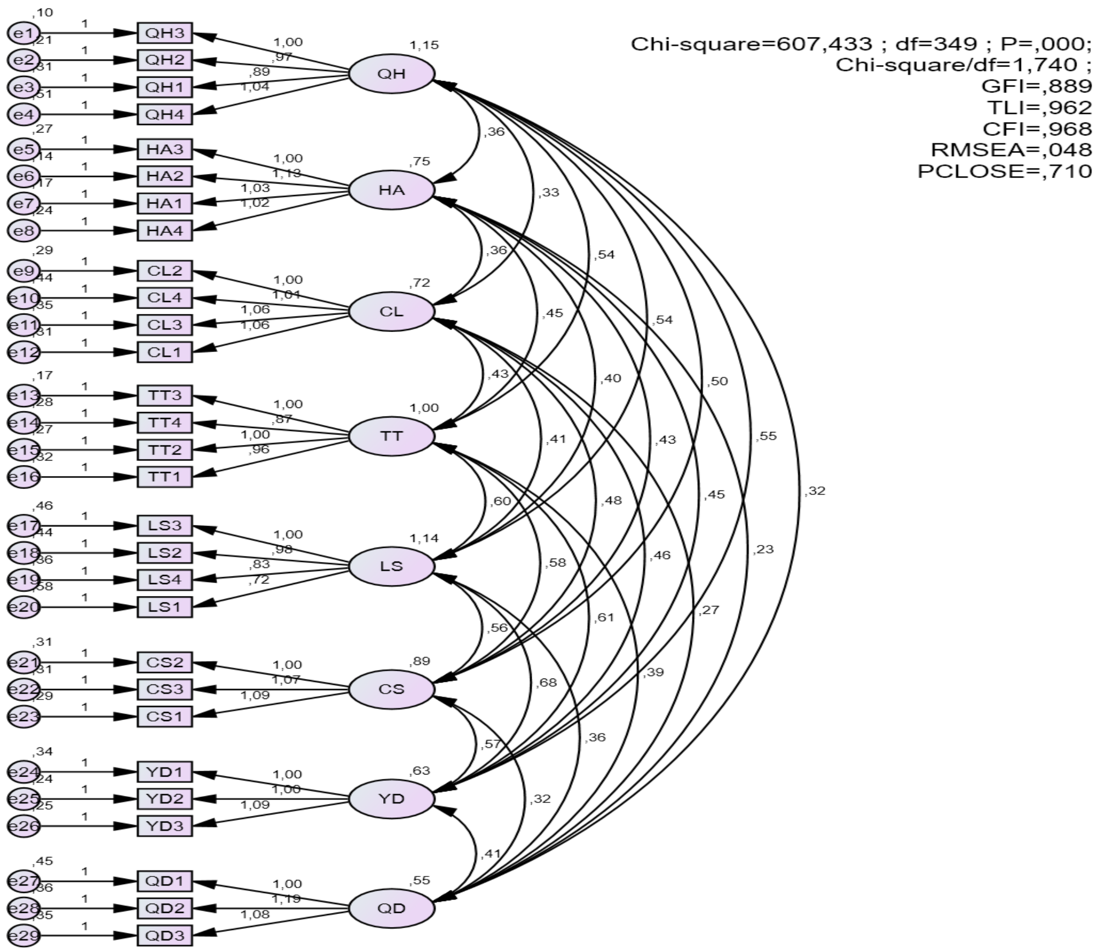
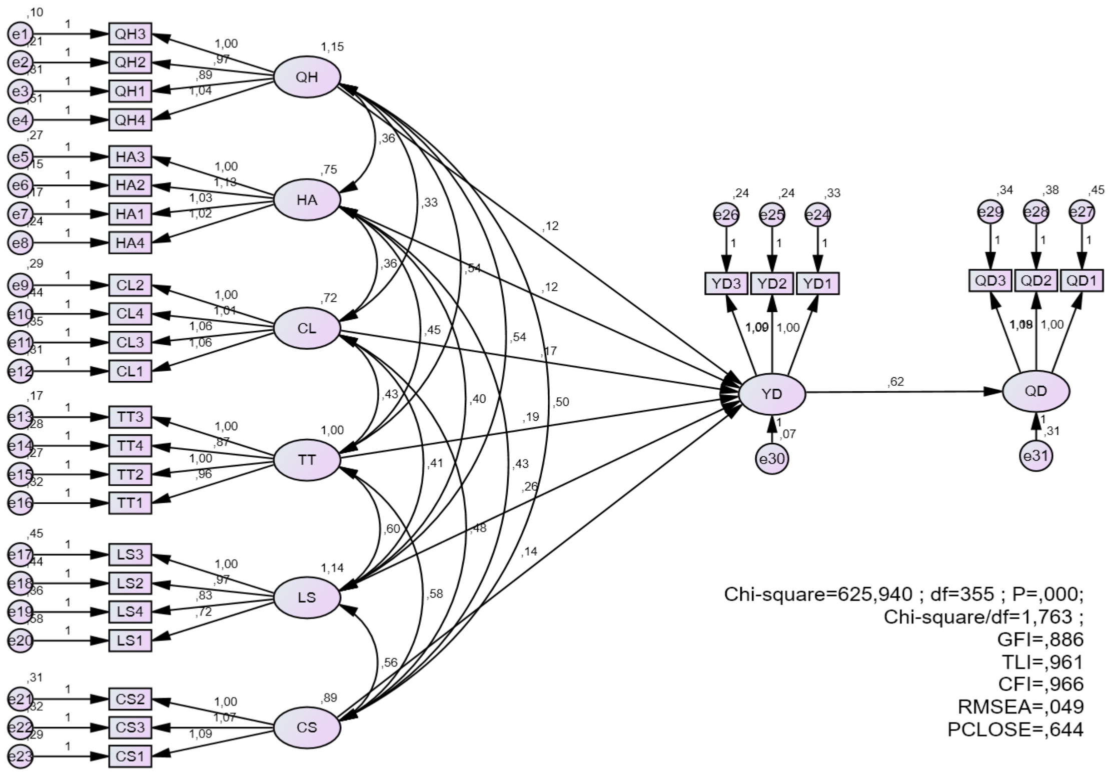


Figure 5. CFA model result

4.4. SEM



5. Conclusion

The research results indicate that the model comprises six independent factors (Loan interest rates, service quality, bank's policies, convenience, relational influence, and reputation and image and one mediating factor (loan intention). Based on these findings, the study proposes five core groups of managerial implications to enhance the competitive advantage of LPBank - Hue branch. Regarding service quality, the bank should optimize user experience on its website and mobile application, ensure absolute transparency across all digital forms and financial data, and provide continuous training to enhance staff professionalism and attitude. Second, concerning Bank's policies, implementing automated credit scoring and document approval software is key to streamlining procedures. Additionally, the bank should pioneer the adoption of blockchain technology to secure customer data, while launching financial management consulting and repayment planning programs for first-time borrowers. Concurrently, to maximize convenience, LPBank Hue needs to develop automated online principal and interest payment features, expand its micro-branch network to suburban and remote areas, and maintain a 24/7 support channel. To effectively leverage relational influence, the bank should strengthen its loyalty programs through holiday and birthday gifting, alongside designing attractive interest rate incentives for both existing clients and their referrals. Finally, to solidify its reputation and image, the bank should actively engage in corporate social responsibility initiatives such as environmental protection and school-based financial literacy programs redesign transaction spaces ergonomically, and strictly enforce professional ethics among staff to ensure maximum protection of customer interests.

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