Using TPB Model to Explore Drivers of & Barriers to Intention for Consumer Loan from Official Financial Institutions

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ABSTRACT

Consumer loans are generally understood as small loans for individual clients for personal and household consumption. This type of credit is perceived as bringing practical benefits to both the people and the economy. However, many people are still reluctant to borrow from official financial institutions (from hereafter referred as OFIs), but rather keep borrowing habits of relatives or informal ones, such as pawnshops, or illegal credit. This study was conducted to understand attitudes, drivers of borrowing intentions and barriers to borrow from OFIs of Vietnamese people.

This research is based on the theoretical framework of the Theory of Planned Behaviour, which identifies the initial basements about motivational or impeding elements of borrowing from the OFIs. Then, we interviewed some of the consumers to supplement and clarify the factors included in the final survey. Factor analysis and linear regression model's method has been used for primary data processing. The results show that the most important elements that motivate the borrowing behaviour from the OFIs include lending policies and the proximity/friendliness of providers; the most obstructive factor is the knowledge of the borrowers about the financial products. In addition, it is showed that the viewpoint of people's borrowing has shifted, from an inherent perspective "using by one shelf’s ability" to "borrowing to spend first"
and then paying later”. Based on the results of the study, several policies and strategic implications for managers and financial institutions have been proposed.

**Keywords:** Institutions, Official Financial, and Consumer Loan.

**INTRODUCTION**

Consumer loans, as they are commonly understood, are considered personal loans for the purpose of purchasing non-investment goods and services, often without collateral. Popular consumer loan products in Vietnam nowadays include credit card loans, personal account overdrafts, short-term cash loans, installment loans (vehicles, machines, cars, household appliances, personal equipment, excluding long-term loans to buy housing), debt recognition, educational and medical loans, loans of cultural/sports–travel activities, pawn and fast cash loans. Loans providers are comprised of two main groups: (1) official financial institutions, which are officially registered and licensed in the financial sector, including banks, consumer finance companies, Fin-tech companies, financial firms affiliated to big corporations (insurance, automobile, petrol, retail, etc.); (2) unofficial financial institutions, which are unregistered or non-licensed entities or individuals, including pawnshops, usury, people with temporary idle money.

The consumer credit market, if developed properly, will bring many practical benefits for people and society, including the three biggest benefits:

(1) People, especially low-income people, will have the opportunity to improve their quality of life, thus having the opportunity to work and develop themselves better. In addition, when borrowing, they also have the motivation to work to pay debt, thereby reducing waste and social evils.

(2) Consumer loan is an important stimulus for procurement and supports the growth of retail trade, thus maintaining productivity and creating employment opportunities for many people and becoming the motivation for economic growth of the country.

(3) Accessing to formal credit also reduces the need for informal credit, especially black credit; thus, contributing to stabilize social life.

The official consumer lending market in Vietnam has been operating since the 1990s, with the participation of commercial banks. But the first consumer finance company entered the market in 2007, and since 2008, after Decree 81/2008/ND-CP issued on July 29th, 2008, this market has
really grown. For the period from 2007 to 2016, total outstanding loans for consumer lending in Vietnam grew at an average rate of 18-20% per annum. However, outstanding loans for consumer loans are still relatively modest, accounting for only 6.5% of GDP, while those in other countries in the region (such as China, India ...) are usually around 17-18% and in developed countries can be up to 40%.

Financial experts said that the consumer finance market in Vietnam has many favorable conditions for development, including: (1) large population (93 million people) with more than 60% of working age with high demand for shopping and consumption, (2) Vietnam’s economy is growing steadily, per capita income is rising year by year, (3) Vietnam’s retail sector has strongly developed for many years, with the participation of many domestic and foreign corporations, (4) consumer lending stimulus policies of formal consumer credit organizations, (5) instead of saving, the lives of young people have gradually shifted towards materialistic lifestyles; (6) young people are increasingly independent in their lives and finances; without depending on their parents as before. Experts also commented that, despite such favorable conditions, Vietnam's consumer finance market has not been able to break through, due to a number of barriers hindering development, the most important of these are (1) the habitual consumption of saving money of Vietnamese people, especially in the North, can't be changed immediately, (2) the inherent perspective "using by one shelf's ability", borrowing money to spend is a humiliation, poor, as the phrase "eating before and paying later are more painful", (3) lack of financial knowledge of majority of Vietnamese people makes them afraid to contact OFIs, so if they have to borrow, they will borrow from their relatives or unofficial credit or illegal credit.

In such a context, it is essential to have a study on consumer loan needs and behaviors, which will help policy makers and other relevant institutions make informed decisions. Because this field is quite new so in Vietnam there are not many researchers who are interested in implementing. In the published scientific database, there is only a number of dissertations and research topics were conducted at some commercial banks, learn about the needs of their customers for consumer loans due to that bank provides.

This research was conducted to understand the factors that influence consumer loan intentions from OFIs in Vietnam, as well as the factors that prevent them from implementing this behavior. The research questions are asked:

(1) If there is a need to borrow for consumption, which first source of loans does the Vietnamese people often think to?
(2) What reasons do they want or intend to borrow from an official institution? How do they know and think from borrowing from an OFI? How do the friends or relatives affect this intention? What do they think the advantages when borrowing from the official organizations over the unofficial ones?

(3) What are barriers or obstacles that preventing them from borrowing from a OFI, (instead borrowing from relatives or using illegal credit ...)? How do the friends or relatives affect this intention?

THEORETICAL FRAMEWORK

In response to the questions posed, we selected the model of TPB - Theory of Planned Behavior (Ajzen, 1991) to perform this study. This model is derived from the original model of Theory of Reasonable Action - TRA (Ajzen & Fishbein, 1980), It shows the intention to perform an individual's behavior towards a subject closely related to the individual's attitudes toward subject and individual thinking about the attitudes of those around him when an individual performs that behavior - that the author calls “subjective norms”. Compared with TRA, the TPB model has been added one component to explain better the intention of the behavior, which is the individual's perception of the difficulties and advantages of doing this behavior, that called “Perceived Behavioral Control”. If the individual is more attentive to the behavior, the more likely he or she is to support the behavior, and the more likely it is that implementing behavior is favorable, then the more likely he is to have trending or intention to perform that behavior. On the other hand, if the individual does not have a good attitude, thinks that doing the behavior is difficult and that the people around him does not support him doing this behavior, then he will tend not to do it.

Figure 1. The theoretical model of TPB (Theory of Planned Behavior)

(Source: Aizen, 1991)
In the TPB model, *Behavioral beliefs* or attitude toward the behavior can be understood as beliefs about the likely consequences of the behavior. Behavioral beliefs make a favorable or unfavorable attitude toward the behavior. It measures the degree to which a person has a negative or positive evaluation toward his/her performance of the behavior.

*Normative beliefs* or subject norm or can be understood as beliefs about the normative expectations of others. Normative beliefs are resulted from perceiving social pressure. There are both positive and negative social pressure on the behavior. Normative beliefs refer to what individuals believe other key people in their lives think about whether or not the individual should perform the behavior or think negatively or positively about the individual's behavior.

*Control beliefs* or perceived behavioral control can be understood as beliefs about the presence of factors that may facilitate or impede performance of the behavior. Control beliefs make behavioral control increased. Perceived Behavioral Control refers to people's perceptions of whether or not they can perform that specific behavior and how easy it is to perform.

*Behavioral intention* can be understood as the person's willingness to perform a given behavior or action. Behavioral intention is considered as the immediate antecedent of behavior. The behavior intension is leaded by behavioral beliefs, normative beliefs and control beliefs.

From its inception, TPB has been widely used to predict intentions of human behavior in a variety of areas, from social behaviors (such as safe sex or unsafe sex, smoking, etc.), behaviors of protecting health and medical care, to economic or consumer behaviors. For example, the study conducted by Gaston Godin and Gerjo Kok in 1996 on individual health care behavior, concluded that “The efficiency of the model seems to be quite good for explaining intention, perceived behavioral control being as important as attitude across health-related behavior categories”. Researchers have been applying the model in two main ways. The first approach is direct measurement of the factors and hence the predictability of the individual's ability to perform the behavior. The other is to examine the impact of additional variables, which may account for variance left unexplained by the TPB (Chudry, 2011). With this approach, researchers can add certain factors to their research model, depending on the case study, then measure the variation explained by the TPB and the part explained by these additional factors.
METHODOLOGY

Data collection

This study was conducted with the following steps:

(1) Finding out domestic and international studies on TPB scales and TPB scales in the field of credit finance in general and consumer lending in particular. From there, building the theoretical scales of the factors that influence the intention of consumer loans from OFIs.

(2) Finding out the reports of consumer lending market in Vietnam to add items to the scale.

(3) In-depth interviews with number of consumers to further supplement the items of the scale.

(4) Discussing with experts in the field of finance and credit in Vietnam to make preliminary adjustments to the items of the scale.

(5) Building a survey questionnaire and firstly piloting with 35 respondents. Inputting data, checking the reliability of the scale by counting correlation coefficient and Cronbach Alpha. Eliminating the items that have low corrected item – total correlation, so that items that measure the same factor of TPB have a Cronbach Alpha coefficient of at least 0.7. Simultaneously, also adjusting the words of the questionnaire for easy to understand, reasonably and accurately reflect the content to measure.

(6) Discussing back to experts and making final adjustments to the official survey questionnaire.

(7) Do survey in three locations: Ha Noi city, Hai Phong city and Phu Tho province. These are the three typical provinces of northern Vietnam in terms of economic, geographic, social and cultural conditions. The subjects of the survey were defined as people in the age of 18 - 60 (the age allowed to borrow consumption from the OFIs), with the average household income of more than 3 million VND (this is the minimum level of income to satisfy the borrowing conditions of the OFIs according to the income classifications in Vietnam). Due to the scope of the study, only refers to consumer lending behavior, which does not include the form of borrowing capital to develop production/business with individual household size, or forms of assisting capital for humanitarian/social purposes (these are popular forms of lending in Vietnam, but not the subject of research).

The sampling procedure is as follows:
- In each selected area, using published statistics to calculate the population in the age of 18-60 (N).
- Put the number N into the formula of counting sample:
\[ n = \frac{N z^2 \sigma^2}{N \varepsilon_x^2 + z^2 \sigma^2} \]

In which: \( z \) is coefficient of confidence. With the expectation of survey gaining 95\%, the corresponding \( z \) is 1.96. Sigma squared (\( \sigma^2 \)): variance (squared of standard deviation). For studies using the 5-level Likert scale, the standard deviation is generally in the range of 1.2-2.0. This study takes a maximum value of 2.0. (\( \varepsilon_x \)) is the sampling error in the average estimation measure. With a scale of about 5 levels, the desired estimation from the sample is not 5\% deviation, equivalent to \( \varepsilon_x = 0.25 \). From that, we can calculate the minimum number of sample units needed for each province.

- Adjusting the number of sample units according to the proportion of consumer loans of the localities in the general contribution of the results of consumer loans throughout the country. The final sample sizes are: (1) Ha Noi - 393 people, (2) Phu Tho - 139 people, (3) Hai Phong - 139 people.

- Calculating the sample size percentage of each area according to the actual occupational structure in each locality, with the following sectors: students, business households, officers, workers, farmers and freelance occupations. Data in the following table:

<table>
<thead>
<tr>
<th>Locality</th>
<th>Students (% sample)</th>
<th>Business households (% sample)</th>
<th>Officers (% sample)</th>
<th>Workers (% sample)</th>
<th>Farmers (% sample)</th>
<th>Freelance occupations (% sample)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ha Noi</td>
<td>9.2</td>
<td>8.8</td>
<td>27.6</td>
<td>22.6</td>
<td>21.6</td>
<td>10.3</td>
<td>100%</td>
</tr>
<tr>
<td>Phu Tho</td>
<td>1.3</td>
<td>7.9</td>
<td>16.6</td>
<td>12.2</td>
<td>53.8</td>
<td>8.2</td>
<td>100%</td>
</tr>
<tr>
<td>Hai Phong</td>
<td>2.0</td>
<td>7.3</td>
<td>27.6</td>
<td>22.6</td>
<td>21.6</td>
<td>18.9</td>
<td>100%</td>
</tr>
</tbody>
</table>

- The method of sampling is nonprobability sampling; members of the sample are selected in a convenient manner. The sample was also stratified between people who have never borrowed and have borrowed from the OFIs approximate to 0.65 and 0.35 – according to the financial market report.
(8) Data entry and processing: using SPSS software.

**Scales, Items, and Measurements**

Scales have been included in the formal survey questionnaire are summarized in the following diagram:

![Figure 2. The conceptual TPB model of the study](image)

The questionnaire used the Likert scale with 5 levels of agreement, from 1 - totally disagree to 5 - completely agree with the statements given, in which each statement expressed an item. Seven decomposed beliefs – relative advantage, compatibility, social benefits, reference group’s attitude (normative influence), self – perception, efficacy and facility – were adapted from Ya-Yueh Shih and Kwoting Fang (2004) and Chudry, F., Foxall, G. and Pallister, J. (2011). Items from previous studies were modified for adaptation to the Vietnamese context. In addition, a number of items have also been added based on market research reports, according to expert opinion and based on in-depth interviews with respondents in 2nd, 3rd, 4th steps of the research process as presented above (Details of items and basements for construction are shown in Appendix 1).

**RESULTS AND DISCUSSION**

The sample, the proportion of people who used to borrow from an OFI versus not used to do it is 37.5% and 62.5%, equivalent to 252 and 419 persons.

Table 1 is the result of the reasons why those don’t borrow. The table 2 is the viewpoints of borrowing of the people who have never borrowed from both OFIs or unOFIs.
Table 1: reason of not borrowing

<table>
<thead>
<tr>
<th>The reasons why you do not or have not borrowed from OFIs (the most important one)</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (person)</td>
<td>Proportion (%)</td>
</tr>
<tr>
<td>There is no special consumer demand</td>
<td>188</td>
</tr>
<tr>
<td>There is no need to borrow money when having assured financial source</td>
<td>42</td>
</tr>
<tr>
<td>Do not know which organization lends</td>
<td>13</td>
</tr>
<tr>
<td>Be afraid of difficult loan conditions</td>
<td>41</td>
</tr>
<tr>
<td>Not clear about the loan products</td>
<td>27</td>
</tr>
<tr>
<td>Do not want to owe</td>
<td>62</td>
</tr>
<tr>
<td>Be afraid of making loan procedures</td>
<td>32</td>
</tr>
<tr>
<td>Be afraid of travelling and collision</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>419</strong></td>
</tr>
</tbody>
</table>

Table 2: viewpoints toward consumer loans

<table>
<thead>
<tr>
<th>The viewpoints of borrowing of people who have never borrowed</th>
<th>Frequency</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am willing to borrow to buy something I like</td>
<td>8</td>
<td>2.6</td>
</tr>
<tr>
<td>I accept the loan if necessary</td>
<td>145</td>
<td>45.2</td>
</tr>
<tr>
<td>I will reduce consumption rather than borrow</td>
<td>31</td>
<td>9.8</td>
</tr>
<tr>
<td>I only accept loans in the case of reluctant</td>
<td>83</td>
<td>25.9</td>
</tr>
<tr>
<td>I only purchase if it’s my money</td>
<td>21</td>
<td>6.6</td>
</tr>
<tr>
<td>I never want to be in debt for too much risk and trouble</td>
<td>32</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>320</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

As shown in the table 2, the analysis of 320 people who have never used consumer loans (47.8% of the sample) also shows that of people who have never borrowed have a relatively open lending perspective. That is, they are willing or accept to borrow for consumption if they find it necessary; while 25.9% have a stiffer view of borrowing when they do not want to borrow unless it is a very reluctant case. Only a very small number of people still
hold a conservative view, meaning that they do not consume more than they borrow.

The result of Reliability Analysis, Correlation Analysis, Factor Analysis, see detail in the Appendix.

**DISCUSSION**

The results show the following important implications:

- The research variables are closely related to each other, which suggests that the proposed model is reasonable.
- Among the factors that are considered to be responsible for formalizing borrowing behavior intentions of OFIs, the belief element about the social benefits from this behavior is a factor that closely related to behavior.
- The result of exploratory factor analysis indicates that for those who have borrowed from the OFI and are willing to continue to borrow from OFIs, there are four groups of factors that influence their intention, including:
  - Perception of functional benefits of formal lending institutions, including such factors as policies, procedures, asset security, support services...
  - Perceptions of social benefits, including feeling more civilized, not bothering others, being more in line with civilized lifestyles, and more appreciated by the people than when borrowings from unofficial institutions ...
  - The factors that create a sense of convenience, including convenient transaction points, are easy access.
  - Factors that create a sense of intimacy to the customer, including the elements of the relatives working in the organization or friend or acquaintance introduced, as well as borrowing from the organization to bring a comfortable and easy experience.
  - In these four groups of factors, the cognitive element of social benefits is the group that most strongly influences the consumer organization's willingness to borrow, as indicated in the regression model. Next are the elements that create a sense of intimacy and proximity to customers.
- For those who have borrowed but do not borrow from OFIs, and also do not intend to continue to borrow from OFIs, the results of the EFA analysis said, there are 4 groups of factors affecting their intention, including:
  
  - **Group 1**: Factors related to the lack of understanding of financial borrowing, including lack of understanding of loan procedures and conditions, no bank account, lack of legal knowledge, because the information of borrowing policy is complicated and confusing and lack of legal conditions to borrow. This group also includes factors related to anxiety of lacking confidence when dealing with OFIs.
  
  - **Group 2**: Factors related to apprehension about the process, procedures, papers; including complicated loan procedures, long loan processing time, because employees are not friendly, enthusiasm, the policy is not flexible, and there is no collateral.
  
  - **Group 3**: Factors related to the existence and dissemination of the organization in the area, including because of no lending organization in the local area, they do not know which organization to lend, and the traffic is not favorable.
  
  - **Group 4**: The impact of the subjective norm, including the reasons for relatives who advice not to borrow there, the notion that loans from relatives are helping each other, borrowing from relatives will help develop social relationships better...

In these four groups of factors, the most significant constraint to OFI’s lending is group 1, that is the lack of financial understanding leading to worry that not dare to deal with these organizations.

In addition, the results of the survey show that the views of Vietnamese people today have become quite open with borrowing for consumption. Unlike the persistent viewpoint of "eating before and paying later are more painful", the quantitative results show that the attitude of borrowing has become very comfortable, even they are willing to borrow to buy things they like. However, they do not have to borrow because they do not realize or know what consumer needs are necessary or interested. Although this is an additional result that is not part of the research objective of the project, it will also help to see consumer behavior of Vietnamese people more clearly.

**CONCLUSION AND RECOMMENDATIONS**

The results of the study show that the TPB model is appropriate to explain the factors that influence the intentions of Vietnamese people to borrow or not to borrow consumer loans from official credit institutions.
Quantitative surveys show that there is enough statistical evidence to suggest that:

- The important factors that have a favorable impact on the intention of consumer loans from OFIs, ranked in descending order of influence, are: (1) perception of social benefits of formal lending institutions over informal sector; (2) OFIs creates a sense of friendliness, closeness, trust for customers; (3) perception of functional benefits of formal lending institutions; (4) the convenience of borrowing from the official organization.

- Factors that impede the intention to borrow from a OFI (i.e., when there is a need for consumer loans, people intend to borrow from in OFIs), ranked in descending order of influence are: (1) financial ignorance of the people; (2) complicated procedures; (3) no OFI available at locality; (4) the influence of the surrounding people and the self-concept of the people.

- The viewpoint of consumer loans of Vietnamese people is becoming more open, they are more willing to borrow for consumption before they can afford it.

With these conclusions, we have some suggestions:

- Technically, the TPB model is still recommended to find the factors that influence the intention to perform the behavior.

- Practically, in order to develop the consumer lending market, it is necessary to enhance on training the personal financial knowledge for Vietnamese people and to make it more accessible. To do this, it is possible to think of introducing it in schools, with lessons in financial planning and personal financial management from the grassroots level. In addition, it is necessary to strengthen communication activities that link consumer lending with a civilized, progressive lifestyle in which people can be proactive in finance and not bother others.

- Formal consumer lending organizations can build a brand based on the emotional element of the service experience and communication activities associated with a civilized lifestyle, maintaining a friendly image of yourself. In addition, the research should be done to make financial services more legible and accessible.

- In order to stimulate the demand for consumer loans and consumption, it is necessary for people to have more exposure to new products, new technologies and new lifestyles so that they
can shape their desire to consume new products and they are willing to borrow to buy products.

Due to the limited scope of the conference paper, this study has some limitations:
- Cross-analysis has not been conducted to find differences among consumer groups varying in age, perception, occupation or gender.
- Do not apply the original TPB model proposed by the authors, so there is not enough basis to use this study if it is to be expected that if a person has attitude, subjective norm and perceived behavioral control, what will he intend to do with the borrowing or non-borrowing of the official organization

These restrictions will be overcome by us in the next study, if given the opportunity. Finally, we give our sincere thanks to our colleagues, experts and students who helped us with this research. And special thanks to readers for your interest!

REFERENCES


