

Payment Through Bank

a Measure to Develop the Economy

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In spite of a lot of dramatic events of international level (terrorism, SARS, global competition, etc.) in 2003, Vietnam gained a high growth rate; 7.24% compared with 7.04% in 2002 while the inflation rate was kept at 3%. The monetary policy was flexible enough to cope with changes in the market, helping stabilize the economy and limit unfavorable effect from the outside, and supporting the effort to integrate the Vietnamese economy into the world community. To engage in the integration trend, the Vietnamese banking system as a whole and the community of commercial banks to be precise have made great efforts in recent years. According to the annual report by the SBV at the end of 2003, the total deposit in the whole banking system (five state-owned commercial banks, a bank for social purposes, 37 joint stock commercial banks, four joint venture banks, 27 branches of foreign banks, five finance companies, eight financial leasing companies, and the system of people's credit funds) was VND360,000 billion, increasing by 25.8% compared with the growth rate of 19.4% in 2002. Of this deposit, one in the domestic currency rose by 38.6% compared with the growth rate of 29.11% in 2002; and one in foreign exchange by 3.7% compared with 5.6% in 2002. The main reason for these growth rates was the increase in the interest rate in the domestic currency in 2003 in comparison with one on loans in foreign exchange. In addition, the exchange control was stable and most banks diversified their services and methods of mobilizing the idle money.

The use of cash and non-cash payment, however, is still a worry for authorities and the banking system. Up to the end of 2003, the cash payment still accounted for 22.03% of the total payment instrument. With a population of some 80 million people, only 750,000 card accounts were opened (330,000 of them, or 44%, was in HCMC). Thus, en-

couraging non-cash payment becomes an urgent task when Vietnam is trying to integrate into the world economy.

1. Benefits from transactions through banks

At present, to open a checking account at most banks is a very easy and fast practice. Customers are only required to fill some forms, give a model signature and produce their ID cards or certificates of their legal entities; and then deposit a minimum of VND500,000. And they become holders of checking accounts within minutes. Some banks also allow customers to open accounts through Internet.

With checking accounts, customers are provided with various instruments for non-cash payment, such as checkbook, cards or banker's order, and they could draw money from ATMs installed at public places. Their deposits also bear some interest when they are left unused. Recently, some banks have offered e-banking services in which customers could get necessary information through Internet or have banks make payments for them.

2. Shortcomings

In spite of various benefits, making payment through banks is not widespread as expected because of many reasons. The first one is the

deeply-rooted habit of using cash to pay loans. The second is the fact that the banking system isn't well computerized with the result that customers couldn't get banking services at any place. Other reasons are: the network of ATMs is not wide enough, and only some concerns accept cards instead of cash. In addition, the legal infrastructure for non-cash payment is not perfect; marketing departments of most banks don't work well; and support from related authorities for this service is still lacking.

Making large payments in cash leads to unnecessary costs for printing, storing, preserving or transporting; and other dangers, such as robbery, use of counterfeit money or money laundry.

3. Banking regulations

To deal with these shortcomings, the SBV has issued guidelines on the use of checks and is working out regulations about non-cash payment. They will serve as an encouragement to the non-cash payment. In addition, the project "Modernization of the Banking and Payment System" supported by the WB has been carried out and produced some encouraging results. In the first stage of the project, a program called "Electronically Interbank Payment System" was carried out in 40 banks as a pilot scheme, and it is now applied by some 200 bank branches all over the country. This system helps banks regulate flows of capital and make quicker payments, accelerates the speed of payment made through banks and reduces the volume of money in circulation.

4. A Conclusion

Non-cash payment ensures more safety for the business circle and lay people as well. To make this service more popular, banks should modernize both facilities and services, and at the same time, increase their working capital, retrain their staff and launch necessary marketing campaigns to introduce this service to potential customers. ■

