

MODERN BANKING SERVICES IN VIETNAM

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1. Affecting factors

- Socioeconomic developments (population, per capita income, etc.)

- Legal infrastructure (laws and subordinate legislation) for e-commerce is still lacking. Some regulations are not favorable for application of new technologies to the banking system.

- Technological infrastructure for banks, companies, and organizations is not uniform although the transmission network of the country has been upgraded recently. However, it hasn't become a national network and depends too much on investment by individual organizations, which causes problems for fast application of information technology. This situation makes it difficult to supply modern banking services and modernize the banking system.

- Service network of banks is not broad enough. Because of difference in size and operations, each bank has developed its own network. Some banks have only four or five branches in big cities while others run thousands of branches all over the country. That is why their investment and facilities are much different. Some banks can computerize their operation and offer services online while others do almost everything manually. Technologies and software they use are also different.

- In the banking system, human resource for the information technology is developed unevenly. Recruiting and training engineers in computer science is a difficult task. Finding a good candidate is hard but persuading them to work for the bank is much more difficult. In addition bank officials should be trained and re-trained to catch up with new technologies and this task requires much energy and money.



- Common level of education, habits and customs of residents also affect the use of modern banking services. One of the most common habits is to use cash in buying goods and services, which will be an obstacle to introduction of modern banking services to the community.

- Each bank has its own business plans and target customers, which will affect their decisions on introduction of their services.

2. Vietnamese socioeconomic life

- Vietnamese population has passed the 80-million mark, and some 80% of them are peasants with low personal income. The growth rate is high but Vietnam is still a poor country.

- The per capita income in Vietnam is some US\$400 a year.

- Legal capital of most banks is small, from US\$200 to 250 million. The bank with the biggest legal capital is only of the size of a small bank in the region.

- Banking services have just developed: The biggest number of

services offered by a bank is 36 and the smallest one is 3.

(1) Some modern services offered by banks:

- + Eight banks have established the online concentrated control of accounts.

- + 55 bank and 215 branches engaged in the inter-bank market.

- + 15 out of 48 banks have installed ATMs.

- + 17 out of 48 banks have issued domestic credit cards, and five of them have issued international cards.

- + 42 out of 48 banks have engaged in international payment service.

- + Three out of 48 banks gained growth rates from 350% to 520% in domestic payment in 2005 compared with 2003.

- + Three out of 48 banks gained growth rates from 100% to 134% in international payment compared with 2003.

(2) Data about ATMs, credit cards and personal accounts:

- ATMs: There are 1,107 ATMs now. According to the

plan, some 1,830 ATMs are installed in December 2005 and 6,325 ones in 2006-2010. Banks are busy with connecting these ATMs and other terminals with the data centers.

- Personal accounts: 6,201,000 personal accounts have been opened (5,399,000 in state-owned banks, 742,000 in joint stock banks and 59,000 in others.)

- Credit cards: Domestic cards issued up to May 30, 2005 were 1,103,000. It is expected that some 12,117,000 cards will be issued in 2006-2010. There are 122,000 international cards issued, and some 2,197,000 cards will be issued in 2006-2010. Data show that domestic cards increased faster than the international ones because they are common among students and workers in IPs. Up to April 30, 2005, VND11,480 billion have been paid through domestic cards and VND1,527 billion through international cards. However, most card users take money from banks by cards and then keep on paying in cash. They seldom transfer any money to other accounts.

Inter-bank electronic payment developed well. The system was originally designed in 2000 for seven commercial banks but 54 banks have taken part in this system up to now. The system deals with 10,000 - 18,000 transactions a day and it faces the danger of being overloaded in such big cities as HCMC and Hà Nội.

3. Predictions of growth rate

- Transactions rises by 31% a year and payment through banks by 24% a year. With such growth rate, the transaction will rise by 200% after two years and a half; and payment rises by 200% after three years and a half.

- Inter-bank electronic payment system will deal with 20,000 - 25,000 transactions; and VND10,000 - 15,000 billion a day.

- Number of ATMs will rise to 6.5 - 7.0 million units.

- Number of credit cards will be 13 - 15 million cards handling VND21- 25 billion.

- Total transactions will rise to somewhere between 8 and 15 million payments a day from some 3 million transactions in commercial banks today.

- Electronic services, such as Internet banking, E-banking, Telbanking, etc., will develop fast and become one of indispensable services to customers.

4. Main effects of new technologies

(1) Changes in organizational model: New technologies and modernization of banking services will force reform in bank organization. Some departments come into being while some others disappear. The management of a bank will depend more and more on information updated from the internet. Relations between superiors and subordinates will happen through the internet or intranet. Customers will use banking services through machines and the internet. The one-stop mechanism will save customers from waste of time and energy.

(2) Simpler operations: Automation of banking operations will simplify many handling processes and transactions with customers. Customers can use banking services at any time and

place and with any official. They can tell the bank to transfer money to any destination within the possibly shortest time without fulfilling such complicated procedures as what are applied today.

(3) Banks must ensure accuracy, safety and high speed for all transactions. They can achieve this aim when conducting transactions online.

(4) Sufficient, exact, and up-to-date information is an advantage that has never been achieved before, which can help banks manage their business better and gain higher performance.

(5) New technologies force bank officials to enhance their expertise and knowledge. Improvement in the quality of human resource will become a decisive factor for banks' survival and success. Failure to do so will make bank meet difficulties in their operations and competition against rivals.

(6) Modernization of the banking system, especially their settlement system, will help solve immobility of capital and shortage of cash caused by the poor settlement system in the past. Smooth circulation of capital will help organizations and individuals employ it more effectively, thereby gaining better business performance. ■



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