



# SOME OPINIONS ABOUT ISSUING PERSONAL CHECK

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**C**heck has come into being for decades in the world. It has been quickly accepted and become a means of non-cash payment all over the world. In 1994, an international convention on check was signed in Geneva by delegations from over 40 nations and it came into effect as of 1945. In developed countries today, although credit card come into com-

mon use but the importance attached to check is intact. In the 1990s, payment by check represented around 90% of transaction through banks in the US. This percentage in France was 30%, England 25%, Germany 20%...

In Vietnam, the people are strange to check and until now, it is used by government bodies and business only. The main causes of this situation are:

- Majority of people have a low personal income, so they have no big cash in hand.

- The banking system is in an early period of transition to the market mechanism, its way of doing business is cumbersome and backward compared with surrounding countries.

- There is a shortage of legal infrastructure and the people have got into the habit of using cash.

However, in these days, a minority of people

has got big income, foreign investment in Vietnam has increased along with the number of foreigners who live and work in Vietnam, many great sums of money are paid and received, so the need for check becomes great because it's inconvenient to make all payments by cash.

In addition, the banking system needs reformation and expanding the usage of non-cash payment means becomes one of its goals, so the opening of checking account, issuing and using personal check should be introduced to all walks of life.

Realizing this demand, the Governor of Vietnam State Bank promulgated decision No 160/QĐ-NH2 on August 19, 1993 regulating the opening of deposit accounts for private companies and persons. Until the third quarter of 1994, the Governor of VSB decided on a pilot scheme of issuing personal check in Hà Nội. After a preparatory period, from Nov 15, 1994, all state commercial banks, investment banks, some joint stock banks and joint venture banks officially issued personal checks and encourage the people to open personal checking account. Until the end of March, 1995, 7,750 checking accounts are opened with the total balance of







VND 44.5 billion. Although many big expenses have been spent but the number of issued personal check was small. There were 198 checks that were drawn and cashed with a total sum of VND 28,642 million, representing 5% of total payment of personal checking accounts. It could be considered as a good start in realizing a new plan of the VSB. After the pilot scheme carried out in Hà Nội, the VSB Governor has decided on issuing personal check in HCMC as from March 1995. It's too early to speak of the result of issuing personal check in this 4-million city. According to banking experts, HCMC has a big population, the market economy has developed rather well there, the HCMC people are sensitive to novelty, so this plan could produce greater result. Before receiving notice of this plan, commercial banks in HCMC have carried out the decision No 160/QĐ-NH2 to encourage the people to open personal checking account. In Exim Bank, over 2,000 accounts were

opened, in other banks (Vietcombank, Đông Á, Á Châu, Sài Gòn Công Thương, Sài Gòn Thương Tín, etc): from 500 to 700 accounts each. Đông Á Commercial Banks has started to pay some interest on checking account. Some other banks have issued checkbooks of their own. Upon learning about the new plan of the VSB Governor, these commercial banks issued personal checks unanimously in April, 1995. Following Hà Nội and HCMC other provinces will realize this plan.

This plan becomes an important program in the renovation process of the banking system in 1995. However, there are many problems should be solved in order to carry out this plan successfully:

- The publicity of this plan was poor and failed to attract public attention.

- This plan needs a lot of legal instruments such as decree and ordinance on check usage. Thus the National Assembly and the Government had better solve this problem as soon as possible. All businesses should be forced to open accounts at banks and observe all regulations on statistics-accounting business, and next all businesses should be forced to use checks for settling big payments.

- As for the banking system, although the interest rate of deposit has been raised recently, but in my view, in the period of transition, on deposit account the bank could pay a slightly higher rate of interest than on ordinary savings account with a view to encouraging private persons to open account at banks.

At the same time, it's worth discussing that whether the usage of banker's order should be developed or

not. In my opinion, it could be limited or even ended.

Renovating bank personnel's ways of doing business, increasing office hours and number of bank branches are also important factors in encouraging usage of personal check and opening checking account.

In doing business, commercial banks had better co-operate with other organizations in transferring income of customers to their accounts and paying by order of customers (paying for rent; telephone, gas, electric, water bills; insurance premium, etc).

Public opinion also interests in precautions against risk in issuing personal check. Experience of developed countries shows that regardless of modern technology, there is always the possibility of risk. Thus, when regulations on issuing check are made, this problem should be taken into consideration in order to make the people feel sure about using personal check.

Commercial banks had better supply free checkbooks to customers instead of selling them. Procedure for opening checking account, drawing and cashing check... should be made simple and suitable to international practices, and convenient for customers.

Popularizing the use of personal check is not only a commercial bank's want, but also a demand of many businesses, because the use of personal check will save them a lot of time and trouble in doing their business. Therefore we think that the banking system should try its best to solve these problems and put an end to demand for too much cash in economic activities ■