

Credit surplus in banks is only too true, both qualitatively and quantitatively. According to reports made by the State Bank, up to June 1996, VND2,870 billion were accumulated in commercial banks after putting aside required reserve and other legal reserves, 1,011 billion of which were in the Vietcombank; 909 billion in the Vietnam Bank for Industry and Commerce; 297 billion in the Vietnam Bank for Agriculture; 20.8 billion in the Eximbank, etc. Until recently, many banks have lowered lending rates: the Vietnam Bank for Industry and Commerce offered lending rate of 1.45% for short-term loans and 1.5% for medium-term ones. However, the credit surpluses were still big, and in certain banks, tended to rise (for example, VND1,600 billion worth of Treasury bills were repaid to the Vietnam Bank for Industry and Commerce). We had better restrain ourselves from discussing causes of credit surpluses here, and pay attention to solutions to this problem.

The public opinion is wondering why governmental investment projects, not to mention companies and family businesses falling short of qualities required by banks, keep on suffering shortages of fund while there were credit surpluses in commercial banks.

Many people argued that the lending rate was too high (from 18 to 20 percent a year for medium-term loans) to be accepted by government bodies carrying out investment projects, because it will take a long time for these projects to gain profits. However, this matter could be solved by issuing T-bills by tender.

Coming into being in mid-1995, the market for T-bills made the first bidding on June 10, 1995. Other four ones were held last year issuing VND243.6 billion worth of bills. The interest rate was reduced from 18% to 17.2% a year, whereas the Treasury issued its bills directly, the interest rate rose to 20 or 21% a year.

In 1996, up to Sep. 14, the State Bank made 3 issues of T-bills and 7 issues of Treasury bonds by tender selling VND670 worth of bills and bonds. The interest rate was reduced from 13.8% to 8.3% a year (until Aug. 14, 1996), whereas the borrowing rate varied from 10 to 11% a year and lending rate stayed at 19% a year.

At present, there are 86 commercial banks and insurance companies qualifying to take part in the bidding, 40 of them (4 state-run commercial banks, 19 joint stock commercial banks, 3 joint venture banks, 12 branches of foreign banks and 2 insurance companies) have registered for official membership of this market, but only some 15-20 of them were

companies are badly in need of buying T-bills, the number of tenderers in the bidding increases and the amount of money deposited by tenderers is many times higher than the face value of bills issued.

At present, main investment projects of the government require big amounts of capital, but many of them haven't been realized because of the shortage of funds. Considering projects on transportation development alone (except for certain projects receiving foreign investment), the total investment required mounted to VND10,000 billion. Other main projects (electricity, fertilizer, environmental protection) required about VND1,800 billion. The shortage of fund for these investment projects could be made up by sources of capital from commercial banks, finance companies, insurances companies and investment funds. The method of attracting these sources of finance is to issue project bonds by tender organized by the State Bank.

By doing issue by tender, the interest rates offered are certainly acceptable and much lower than the lending rate on medium-term loans charged by commercial banks. These project bonds could be issued bit by bit because these projects usually take a long time to complete so their need for capital could be met gradually.

Naturally, we had better issue short-term project bonds (within one year), because the interest rate tends to lower and be stable.

A new issue of bonds will be made in order to collect money needed for repayment of bonds issued last year.

Other sources of finance come from fees collected when the project comes into operation, repayment from the Treasury and from funds obtained by exchanging land use right for infrastructure building.

This solution could help to develop the capital market, create conditions favorable for attracting capital for other future projects and offer new ventures to commercial banks and insurance companies.

# FROM CREDIT SURPLUS IN BANKS TO SHORTAGE OF FUNDS IN INVESTMENT PROJECTS

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regularly in the bidding. The most crowded issue attracted 30 members and the latest issue attracted 8 members. The total amount of money deposited by tenderers in 13 issues mounted to VND3,285.8 billion, four times bigger than total face value of issued bills. On March 13, 1996, with VND50 billion worth of bills issued, tenderers deposited VND329.5 billion.

In 1995, the highest interest rate offered by tenderers was 24% and the lowest were 18% and 17.2%. The rates offered in the first months of 1996 were 17%, 15%, 12% and 7.5%.

These facts show that in spite of low interest rate and long maturity, commercial banks and insurance