

SOME MEASURES TO INCREASE BANK DEPOSITS

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Recently, amount of money deposited in banks has been on the increase because Vietnam monetary situation is stable and many effective measures have been taken by the banks such as applying high interest rate of deposit, improving manner of service, diversifying banks services...

According to the report of the Central State Bank dated March 23, 1994, total bank deposit upto Dec 30, 1993 amounted to VNĐ 18,055 billion, 5,650 billion of which from economic concerns, 2,458 billion went to savings accounts, banker's bill brought about 2,467 billion, amount of deposited foreign currency was 7,406 billion. This rise in bank deposit was remarkable because HCMC is a big economic center.

Up to late August, 1994, commercial banks and finance companies in the whole country have mobilized VNĐ 3,344.8 billion representing 59.5% of their total capital.

This rate needs to be adjusted to inflation rate in order to protect depositor's interest and their reasonable income from their saving. At the present, the interest rate of deposit of banks and finance companies is much higher than any other countries. According to the Central Bank of France, Bangkok branch of Indosuez Bank, the real interest rate of short and long-term deposits in typical countries are as follows:

difficulty to borrower. On the other hand, interest rate is not the only thing interesting depositors.

2. Safety

Each income involves a degree of risk, the higher the income the bigger the risk. Thus, one can be content with a medium income involving a low degree of risk. The above-mentioned data justified this fact: depositors preferred to deposit in state commercial banks.

Unit: % per year

Country	Short-term deposit	Long-term deposit
France	4.3	4.95
Germany	2.50	3.26
Spain	3.02	4.20
USA	1.60	4.66
Italy	4.08	5.41
Japan	0.92	2.66
England	2.94	5.47
Netherlands	2.50	3.43

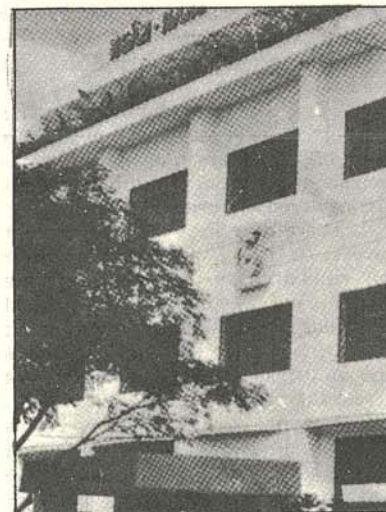
Unit: VNĐ billion

Total bank deposits	By late 1991	By late 1992	By late 1993	
			Absolute value	%
From state commercial banks	2.705	2.780	4.067	68,87
From commercial banks and finance companies	833	1.332	1.838	31,13
Total	3.538	4.112	5.905	100%

These data showed that the speed of capital mobilization in banks, especially of HCMC, is on the increase. However, in order to maintain and accelerate this speed, especially in mobilizing money for current account, the banks should take the following matters into consideration:

1. Interest rate of deposit

Whereas the real interest rate of savings account in Vietnam banks is 14% per year on average (nominal interest rate-inflation rate = 24%-10%), therefore, when we can control inflation, the interest rate could be reduced, because with a high interest rate of deposit, the interest rate of loan should be high equally. This will be a great



So the banks have to pay attention to their way of doing business, they should make annual financial statement in order to help customers know them well. Bank should be a safe place for money-keeping and its working capital should be over VND 70 billion.

3. Forms of mobilizing capital

These forms should be diversified in order to meet requirements of various kinds of customers, but should not be complex and obscure. According to the regulations, Vietnam banks at the present provide customers with the following services: fixed deposit account, call savings account, fixed savings account (payable after 3, 6 or 12 months), banker's bill, bank bond, savings for building account... However, in order to make these forms simple, we can learn from foreign experience and provide only the following services: current account, savings account (need not be divided into various kinds), certificate of deposit, fixed bank bond...

4. Service quality

The banks should continuously expand services they provide. In this problem, they should pay attention to the following:

- They should make the best use of their facilities to provide first class service for customers.

- Organizing computer network in order to help customers make banking transaction with any branches they choose.

- Doing banking transaction fast because customers want to have their business done fast before they think of income from interest rate.

5. Banking facilities and system of banks

Banks should be situated in convenient places, and well-equipped in order to make customers feel comfortable and trust in banks.

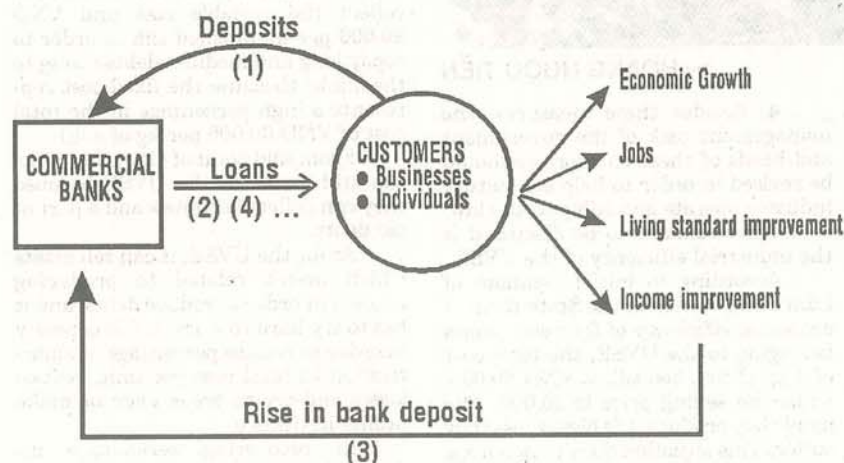
6. Personnel

Banks personnel should have knowledge and professional skills, and good manner of doing business. They should be familiar with services provided by their bank in order to persuade potential customers. They should know how to listen to and understand what customers say or want. Sometimes, customers deposit their money in a certain bank because there are courteous personnel there.

7. Advertising

Being similar to other businesses, banks should make themselves known in order to attract customers, but the best way to do it is making potential customers recognize quality and efficiency of their services.

In order to make these measures effective, many conditions are also



- Providing depositors with convenient means of settlement (such as plastic cards provided by Bank for Foreign Trade).

needed, such as a stable monetary system, a well-controlled inflation...♣

