

In the past, due to the close economic policy, together with the implementation of centrally-subsidized mechanism, the national economy was underdeveloped and seriously unbalanced and especially the people's living encountered great difficulty. But since 1986 the Party and Government encouraged the centrally-planned economy to change into the market economy under the State management, our country's economy and finance have achieved stabilization and good orientations, the inflation have been curbed and driven back from 67.5% in 1991 to 17.5% in 1992; 5.3% in 1993, 14.4% in 1994 and 12.7% in 1995 while the growth rate have been secured: 8.6% in 1992; 8.1% in 1994; and 9.5% in 1995. The exchange rate of Vietnamese Đồng against US dollar was VND14,194 at the end of 1994, then it had been lowered and kept stable at some 10,080 VND/USD from November 1992 to now. Meanwhile, the payment balance was distinctly improved, export and service showed upward trend. As a matter of fact, the economy began to grow, that means the country's industrialization and modernization are under way. Therefore the demand for capital is increasing, it should be supplied with medium- and long-term credit by special institutions, that means the financial center has to be formed to organize these activities.

The problem is where to locate the financial center with a view to making the socio-economy develop better.

It can be said that HCMC with its advantages of geography, human and social resources, economic potentialities and a great army of talent techno-scientific officers. This area is also where the market economy came into being before the liberation day and it is nowadays recognized as not only an international trade and tourist center, but also a major techno-scientific one of the region and the country. This is proved by the fact that HCMC produced one fifth of GDP annually, one third of industrial output, over 50% of total foreign trade turnover across the country, ranked first in terms of attraction of foreign investment, accounting for one-third of total investment projects and 30-35% of capital in Vietnam, developed with high growth rate doubling the average rate of the whole country, the people's living standard is rather high (in 1994 the city's per capita GDP was US\$810, doubling the country's target). Due to investment increasingly flowing in HCMC, its role is affirmed as an important financial

# ON THE ROAD TO FORMING FINANCIAL CENTER IN HCMC

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center of the country.

Thus, to form the HCMC financial center in the next stage, we should perform some basic solutions as follows:

- We must have numerous types of financial organizations including: bank, non-banking organization, State-owned, collective and foreign financial organizations. These organizations not only take part in regulating capital supply-demand and transfer. Just because of the existence of many types of financial organizations, appropriate competition will take shape and this is a radical condition to make the financial center busy and the capital turn over rapidly and consequently raise the efficiency of using capital.

- The financial center should have flexible and sensitive mechanism of interest rate which is a decisive tool to regulate monetary supply-demand, since the sensitive mechanism of interest rate will let the borrower and the lender always self-determine suitable solutions to the reality, cause reasonable capital flow. Contrarily, when the interest rate shows stagnancy, it will alleviate the stimulation and limit the capital supply-demand, the lender will produce wrong decisions, leading to the fact that activities cannot be controlled and the market is worsen. As a result of this, the circulation of capital should be strengthened in the financial center whose operations should be made healthy and effective.

- The credit means must be sufficient. priced things on the commodity market are various kinds of goods, priced thing on the financial market are mainly credit means more or less, at too high level they determine the range and scale of transaction of the financial center, that means it should have enough credit tools.

- The network of development information and feedback system need be built (for example developing the payment network SWIFT across the country, creating condition for home commercial banks to integrate in the world's payment network, in addition developing Internet) with the aim to gain accurate, timely information about economics, technique, markets for the improvement in making macro- and micro-policies and logical capital flow.

- A certain amount of capital reserve is needed to participate in the financial center's transactions. That is material ground for the existence of the financial center and the expanded autonomy of the company, the increased local finance, the rising personal income. At the same time this also guarantees the rise in social capital reserve.

- The State should take measures of economic regulation, promote the control over the financial center. Upon completion of building the center, the State depends mainly on measures of economic regulation so as to direct the capital circulation and scale on the market, such as changing the exchange rate of cash, adjusting balance of reserve fund, making public intervention in the market, implementing the difference in interest rate of investment... The uniform application of these economic measures requires every sector and level to raise the capacity of taking measures of uniform economic regulation.

In addition, the Government should train and retrain the management staff under the form of sending them abroad or to home centers where there is foreign experts' teaching.

Moreover, the State soon perfect the legal system such as: issuing law on the stock market and shareholder company with sufficient articles in order to make conditions for the birth of new jointstock companies, as well as equitization of state-owned, private enterprises with a view to meeting the requirement of capital sales and exchanges at the financial center.

In short, the process of forming the financial market on the whole and the financial center to be precise, will be attached with the solution to problems concerning building the new mechanism of economic management. Therefore, the Government should plan on the scientific basis, including overseas and domestic terms so as to build a financial center in HCMC with busy and healthy operations with the aim to create a favourable environment for the conciliation of economic benefit between members (between the lender and the borrower) and contribute to overcoming stagnancy and backwardness and promote economic growth rapidly and stably.