

INNOVATING BANKING SERVICES TO INCREASE CAPITAL FOR INDUSTRIALIZATION - MODERNIZATION

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Up to now, all business transactions are done in cash, all kinds of bills (telephone, electricity and water supply services...) are paid in cash. Payment of enterprises from some hundred thousands to some millions or even some billions all can't be done by cheque or credit card.

The Vietnam Bank for Foreign Trade has recently issued its credit card in a pilot scheme but it's far from being popular, and its usage is limited to paying some or dozen millions.

Although the Central State Bank has instructed about using personal cheque but because this instruction wasn't carried out completely or banking services weren't improved, cheque hasn't been used for payment by businesses.

Even wages and salaries of civil servants, soldiers, workers... have been paid in cash. In foreign countries, people open bank account and have all their bills paid by cheque or credit card. Using credit card has become popular now, every person has several credit cards to use in shopping, paying bills, covering all everyday expenditures...

Due to first class banking services, nobody had to keep cash at home or carry much money as we Vietnamese did. Therefore, money was kept in banks instead of being circulated among people or stored in personal or company safes, so the banks had a big amount of money and could

supply it to businesses.

Using cash in payment leads to a lot of dangers and obstacles. Many people have been robbed when they had to carry money on their way home or to offices, banks...

But the most important thing is a big amount of money is kept outside the banks. Imagine that with 5,000 companies all over the country, each company kept 100 million in its safe for everyday use, the total would amount to 500 billion; and each Vietnam family kept 1 million in cash, 10 million family throughout the country would keep 10 thousand billion.

Therefore, if banking services are improved and all payment could be done by cheque instead of in cash, the banks will have a very enormous amount of money to use for industrialization, modernization of our country, while one of the biggest obstacles for this task is lack of capital.

Although Law to Encourage Domestic Investment has been promulgated, but the business circle can't boldly realize investment projects because source of loans from the banks is limited and its interest rate is too high.

Because cheque isn't used in transactions, the banks can only get money from saving of the public. The interest rate of deposit must be high in order to attract money from the public. This leads to a high interest rate of loan.

Contrarily, if cheque is used in all

transactions and payment, everybody will deposit money in the bank especially in current account. This will create a big capital at low interest, or no interest at all.

Many banking experts estimated that if cheque and credit card using became popular as it were in developed countries, the people would stop paying in cash or keeping money at home and some thousand billion đồngs would be deposited in the banks and became the source of capital necessary for the economic development.

Some others can argue that many companies and persons have recently used cheque, but regrettably its usage is very limited. For example, a certain limited company of large size with registered capital of VNĐ 5 billion, its annual sales is over VNĐ 70 billion, but there were only 6 cheques drawn in a year, and other payment was done in cash or by money order.

We think that it's high time the banks start improving banking services in order to catch up with banking system of developed countries. Especially, they should realize using cheque in transactions and payment. The supply of this service must be well-organized in order to make it easy, convenient, fast and safe. By doing this, the banks will have a source of multi-billion capital to provide at low interest rate for development projects of various businesses. This will be a big contribution to industrialization, modernization of our country ♣