

Some Measures to Develop the Market for Credit Cards in Vietnam

by Ass. Prof. Dr. TRẦN HOÀNG NGÂN & PHẠM CAO HỒNG HẠNH

At present, the market for credit card in Vietnam is becoming hot when more and more banks compete for better shares. In the early 1990s, the credit card made its appearance in Vietnam when some banks acted as agents for issuing foreign cards, such as VisaCard, MasterCard and AMEX. In 1996, the Vietnamese Association of Card Issuers came into being including 15 bank members. The following kinds of cards are in circulation in Vietnam:

- International cards: Cards of international issuers distributed by their bank members and are used all over the world, such as MasterCard, VisaCard, and JCP, etc.

- Credit cards: Cards issued by individual banks which cardholders have to pay bill for the period within a fixed number of days.

- Debit card: Cards issued according to call accounts and cardholders are allowed some overdraft which is usually equal one or two monthly paycheck.

The market is still very limited with only 487,000 cards issued compared with a population of some 80 million people while there are some 10 million cards issued in the Philippines, 1.6 million card in Thailand and 234 million cards in Japan. These figures show that the potential of the card market in Vietnam is great and commercial banks have a lot of things to do.

The card market in Vietnam contains many shortcomings that require a lot of improvement and efforts from commercial banks. The following are some of them:

- Limited use of cards in the domestic market: The use of cards, including international ones, in Vietnam is not widespread because the number of sellers accepting cards is small and there is only a few ATMs scattered in big cities. Statistics show that there are some 440 ATMs and 9,045 card-accepting concerns all over the country. These figures reflect an increase over the past two years (from 109 ATM and 7,200 concerns) and effort made by commercial banks; but they couldn't meet the need to use card anywhere and at any time by cardholders. In addition, most card-accepting concerns serve mainly foreign visitors and tourists and concentrate in expensive restaurants and hotels. This situation makes most people think that cards are only for the rich.

- Too many fees using card: High bank charges and additional fees charged by card-accepting concerns have discouraged local customers who are in the habit of using cash because they have to pay more for services or goods they receive.

- Card services are limited: ATMs in Vietnam allow users to draw only VND2 million a time at most. In addition, ATMs only serve as a teller while they could offer more services (depositing, transferring or supplying blank checkbook, etc.)

+ The SBV could support the development of this market by offering training courses, investing in technical facilities and developing legal infrastructure for transactions made with cards.

- ATMs are not connected: At present, there are only several ATM systems, such as Vietcombank one, that accept cards from different issuers, and most banks have their own networks of ATMs. And as a result, customers could only get services from the ATM of the card issuer.

To deal with these shortcomings and attract more customers, commercial banks have to cooperate with related bodies to make concerted efforts. The following are our suggestions:

+ Commercial banks have to supply more services through cards and ATMs. In fact only ATMs from Đông Á Bank offer one more service besides acting as tellers, it is to accept deposits from customers.

+ Marketing campaigns to advertise benefits of cards are also very necessary.

+ An interbank card center could be established to set technical standards for cards issued in Vietnam and deal with card payment between banks.

+ ATMs of all banks must be connected in order to reduce cost and offer more convenient services.

+ Banking authorities should take precautions against risks. The crisis of card payment in South Korea in late 2003 could be considered as a precious lesson for Vietnamese banks in this matter.

+ Companies and organizations could help develop the card market. At present, only a few organizations pay their employees through ATMs. Even organizations in the public sector didn't use this service.

However, we must appreciate efforts made by commercial banks in the past few years to increase the number of card issued. To help this market develop stably and sustainably, commercial banks have to work out long-term strategies to not only control the domestic market but also compete against foreign banks. For the time being, commercial banks had better persuade state-owned companies and schools to use card services and place information desks at large organizations. At present, the Đông Á Bank are paying salary to some 22,000 employees through cards. The University of Economics -HCMC pays salary to some 800 employees through cards issued by the Bank for Agriculture and Rural Development, and some 10,000 UEH students also use the card service to pay tuition fees and receive money from their parents. These facts could be seen as examples of efforts to develop the card market in Vietnam. ■