

Nowadays, capital mobilization is always the problem being mentioned when we talk of industrialization, modernization or accelerating economic growth rate. This problem can't be simply solved by "attracting foreign investment and encouraging domestic investment".

Obviously, both foreign and domestic investors want to do businesses in Vietnam, but those who will employ capital are also those who should look for it and they can't solve this problem. So what are obstacles?

1. Subjective factor

- As for state enterprises, they haven't escaped from old mechanism and continued to depend on fund from the national budget. They have no motive for looking for capital. All means of finding out and employing capital effectively didn't come to their knowledge except for way of exploiting assets in public ownership: land, factories, warehouses...

- As for non-state enterprises, besides self-accumulated capital, the businesspersons in this sector can only borrow money from their kin, and sometimes from banks.

Generally, both of them can't exploit various kinds of financing institutions and means existing in money market for lack of knowledge of modern financial management, and what's more they haven't paid enough attention to answering financial problems usually posed by investors such as: What projects (short, long, or medium-term) their money will be used for? What about profitability of these projects? Is there any degree of risk in these projects? Is financial structure of projects reasonable? What financing institutions and means could be used?...

2. Lack of preparation

One irrational fact is that investors have to wait for us to make plan when they are ready to invest their money. The first-stage issuance of HCMC municipal bond for building Nguyễn Tất Thành-interprovinces road No 15 was a typical case. Up to the day of issuance, there was no technoeconomic plan for this work and till now nearly VND 30 billion have been mobilized but haven't been used, while we have to pay VND 12 million per day of interest for this.

Recently, a district in HCMC wants to issue municipal bond for building housing estate, and wants to mobilize money hurriedly while even a pre-feasibility study hasn't been done.

Thus, when we can't decide what opportunity, what project we will in-

vest money in, we couldn't talk about capital mobilization or forming capital market.

We can learn many things from German banks. They usually look for opportunities, conduct feasibility studies and make finished plans to offer to investors. If these investors go short of capital, the banks could help. This method proved effective: investors have good project to invest in and can be financed by the banks, on the other hand, the banks find good borrower for their loans and the economy could be developed.

This method can be applied in Vietnam, the National Planning Committee could play role as a regulating center of capital sources with the following functions:

- Making plans for investment of each industry and each zone.

- Directing and combining foreign and domestic investment.

- Putting forward policies on encouraging, limiting or adjusting investment in each industry and zone; policies on controlling monopoly or struggling against monopoly in order to limit risk degree of investment.

- Providing services for investors: investigating market demand, supplying economic information, introducing qualified partners, giving expert advice, helping with enterprise formation...

- Making investment plan and list of projects offering to investors enclosed with feasibility study after Unido model.

Making investment projects is a way of offering opportunities to businesspersons and savers. It's also a way of tapping the idle money of the people. By doing this, the government could direct investors towards realizing government's strategy for socio-economic development.

3. Lack of joint-stock companies

Joint-stock company has the advantage over other companies in capital accumulation. This is the most common kind of company in developed economies. Joint-stock company will be the agent answering the questions such as: Who uses capital? Who decides where to invest? Who is responsible for looking for capital? Up to now, in Vietnam, only joint-stock company was allowed to issue shares. Therefore, we'd better take the following measure.

- On the one hand, accelerating process of equitization of state enterprises and encouraging this process in joint-ventures with foreign investment, in limited liability companies and one-man companies.

- On the other hand, encouraging existing joint-stock companies to expand or forming large-size public com-

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panies whose shares will be issued widely to the public by giving preferential treatment such as exempting tax on profit used for reinvestment (retained profit), allowing rise in amortization, allowing the state banks to do discounting of public company shares.

At the present, the government has permitted foreign companies to build infrastructure after BOT form. This opportunity requires big investment capital but also brings in big and stable profits. Thus, why don't we encourage Vietnam businesspersons to form public companies to win back this opportunity?

4. Lack of intermediaries between capital supply and demand

- The first kind of intermediary is intermediate financial institutions. Nowadays, we have got quite a few of commercial banks who provide mainly short-term loans but haven't got enough of investment banks who can provide medium or long-term loans. We have also got no other useful institutions such as mutual fund, leasing company, insurance company, pension fund.

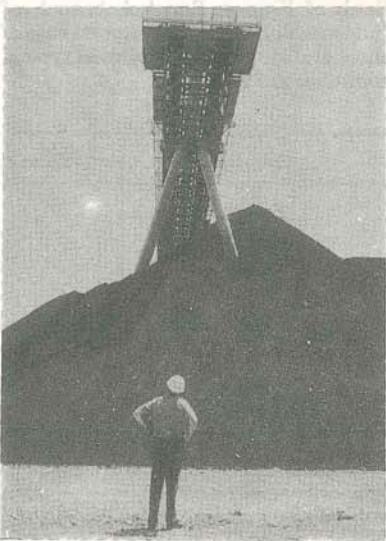
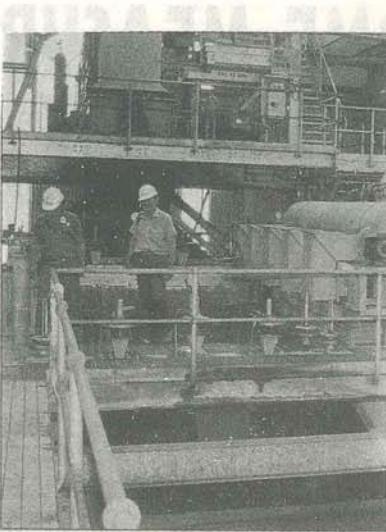
These institutions will accumulate money and supply to businesses, so they will influence on accumulation, employment and increment of capital of businesses. They are meeting places for economic and financial experts who have both macro-economic knowledge and an understanding view on financial structure of business. These experts could evaluate the profitability of projects exactly before investing money.

Depending on them, these institutions can play many roles at once: investigating the market, finding opportunities, providing consultant service, mobilizing capital, supplying credit or capital to investment projects. In Vietnam, if these institutions are formed and all of their said functions are fulfilled, the capital market will operate well and the economic growth rate will be accelerated.

- The second is mass media. The financial market, or capital market to be precise, is always in need of information about potential profitability which is considered as a criteria for investing.

Therefore, in order to attract savers to the capital market, the government have to encourage mass media to carry economic and financial knowledge, and exact information about financial situation of businesses and industries in order to help savers invest their money profitably.

A capital market is considered as effective if all the participants can receive information at the same time and what happen in it are publicized.



and then this market becomes trustworthy.

- The third is educational institutions. Many foreign experts said that one of weaknesses of Vietnam business is of financial management. It's understandable because what was taught previously in universities are outdated now when Vietnam economy was changed from centralized and subsidized mechanism to the market one.

Recently, many state enterprises of large size have come to the brink of bankruptcy. This showed that the managers of these enterprises have

gone against financial principles, have decided to invest without paying attention to or predicting financial risks or they couldn't maintain a rational structure of capital and debt. Therefore the more they are favored the bigger their danger of bankruptcy becomes, and being granted big loans is not surely a good luck, but on the contrary, it could be a disaster.

In the market economy, businesspersons have to use financial techniques to evaluate projects, then they should know where to get needed capital (from financial institutions, stock market or leasing company...). They should also know how to manage the cashflow effectively in order to make profits and pay debts on time.

If businesspersons acting as users of capital are not equipped with knowledge of financial management, the capital market can't develop firmly.

- The fourth is accounting-auditing institutions. The statute of independent auditing promulgated by the government on Jan 29, 1994 has formed a legal basis for these institutions to operate. However, the great impact of auditing hasn't been exploited by the government and businesses, whereas a common principle of capital market says that any business mobilizing capital from the public should have annual financial statement examined and acknowledged by an auditor.

The system of Vietnam commercial banks hasn't developed healthily because it didn't work according to this principle. Independent auditing is a way of protecting the interest of savers, investors and business circle in general. But regrettably, it is not regulated by the law, therefore the capital market can't attract the participation of the people. In such a situation, if the capital market enjoys a boom, it will face danger of bankruptcy.

These intermediaries between capital supply and demand have come into being in Vietnam but they didn't work effectively.

In short, we have to take a lot of measures to form and develop a capital market in Vietnam. What mentioned above are of most urgent matters. The capital markets in foreign countries have developed for a long time and they could supply us with all kinds of measures and solutions, we need not create anything but learn from their experience.

However, the best measures tested by the world economies can't surely be feasible in Vietnam if we still face 3 perils: corruption, indiscipline and waste of time, money and energy