

## I. USE OF PAYMENT CARDS IN VIETNAM

Extending banking services in communities is one of measures the SBV takes to encourage non-cash payments and break the habit of keeping too much dead money, thereby implementing the monetary policy. To commercial banks, this measure promises a better flow of deposits to personal accounts and a bigger fund for investment. In a broader meaning, this measure is part of a strategy to diversify banking services, enhance the role of banks in economic activity and

By accepting card, their sales could increase remarkably because they attract more potential customers.

3. To card issuing banks, payment card is a new service they could offer to its customers and a new source of income. This modern form of consumer credit helps to diversify banking services and extend its operations worldwide.

4. Banks can gain commission when accepting payment cards. By accepting cards, the paying bank can keep retailers in its list of customers, because if it refuses to accept cards, those retailers will transfer their accounts to the issuing

introduction of payment cards in Vietnam is, however, facing many difficulties. Main factors affecting the use of payment cards are personal income, old habits, public intellectual standard, legal infrastructure, banking facilities and quality of banking services.

+ Personal income: the difference in income among classes is increasingly great and the majority of poor people has made their appearance. Low personal income makes the use of payment cards beyond their reach.

+ Public intellectual standard: this standard is generally low, and

# MEASURES TO ENCOURAGE PAYMENTS BY CARDS IN VIETNAM

bring about many other benefits.

The development of information technology in Vietnam and its integration into the world economy in recent years allowed us to think of making the use of payment cards - a medium of non-cash payment-widespread. Commercial banks are also paying attention to this service because this way of making payments is appropriate to the world common trend.

In recent years, however, only foreign visitors used this service and payment by card is still something totally strange to Vietnamese people however useful and convenient it is. Payment by card can be of great benefit to everybody in the modern time.

1. To consumers, the payment card is a convenient means of making payments or withdrawing money from ATMs. It is also safer than cash or checks because it's very difficult to use a stolen card. In addition, an international payment card could be used worldwide and thus of great service to travellers and tourists.

2. As for card accepting concerns, their public image could be improved when receiving payment cards, and moreover, they could avoid trouble with counterfeit money and loss of cash to customers of their concerns.

bank or other paying banks.

5. The use of payment card reduces demand for cash and bank circulation, thereby reducing expenditures on transport and issuance of money. Card also saves users from certain minor inconveniences in the use of cash (uncleanliness, danger of loss, etc.). Generally, the use of card can make business brisker because it encourages spending among the middle class.

In spite of those benefits, the

most ordinary people aren't accustomed to banking services and slow to change their habits or learn about these services. Particularly, most Chinese expatriates in Vietnam who are of high personal income and active in doing business, only make payment in cash because of their low intellectual standard.

+ Banking facilities: necessary facilities aren't available. Only a few concerns, besides banks, agree and have facilities to accept cards.



This situation discourages potential users of payment card. In addition, many banks meet with difficulties in buying and installing ATMs needed for serving card users, and in maintaining these machines when they are out of order because they have to buy maintenance service from foreign technicians.

+ Legal infrastructure: the law system isn't perfect and doesn't provide for disputes arising from the use of payment cards.

+ Banking services: complicated banking procedures can limit the use of payment cards.

Dealing with these difficulties requires a lot of time and efforts, therefore, the banking system had better make a long-term plan to perfect necessary conditions and help people get accustomed to banking services, including the use of cards.

In card service, four banks in HCMC became members of the Mastercard association in 1996 (ACB, Vietcombank, Eximbank and First Vinabank), and many other banks (such as Bank for Investment and Development, Saigon Bank for Industry and Commerce, Bank for Industry and Commerce, etc.) agreed to act as paying banks. This is a favorable condition for the use of payment cards because many banks start to compete with one another to offer this service and persuade people to use it.

## II. MEASURES TO EXTEND THE USE OF PAYMENT CARD IN VIETNAM

### 1. Beefing up marketing and adver-

#### tsissement campaigns

The payment card is totally new to Vietnamese people except for a minority including bank officials, high-ranking civil servants and some intellectuals. To make the credit card a popular means of payment, the banks should carry out the following tasks:

+ Putting more ads in mass media.

+ Making TV and radio programs with a view to providing the public with basic information about the payment card.

+ Cooperating with schools and universities to disseminate knowledge of the payment card among students and educate them to protect ATMs when they are installed in public places.

+ Marketing the payment card to workers of big companies.

+ Card accepting concerns had better put up notices of their service.

+ The SBV can support card issuing banks in publishing and distributing brochures about the payment card.

#### 2. Increasing the amount of card accepting concerns

At present, the amount of card accepting concerns is very small. They are restaurants, hotels, airlines booking offices and supermarkets, along with some commercial banks, with facilities supplied by the Vietcombank. Most of customers of these concerns are foreigners and payment by cards represents 60-70% of their sales. Thus, the payment card hasn't yet penetrated into other kinds of concern such as inns, shops, recreational grounds and other

places of entertainment.

Card accepting banks should make plans to increase the amount of card accepting concerns to make the first measure more effective. To achieve this goal, these banks should:

+ buying card reading machines and installing them in card accepting concerns.

+ marketing card service to important shops and recreational grounds (such as Thủ Đức Golf Course or Suối Tiên Resort).

+ placing ATMs in public places and main streets, and even in big market squares in order to introduce shoppers to the card service.

+ persuading small shops and inns into accepting cards when necessary facilities are available.

The difficulty facing the banks now is the shortage of capital needed for buying and installing ATMs. To overcome it, banks could cooperate with one another, with the SBV or foreign bank branches, and they should tolerate some losses for future profits. This measure depends on the bank's business strategy, financial resource and quality of its personnel. Its employees should have ability to do their jobs in the bank and help card accepting concerns observe regulations on card service.

#### 3. Increasing the supply of card service

At present, Vietcombank and ACB are two only banks in Vietnam that issue the Mastercard. Other banks limit themselves to the role of paying banks. The Vietcombank also issues its own credit card in



the VND.

Although the supply of credit card is now limited but its future is promising if the two above mentioned measures are carried properly. However, production of cards in Vietnam is still a worrying problem because, firstly, no local bank has enough capital to import necessary production line and secondly, most bank clerks are badly-trained and have poor foreign language skills.

In my opinion, the banks should make plans to invest in the card service as soon as possible in order to be well prepared for the near future.

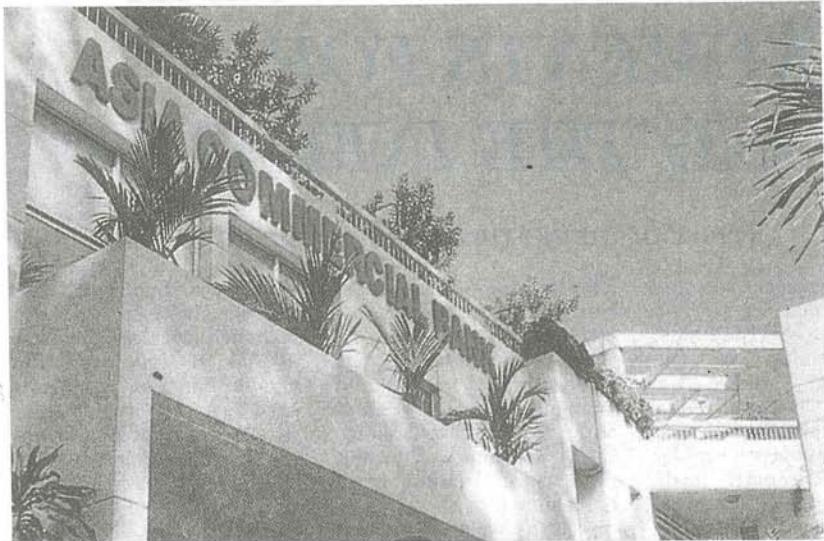
+ Important banks that could supply a wide range of services and hold a considerable market share had better use their retained profits for importing the card production line. Small banks that want to issue their own cards in the future but suffer a shortage of fund

Members of the Mastercard association (Eximbank and First Vinabank) should try to issue cards faster. More attention could be paid to the issuance of Mastercard in the VND if the issue of card in foreign exchange seems difficult.

#### 4. Perfecting the legal infrastructure

Perfect legal infrastructure is a necessary precondition for the use of bank cards. Foreign cards issued in Vietnam by those banks are regulated strictly by international bank card associations. Local paying banks or card accepting concerns should suffer losses when allowing card users a too huge overdraft and of course, they can gain commission when observing regulations on the use of bank cards.

How will cards issued by local banks work? What is the legal infrastructure for cards issued by



can cooperate with the others to make a joint investment plan to produce cards.

+ An army of bank clerks well trained in bank card service is needed once the bank is permitted to issue cards. The training course can't be limited to theoretical matters and it's necessary to send bank clerks abroad to practice in foreign banks. In short, Vietnamese banks should get their personnel prepared before introducing people to the use of bank cards.

+ For the time being, local issuing banks (ACB and Vietcombank) should carry out researches to find out obstacles to the card service and measures to popularize this service among local residents.

the ACB and Vietcombank, the first two issuing banks in Vietnam? It's regrettable that there is no law document controlling the use of bank cards besides the provisional regulations on the issue, use and settlement of credit cards. Moreover, the regulations made by the SBV aren't detailed enough and commercial banks have to work out their own regulations, and they sometimes make it difficult for customers to use cards issued by rivalrous banks.

When the use of payment cards is widespread, an Ordinance on the payment card is much needed. We are expecting a Checks Act, then why don't we think of a Bank Cards Act if they become as popular

as checks?

#### 5. Introducing payment cards issued by companies

In foreign countries, there are payment cards issued by companies besides those issued by banks. In Vietnam, however, this kind of card has just introduced in recent years when the phone cards were issued although the market for this service is very promising. In my opinion, companies had better cooperate with banks to issue these cards instead of leaving this market open to foreign rivals. In addition, these cards could be considered as an additional source of interest-free capital for companies.

+ Phone card: In the past, phone cards were sold at VND30,000 and 60,000. At present, only VND60,000 phone cards are available because VND30,000 cards are short-lived. However, the VND60,000 card isn't suitable to customers who often make long-distance calls. So the telephone companies had better issue cards of different prices, from VND30,000 to 200,000 for example, in order to offer a wider range of choices to customers. With the existing network of telephone booths we think that the phone cards will soon become popular.

+ Fuel card: The amount of motorbikes and vehicles is on the increase now and some hundred thousand liters of fuel are consumed everyday in HCMC alone, therefore the fuel card will be saleable if card-reading machines are installed in filling stations because fuel is consumed everyday by all families in cities.

+ Club card: People can use club cards to visit recreation grounds and places of entertainment all year round in order to avoid standing in line for tickets, so the club card is also a market with bright future.

With the existing growth rate, it is quite possible to predict that the personal income and spending will increase remarkably by the year 2000. Along with a higher average income, the public intellectual standard will be also improved then, and people will feel unpleasant when they have to carry too much cash and they will choose to use other media of payment, including payment cards.

The payment card is still a potential and nearly unoccupied market in Vietnam, so it isn't difficult to enter this market if necessary studies are carried out and appropriate steps are taken. ■