

ves in the interest rate or convenience of using check. The managerial skills of a banker include knowing in total sum of money deposited in his (or her) bank, how much should be kept as short-term liabilities, and he (or she) could have long-term liabilities lent at an interest rate, which is higher than bank interest paid to customers, and in appropriate time before he (or she) should repay deposited money to customers. Without this intermediary agent, the depositors cannot know where to invest their money in because they are lacking in time and professional knowledge. This is a service provided by the bank as an intermediary.

As for businesses, besides call-deposit account and checking account, the bank can offer them the bank overdraft service by which the bank allows customers to overdraft their checking account and use this agreed sum of money for an agreed length of time. This arrangement helps businesses easily get needed sum of money larger than what they have in their accounts, and help the bank know well about financial situation and activities of that business. In addition, by loaning through current accounts the bank created deposits, that means they could increase the bank deposits. This is what R.G. Hawtey in 1920 called "loans make deposits".

Besides providing banking facilities, means of risk transfer and distribution are also needed.

A well-operated banking system also supplies another important service: risk transfer and distribution. Banking activities involve the highest degree of risk and a well-operated banking system can minimize the degree of risk, except for force majeure such as earthquake, the world economic depression...

On the contrary, if the risk transfer and distribution aren't done effectively, the banking system could easily be collapsed because the people rush to take their money out of the bank.

One of the causes of risk of bad debt is the lack of information about borrower, about feasibility of investment project and activities of businesses, along with the lack of knowledge and experience of bank's officials. In addition, some necessary banking facilities and institutions haven't been organized by the State Bank in its role as a central bank.

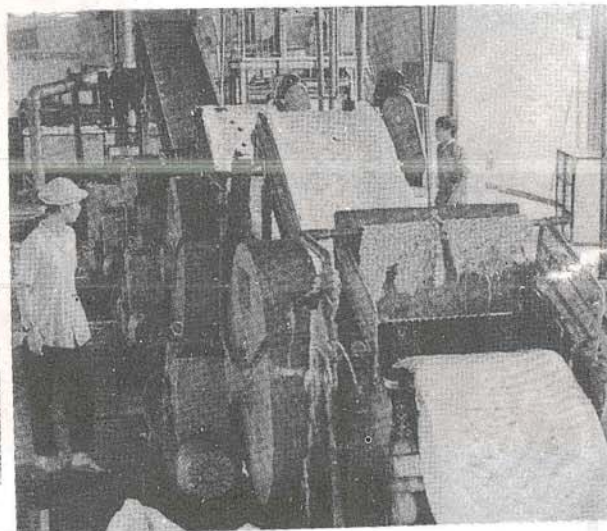
Besides measures to get information about borrowers and investment projects, and to raise the educational standard of bank's officials, we should introduce common banking facilities of the banking system operating in the market economy, such as utilization of bill of exchange, promissory note, warehouse warrant. They are credit documents which can help transfer and distribute risk effectively by two ways:

- They are bills which the bank is always ready to discount: there is only a low degree of risk doing this because everybody who signed on these bills are responsible for paying to the bank. The risk here has been distributed among many people.

- By way of debt assignment by endorsement, the bank could transfer risk to other financial institutions which are ready to accept it.

There are many other ways of distributing risk such as fixing due date, choosing between a fixed interest rate or an adjustable one, dividing loans into many types, insisting on collateral or warrantor...

In addition, the Central State Bank can help reduce risk degree by means of providing information and improving reliability of information about borrowers (businesspersons, enterprises, commercial banks...). One of the best ways is to form Risk Center to collect information about the financial situation and the degree of trust can be placed on borrowers... and supply that information to banking concerns ♣



One of difficulties in HCMC industrial production is the capacity of equipment and labor efficiency weren't used up. Besides that, the sources of capital and techniques aren't stable. All of these resulted in a low labor efficiency, a high maintenance cost and a low product quality. Otherwise, due to lack of right orientation in reformation, planning, investment and development of various industries; and also in government direction and management, the structure of HCMC industry is unreasonable.

However, in recent years, the public sector in HCMC has been changed to such an extent that it could, more or less, meet requirements of its tasks in the new situation:

HCMC Service of Industry has recently planned to reinforce and innovate the public sector. According to its plan, until late 1995, 50% of state enterprises will be annexed, dissolved or transformed into limited (or joint stock) companies.

This task is necessary. But, perhaps, we have to consider it more carefully and carry it out more cautiously. Examining both newly-formed and well-developed market economies, we saw that rearrangement of state enterprises doesn't always result in success everywhere. The viewpoints of these countries, of course, are different from ours—they stressed on privatization—but we can also draw from their success (or failure) some lessons necessary for the rearrangement of state enterprises in our country.

In the workshop "Process and pace of economic reformation in Vietnam", "Techniques of intensification and development in Vietnam economy" on Aug 4 and 5, 1994, Guy Schulders, professor of the University of Paris I said that:

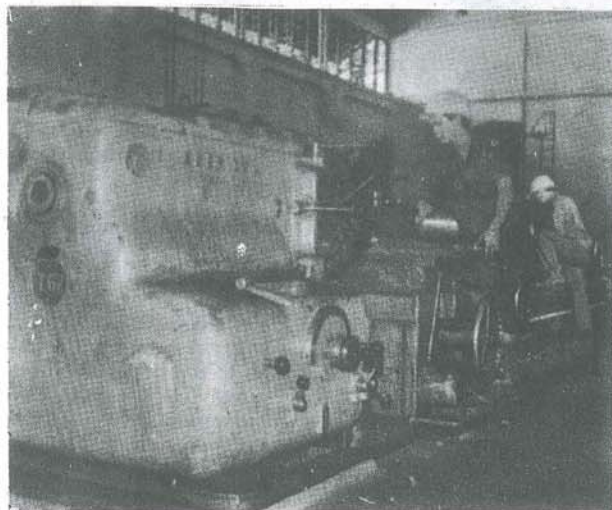
Poland case is exceptional and it provided us with useful experience. Poland state-owned enterprises have responded favorably to new economic reality and have taken part in reconstructing Poland industry.

In mid-1992, the World Bank conducted a survey of 75 typical enterprises which were of state ownership before economic reformation taking place in Poland.

Sixty-four enterprises have responded to the survey and have sent to WB their replies including monthly information (as of June 1991) about their sales, cost, profits, wage and salary, taxes, loans... These enterprises operate in 5 industries: steel, electric engineering, chemical, light industry (textile, leather) and food processing. Up to mid-1992, of these 64 enterprises, 3 have been privatized completely, 24

ON REARRANGEMENT OF STATE ENTERPRISES

by HUỖNH THÀNH CHÂU



have become commercial enterprises (but they are state-owned unlimited companies) and 37 remained state-owned. In 39 ones of best efficiency, 2 were private-owned, 14 were commercial enterprises and 23 state-owned ones.

This survey showed that a lot of state enterprises have changed positively, some of the rest were capable of adapting to the new mechanism, of altering their structure and improving their businesses more effectively in comparison with pre-reformation period.

It's useful to describe in outline the role of the Poland government in the program of economic reformation, because it's the decisive factor that pushed state enterprises into reforming. The Poland government has restructured the economy before realizing privatization and improving the business management in market orientated way.

There are 4 main elements:

- The government adopted an unchanging economic policy from the first day of reformation (1990). Eighteen months after, the directors saw that the government had no intention or capability of helping them, so that they had to do their businesses by themselves.

- Trading business was done freely, government subsidy was stopped, and the state enterprises had to try hard to improve their efficiency, market their product for profit.

- The banks granted loans only to well-managed enterprises.

- The government was gradually accustomed to the laws of the market economy and saw that its prestige depended on the success of the enterprises, both state-owned and private ones.

Both the state-owned and private enterprises in Poland have one thing in common: they do their businesses in accordance with the laws of the market economy and with the government's program of economic reformation. The above mentioned survey showed that they have adjusted themselves to the following directions:

- Dealing properly with personnel and costs: there was 27% of workers on average being made redundant and the salary for those who remained was raised. However, in the most financially successful enterprises, the redundancy was fewer but the rate of salary rise was bigger. In fact, when the spending power and sales are on the increase, they can manage to improve efficiency and reduce costs.

- Reducing the waste of raw materials and power: In 31 leading enterprises, the consumption of raw materials and building materials was decreased by 22% compared with 17% in the others.

- Managing their capital reasonably: the profit making enterprises used 90% of loan capital as working capital and they were rarely in arrears with their debts, whereas the loss-makers could use only 20% of loan capital as working capital because their stagnant goods were big and therefore the capital turnover was low.

In addition, contrary to common way of thinking, the Poland state-owned enterprises, although the pay-roll is higher now, have no intention of wasting capital on sky-high salaries, but they have kept reinvestment high and amortization low.

Otherwise, surveyed enterprises have found new foreign markets for their products with no considerable difficulty as predicted. In the past, the principal market for Poland's exports was Comecon countries, now it can export to Western block.

Naturally, based on only a survey of 64 state enterprises, we couldn't say that the public sector of Poland is well-managed and reach the conclusion that the state owned enterprises should be maintained at any price.

However, from Poland experience, we can draw a lesson that, in managing the public sector, dissolution; annexation; equitization; privatization are not surely the best measures to develop the economy. The main thing to do is we not only develop the private sector (as affirmed with Law of Encouragement to Domestic Investment), but also reform the public sector, especially its management.

Recently, the selecting of directors for state enterprises by exam has been mentioned and has passed unnoticed. In fact, this is a good measure which should be stressed on or even be made official. Experience in recent years of economic innovation showed that in the public sector there were many skilled directors who not only keep their businesses well but also help these businesses develop in this changing situation. Under the pressure of the market economy, such directors are needed.

In industrializing and modernizing our economy, or HCMC economy to be precise, the directors of state enterprises should be trained or retrained. Besides finding out new talents by their skill in business doing, we have to train good businesspersons through formal education and they can be brought to some factories for practice before graduation.

Annexing, dissolving, equitizing or privatizing are only changes in the form of state enterprise, and the main factor is human being, that means a team of skilled businesspersons who can operate effectively in the market economy ♣