

**H**CMC-based commercial banks, after some 10 years of operation, have helped diversify banking services and products, modernize the banking sector, mobilize the idle money from the public and make the competition fairer. The following table shows changes in their deposits and supply of credit.

Joint stock commercial banks attracted a large sum of idle money, some VND67,157 billion in 2005 increasing by 37.6% as compared with 2004 and supplied more credit to the public, 175,761 billion in 2005 making an increase of 42.8% as compared with 2004. Thus, they have become a driving force for economic concerns and helped with the change in the structure of industry.

In the process of industrialization and modernization from now to 2010, the demand for capital is increasingly great, the banking system has to mobilize all possible sources of finance needed for the economic growth in HCMC. Moreover, HCMC should promote its export and improve its competitiveness in order to play well its leading role in the national economy in preparation for foreign competition after the WTO membership.

To contribute actively to the local

# For a Better Performance for Commercial Banks in HCMC

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economic growth, HCMC-based banks could take the following measures to mobilize the much-needed capital and support the economic development.

## 1. Mobilization of capital

a. Diversifying methods of mobilizing the capital: Besides

attracting idle money from the public through bank accounts and finance market, commercial banks had better issue more negotiable papers with different maturities, interest rates and terms of repayment, and encourage saving accounts for personal long-term needs, such as buying house, making studies abroad, covering expenses on tertiary education, etc.

To create favorable conditions for clients, commercial banks should allow clients to withdraw their money anytime and anywhere (by installing ATMs in public places for example.)

b. Generating long- and medium-term sources of capital: In fact, no banks can base their operations on owners' capital. They should depend on deposits from the public. To meet the market demand for investment, they should find measures to generate long- and medium-terms deposits.

c. Target market and policies on

Table 1: Deposit and credit supply of commercial banks in HCMC (VND billion)

	2000	2001	2002	2003	2004	2005
<b>Deposit</b>						
State-owned banks	28,663	33,044	43,164	58,085	71,218	87,362
Joint stock banks	16,635	19,458	24,712	32,706	48,823	67,157
JV banks	1,784	2,525	3,271	4,724	4,386	5,395
Foreign banks	9,120	10,689	14,849	19,056	24,020	28,961
<b>Total</b>	<b>56,202</b>	<b>65,716</b>	<b>85,996</b>	<b>114,571</b>	<b>148,447</b>	<b>188,876</b>
<b>Lending</b>						
State-owned banks	25,930	25,577	38,001	48,545	61,723	73,731
Joint stock banks	12,674	15,510	19,814	29,160	41,018	58,579
JV banks	1,215	1,808	2,783	3,946	5,145	6,272
Foreign banks	12,375	13,294	13,646	19,355	28,735	37,179
<b>Total</b>	<b>52,194</b>	<b>56,189</b>	<b>74,244</b>	<b>101,006</b>	<b>136,621</b>	<b>175,761</b>

Source: Reports by HCMC-based commercial banks to the SBV



customers: Commercial banks should affirm their target markets. At present, private persons and small and medium enterprises seem most suitable to local banks because small and medium enterprises constitute the fastest developing sector in Vietnam and the personal income is on the increase. Moreover, commercial banks have accumulated a lot of experience of dealing with these customers so they can make it their comparative advantage when facing foreign competition.

After determining their target markets, commercial banks can work out policies on customers with a view to attracting more and more clients and establishing close and long lasting relations with strategic customers.

d. Beefing up their brand names, public images and service quality.

## 2. Supply of credit

a. Perfecting credit supplying process:

- Procedures for approving applications for credit, from examining, adjusting, to filing, must be simple but strict and reasonable in order to save clients from waste of time.

- Training and recruiting bank officials equipped with knowledge of banking services, law and other skills needed for analyzing and valuating client trustworthiness and feasibility of their projects.

b. Classifying clients:

Banks have to valuating exactly business capability of their clients thereby estimating their solvency by keeping track records and a close watch on their businesses in order to make good decisions on credit supply and prevent bad debts. Clients could be classified according to their performance and track records and different policies are applied to these classes.

c. Diversifying ways of supplying credits:

- Commercial banks can offer

various products and services to meet various needs of the clients, such as consumption loans, rollover loans, term and time loans, etc. In other words, commercial banks should make researches on needs of different classes of clients and provide them with what they need instead of what the banks have to offer. Investing in enterprises may be considered as a way of promoting production and ensuring repayment of debts by enterprises, especially long- and medium-term loans.

- They may cooperate with other banks and banking institutions to supply credits to development projects and issue credit cards.



At present, owners' capital of most small and medium enterprises in HCMC accounts for only some 20% of their working capital, so they have to depend on bank loans and other sources of finance. This situation makes most banks reluctant to supply credits to these enterprises because of a high degree of risk that occurs when they go bankrupt and become insolvent. Cooperation between banks to invest in these enterprises is a way of distributing risks and ensuring a reasonable profit. Moreover, this practice may bring about benefits to both banks and enterprises:

- + Business plans by enterprises will be examined by many banks, which makes estimation more exact and trustworthy.

- + Each bank only invests in one item or part of the plan, which allows better supervision of employment of loans and helps enterprises carry out their plans properly.

- + Banks engaging in the plans can gather information about investment and share it between them with a view to working out optimal solutions to the plans thereby ensuring benefits for both banks and enterprises.

- + Cooperation between banks allows them to take part in major projects that are beyond their

individual reach. It also helps enterprises to expand their operation and take business opportunities on time while banks can increase their profits and performance because major projects usually produce high efficiency.

- Financial leasing is also a measure suitable for HCMC-based commercial banks. The financial leasing allows enterprises to secure long- and medium-term loans and banks to take part in management of enterprises' operation, which reduces the degree of risk involved in the business plan ■