



BANKING REFORM FOR NATIONAL INDUSTRIALIZATION AND MODERNIZATION

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I. ACHIEVEMENTS IN TEN YEARS OF VIETNAMESE BANKING REFORM

We have built and developed the banking system following the two-level model in accordance with the world trend.

The State Bank of Vietnam, the central bank, implements the state management in the currency and banking area at the macro level. It has also carried out the monetary and credit policies by its instruments such as: compulsory reserve ratio, credit line, interest policy...

The commercial banks are diversified with many forms of ownership. They initially generate competition in the banking sector. It is also the dynamic for the sector's development.

The banking technologies and staff has been increasingly improved. The Vietnamese banking system has had active contributions to economic stability and development, and inflation control.

II. SHORTCOMINGS OF THE CURRENT BANKING SYSTEM

1. Regarding the central bank: In the centrally planned period as well as at present, branches of the central bank in provinces and cities directly provide services for enter-

prises and residents. We think this network is suitable for only big cities like Hà Nội, HCMC, and Hải Phòng. The branches in other provinces is facing a waste of labor.

2. Regarding state commercial banks: They are not available in remote areas, moreover the people's credit fund is ineffective due to its poor management. The competition between state banks is necessary but it sometimes causes negative factors in the banking sector. The staff of the state banks has not yet met current requirements of qualification. Some state commercial banks have committed mistakes and caused losses but they have been slowly settled.

3. Other credit institutions such as joint stock banks, joint venture banks, foreign banks, people's credit fund, and credit cooperatives are sparking off harsh competition in the market. Nevertheless, some institutions' poor management may badly affect the economy. The evident shows that some banks have very small equity capital, even lower than the legal capital regulated by the State. They have made losses. Therefore, some are under the state special control and weaken the banking system. The people's credit funds' activi-

ties are even worse.

As a result, to restructure the banking system is a must. The following measures should be mentioned:

a. The central bank does not need to establish its branch in each province. It should build branches in economic regions to implement the state management in the banking sector. The computer intranet will help do this. So the number of employees will be reduced in branches and the state apparatus streamlined.

b. Some state commercial banks must be strengthened to compete with local and foreign rivals and integrate into the world banking system. They have to prove their leading role in sales and technologies.

c. Those poor joint stock banks should be merged in a good one to survive in the market. Poor credit cooperatives and people's credit funds should be also incorporated or disbanded.

In short, the banking system should be restructured to meet requirements of the economy in such areas as mobilizing idle money, using it for economic growth and providing banking services for the economy ■