

A BUSINESS STRATEGY FOR BIDV IN THE INTERNATIONAL INTEGRATION

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In the international integration, banks and non-banking institutions should compete with one another to survive and develop. They should carry out reforms and innovations in all fields in order to maintain their profits and improve their competitiveness. These fields include capital accumulation, technological innovations, organizational issues, managerial skills, risk controlling mechanism, business strategy, brand name and public image.

The Bank for Investment and Development of Vietnam (BIDV), after some 10 years of reform, has achieved many encouraging results: increasing bank deposits and loans, introduction of more and more new services, larger customer base, reduced cost of social circulation, higher capital turnover, and wider network of branches. And like other banks, it still suffers many shortcomings, such as a limited financial potential, a low owners' capital, and poor facilities; managerial

skills; business strategy; and banking expertise in comparison with requirements posed by the international integration.

The integration means keener competition from both local and foreign rivals, and the BIDV has to work out a new business strategy. In this paper, the SWOT analysis will be carried in order to help the BIDV to select the most appropriate strategy in this period.

I. A SWOT ANALYSIS FOR THE BIDV

1. Strengths

(1) It is the state-owned bank with the longest history in Vietnam and has been awarded with the title "Labor Hero of the Economic Reform."

(2) Its capital is large, increases over years and has gained high growth rates for years.

(3) BIDV has a firm position and a leading role in investment in development projects.

(4) It is one of the five state-owned biggest banks and

has good relations and public image in the eyes of international financial institutions, and local and foreign banks.

(5) It has branches all over the countries and an army of experienced and well-trained employees.

(6) Considerable investments have been put in technological infrastructure and facilities by the BIDV.

2. Weaknesses

(1) Its financial strength is poor in comparison with regional banks. Its equity capital equals only one-third of ones owned average banks in the region.

(2) Its business performance is not as high as expected; profitable services are not diverse enough; loan quality is not high, overdue debt is on the increase, and the degree of risks becomes higher because of concentration of large investments in major development projects.

(3) Competitiveness of technology-based services hasn't been improved. Recent developments are chiefly of quantitative instead of qualitative aspects.

(4) Organization, facilities, risk management, among other aspects, have been improved but they don't comply totally with international practices.

(5) The average level of expertise of employees is not high, which prevents them from integrating into modern banking services and technologies. Both the management of labor force meet with difficulties in doing business in the market economy.

3. Opportunities

(1) The international integration provides the BIDV with chances to make the best use of



Pho to by Huỳnh Thơ

its comparative advantages and learn more about experience, managerial skills and technology from foreign rivals and partners.

(2) The political situation is stable, and the legal infrastructure is increasingly improved.

(3) The equitization (or privatization) allows state-owned banks to mobilize more money from the public.

(4) The BIDV can improve its market share and attract more customers as the economy grows.

4. Threats

(1) Serious effects caused by the economic reform and international integration on BIDV's traditional customers (state-owned companies) may make its market share contract.

(2) All local rivals are trying their best to improve their competitiveness.

(3) Foreign banks will expand their businesses and operations when all barriers to the domestic market are lifted as required by international agreements.

(4) BIDV also faces competition from non-banking institutions and local capital market.

(5) Defects and shortcomings in the legal infrastructure and market mechanism may become obstacles to the banking sector as a whole, and the BIDV as well.

(6) Effects from the world finance market, especially in terms of interest and exchange rates, may be very serious at times.

II. NEW STRATEGIES FOR THE BIDV

1. Taking opportunities based on existing strengths

- Beefing up the BIDV position in the investment field; expanding operations in industrial estates, export processing zones, and open economic zones; and opening rep offices and branches in countries and blocs that are

major trading partners to Vietnam.

- Paying more attention to non-state enterprises, especially foreign-invested ones and successful exporters and importers.

- Diversifying banking services in order to meet various needs by potential customers; and offering more retail services to cities and industrial parks by making the best use of the information technology.

- Issuing widely products and services of high utility and popularity, such as credit cards and ATM cards.

- Attracting more customers based on the army of experienced employees and low overheads.

- Trying to take part in projects financed by the State and international financial institutions in order to improve the capital turnover.

2. Overcoming weaknesses

- The Government had better increase the BIDV legal capital in order to help it ensure the internationally-agreed capital adequacy ratio, deal with doubtful debt and carry out measures to improve the quality of the bank assets.

- The equitization of the Bank for Foreign Trade should be accelerated in order to pave the way for the BIDV equitization.

- The BIDV can improve its business performance by building a reasonable structure of capital and assets, and regulating interest rates and bank charges to cover risks and overheads with a view to increase the retained profit.

Other measures are to increase income from banking services; develop new and competitive services or products, limit low-profit operations, engage in underwriting of share issues and take part actively in the inter-bank market.

- The BIDV should develop the supply of management information based on the system of accounts of international standard in order to improve its management system. Moreover, it should control sources of capital efficiently to reduce cost of inputs and improve the efficiency of the use of deposits.

- Incentives could be offered to self-education, distant learning and participation of on-the-job training courses. Tasks of cultivating competent employees and attracting or recruiting well-trained managers must be beefed up.

3. Limiting threats

- Supplying standardized, simple and diverse products and services to infrastructure projects in order to maintain its position in the field of investment for development.

- Distributing reasonably sources of credit among different groups of customers through its network of branches in order to protect the BIDV market share.

- Expanding the financial leasing service and taking measure to control legal and credit risks relating to mortgaged assets.

4. Self defending by dealing with weaknesses

- Developing a mechanism for risk control of international standard.

- Increasing investment in target segments that produce high profit.

- Developing services and products suitable for important customers, such as major corporations and companies in industrial parks and export processing zones.

- Modernizing banking facilities, computerizing all services and transactions and reforming the managerial mechanism. ■