

CHALLENGES TO THE INDUSTRIAL AND COMMERCIAL BANK OF VIETNAM IN BUILDING ITS BRAND NAME

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Fifteen years after its establishment, the Industrial and Commercial Bank of Vietnam (Incombank - ICB) has overcome many difficulties, integrated into the market mechanism and become one of leading state-owned commercial banks. Its achievements and growth rate allowed it to win trust from both local and foreign customers. To maintain and increase its market share in the coming years, however, is no easy task. With the growth of commercial banks, the radical transformation of joint stock banks and expansion of foreign banks, the competition in the banking system becomes keener and keener, which forces all banks to reform and modernize its ways of doing

program to build and promote its brand name becomes a matter of great urgency to the bank now.

The following are our suggestions about measures to build the ICB brand name.

- Improving loan quality: Lending service is the main source of income for banks. To differentiate the service when there is no difference in bank charges, the bank should improve the service quality. First of all, the ICB must observe banking regulations and policies in order to avoid risks. Secondly, it should ensure the flow of deposits, adopt a flexible rate of interest and launch various programs to attract long-term deposits (issuing high-interest bonds, holding lottery for savings accounts, etc.)

chinery and keep pace with regional banks, the ICB should adopt customer-oriented approaches with suitable measures to control risks and assets. Its legal capital and retained profit must be restructured with a view to ensuring its equity capital according to international standard. Increases in the legal capital will help limit risk, improve competitiveness and enhance ability to attract deposits and supply loans.

- Building an effective competition strategy: This strategy should aim at organizing all branches into a system in order to avoid unnecessary competition between branches and compete against rival with the strength of the whole system.

- Modernizing banking facilities: Banking technology is the biggest weakness of the whole Vietnamese banking system while it is the best way to improve the service quality and economic efficiency. The ICB must increase investment in application of information technology and retrain its personnel in computing with a view to modernizing its services and developing new ones.

- Developing banking services: E-banking services have become more and more widespread. In 2004, the ICB introduced four kinds of credit card, thereby making this market more diverse. In the coming years, the ICB has to ensure a high ability to handle information automatically and safely.

- Developing human resource: In this task, the ICB had better pay full attention to foreign help, for example, international monetary institutions have various projects to support the reform in the Vietnamese banking system, and the ICB could carry out to the full such training courses. The ICB could give scholarship to good students in banking and finance schools in order to prepare its human resource in the future.

- Privatizing the ICB: This program could help the ICB expand its scope of operation and improve its service quality. Its brand name will be tested by the market and potential investors and their participation will certainly enhance this brand name. ■



business and banking services.

The ICB financial strength, and of other state-owned commercial banks as well, is limited in comparison with banks in neighboring countries. Their retained profit is small, the biggest one only amounts to US\$288 million as compared with an average of US\$1 billion for banks in the region. The financial situation of state-owned banks is usually unhealthy because of high levels of overdue debts. As for the ICB, in spite of its efforts to improve their service, its service quality is not as high as expected. That is why the

Thirdly, it must keep increases in loan suitable to its ability to attract deposits and manage customers. Fourthly, it must apply the ISO 9000 standards in order to ensure a high quality for its services. For the time being, it must launch programs to bring its services to potential customers instead of waiting for them, and enhance the work ethics among its personnel.

- Enhancing the competitiveness and integration ability: The ICB has a long way to go in order to meet regional and international standards. To accelerate the reform in its ma-