Sustainable Development of Commercial Banks in Vietnam – Situation and Solutions

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Abstract

Along with the development of the economy, the role of commercial banks has become increasingly important. Commercial bank is an important financial institution which conduct the function of mobilizing and providing capital for the economy, thus, boosting the economic development. Besides, commercial bank is also a channel to conduct policies of state bank in stabilizing money value and control inflation. The fact shows that the majority of economic crises originated from crises within the financial system. Thus, it can be said that the commercial banking system has significant influence on the stability and development of the economy. Therefore, the sustainable development of commercial banking system will have positive influence on the economy, especially in emerging economies.
1. Viewpoints on the Sustainable Development of Commercial Banks and Criteria on Evaluating the Sustainable Development of Commercial Banks

1.1. Viewpoints on the Sustainable Development of Commercial Banks

There are many viewpoints on the sustainable development of a commercial bank.

The sustainable development of a commercial bank is first counted on the financial stability. This is the agreed opinion of Vietnamese scholars in the conference “Sustainable development of Vietnam commercial banks” in 2004 which focused on the topic of sustainable development of commercial banks.

According Jonhan Carl-Lindgren, commercial banks are considered financial condition "healthy" or be considered "sustainable development" is often used to refer to the financial capacity and operational reach certain efficiency to be able to survive, endure and resist the adverse impact of the external environment. Thus, a healthy bank or a commercial bank sustainability can ensure the solvency of the debt at any time determine and not cause a negative impact to the economy and the community, despite the the impact of adverse changes in the social economy.

According to Pau. R. Niven in The Balanced Scorecard, the sustainable development and balance of the four elements of a group of businesses or any organization are: customer, internal processes, training and development staff development and financial aspects.

According to the IFC, the financial sustainability is defined as the provision of capital and risk management solutions for the project as well as the business activities in order to promote or interfere with prosperity, protect the environment and create social justice. The sustainability of the bank is defined as a process of long-term survival with the provision of services and products to customers but to ensure promote economic development, protect the environment and create for social justice.

According to SAS, sustainable Bank is a fundamental philosophy of the bank. This is a value system that the activities of commercial banks not only bring profits to employees and shareholders of the bank but also bring benefits to customers. More broadly, the bank's operations should also bring benefits to the economy while at the same time to prevent or at least to minimize any excessive impact on society and the environment. It also requires banks to take steps to improve society and the environment. Thus, the sustainability of the bank is shown on multiple sensory levels: it is the social responsibility of business (CSR), corporate responsibility (CR) and responsibility to the environment and society (ESG). In addition, the bank's sustainable continuous process, it will always be a journey.

According to the Banking Supervision Committee of Basel, the bank's sustainable development banks to maintain a capital amount large enough to cover the activities of its risk, including credit risk, market risk and operational risk now, banks need to properly assess
the types of risks they are facing and ensure that supervisors would be able to assess the adequacy of these measures this evaluation. Banks need to publicize information appropriately according to market principles. The information that the public banks to be: capital structure, capital adequacy level to all information related to the sensitivity of the bank to credit risk, market risk, operational risk and assessment procedures of the bank for each type of risk.

Based on that point of view, the author said that a sustainable development banks as a banking operation to achieve profitability at the request of the owner in a safe state. Banks need to maintain a balance between profitability and the level of safety in a long time. Besides, the bank's activities should serve the interests of customers.

Thus, commercial banks' sustainable development primarily reflected through profitability. A bank wants to survive needs to be profitable, with earnings. This profitability must meet the requirements of the owner. Besides, banks should try to increase profitability. Wants to increase profitability and growth requires the development of certain existing bank. The growth of commercial banks at present are evaluated through an increase in the size of banks The increase in the size of the bank is the growth of capital, investment activities and credit quality good. The profit of the bank was increased on the basis of the expansion of the scale and quality of business operations. The increase in profitability is a direct indicator of business performance of the bank. However, if this growth is overheated, high current income but stagnation losses in subsequent years is not sustainable development.

Besides, the banking business is always faced with specific risks such as liquidity risk, interest rate risk, foreign exchange risk, credit risk, maturity risk alongside general risks (country risk and political risk) When risks incurred costs will reduce revenue and profits. Furthermore, between risk and profitability expectations have positive relationships. There are business risks when not or can not happen gives banks a very high profit margin. But the risk that banks could bankrupt in just a minute. Therefore, if a bank selects only the profit target for the development of the growth that is unstable and unsustainable. Sustainability of banks necessarily be assessed on the basis of tolerance, prop, processing to secure survival and development to achieve the expected return before the negative impact of the economic environment business.

On the other hand, the main customers which provide capital to banks to conduct business activities. Customers who also use the products and services of the bank. However, the bank will incur costs in the process of finding customers. Benefits of banks and customers are mostly contradictory. But in the long run, maintain large customer base is a condition to increase bank revenue. More and more bank customers, different customers have access to banking services at different levels, the ability to survive and grow higher. To attract
customers, the bank executives need to know that reconcile the interests of the banks and the interests of customers, to ensure both the bank and customers are developing.

In short, a bank will be sustainable development while achieving balance two: The first is the balance between expected return to the level of risk that banks may be acceptable. The second is a balance between the interests of the bank and the customer's interests. Another requirement for sustainable development banks, as banks need to maintain this balance two in a long time.

1.2. Criteria on Evaluating the Sustainable Development of Commercial Banks

Sustainable level of development of a commercial bank assessed the financial capacity, operational capacity, quality of human resources and management capacity of banks operating there.

First, the financial ability of commercial bank

Financial capability is the ability of commercial banks to finance the first bank to be able to perform and develop their business operations effectively. Besides the financial capacity of the banks was able to exploit the management and use of financial resources in order to better service for business operations. Financial capability is not only reflected in the current strength but also demonstrates the financial strength of potential, prospects and trends in the future development of the bank.

The system of indicators reflecting the financial strength of the banks including the bank's own capital, the capital adequacy ratio (CAR), asset quality (NPLs / Total loans, risk provisions / NPLs, overdue / total loans), the ability to ensure safe payment system (ratio of assets can pay immediately / liabilities to pay immediately, the growth rate of money send / growth of lending and leasing) and the commercial banks' profitability (ROA, ROE, NIM ...)

Secondly, operating ability of commercial bank

Operational capacity of commercial banks is the ability to perform activities, the level of provision of banking services to customers. A bank has good operational capacity i.e, that bank operations have good results as: banks have the ability to raise capital, capital base year is higher than the previous year, the growth rate of deposits high and sustained for a long period of time reasonable capital structure, asset size increased over the years and the asset structure ensures balance reached both profit targets and the security of the bank. In addition, banks also include Dinh Vu capacity development, research and offer new services to the market, the number of customers using the service to accept increased over the years.

Thirdly, human resource and management ability

Human resources of any bank's comparative advantage is important because the human factor is "the most dynamic” in all production processes. The bank's human resources is evaluated through two indicators is the number of employees and the quality of human resources (i); Number of employees: the absolute indicators reflect the human resources of a
bank. (ii); The quality of human resources: the quality of human resources of banks is assessed through indicators: education, foreign language skills, IT, soft skills such as communication capabilities, presentations, addressing capacity issues arise, responsibility, enthusiasm, professional ethics.

Governance capacity reflects the operating capacity of the board as well as the bank’s board of directors. Management capability demonstrated through the following criteria: Ability to plan and organize the implementation of strategies, policies and processes of identity, processes and risk management, audit and internal monitor, the appropriate organizational structure.

Capacity management decides efficiency of banking resources. A incapable board of directors will not have the ability to make strategic, rational policies, adapt to changing market ... causing a waste of resources, rising costs activities, decreased ability to anticipate and fend off risks and weaken the competitiveness of the bank, reduce the ability of sustainable development of the bank.

2. The Situation of Sustainable Development of Vietnam Commercial Banking System

2.1 Qua the Financial Ability of Vietnam Commercial Banking System

2.1.1 Size of Self-Capital of Vietnam Commercial Banking System

To December 31, 2015 financial ability of the banking system is reflected in tables 2.1

| Loại hình TCTD | Тổng tài sản có | Số tỷ lệ tài sản | Số tỷ lệ vốn | Số tỷ lệ vốn điều lệ | Tỷ lệ thanh toán | Tỷ lệ vốn | Tỷ lệ vốn
|----------------|----------------|----------------|--------------|---------------------|----------------|------------|------------|
| NHTM nước      | 3,303,995      | 16.57          | 203,326      | 19.82               | 137,093        | 2.14       | 9.42       | 33.36
| Ngân hàng Chính sách xã hội | 144,204 | 7.03 | 19.685 | 6.96
| NHTM thành phố | 2,982,146      | 8.93           | 236,342      | 16.34               | 193,877        | 7.11       | 12.74      | 30.60
| NHTM thành phố | 755,591        | 7.61           | 117,164      | 10.53               | 93,948         | 6.45       | 33.60      | -
| Công ty tài chính, công nghệ | 87,847 | 27.91 | 17,715 | 16.46 | 18,463 | -2.17 | 23.24 | 73.14
| Ngân hàng Hợp tác xã | 21,903 | 7.45 | 3,472 | 38.36 | 3,000 | 39.31 | 31.47 | 77.93
| Quỹ tín dụng nhân dân | 77,643 | 16.41 | 3,102 | 15.86 |
| Tổng hệ thống  | 7,319,317      | 12.35          | 578,026      | 16.40               | 469,270        | 5.65       | 13.00      | 31.00

Unit: billion VND, % (Source: SBV)
It can be said that the entire equity of the system has a strong growth compared to the previous period. Specifically, by the end of 12/2015 equity of the system reached 578,020 billion VND, an increase of 18,732 billion VND compared to last month and up 81,447 billion VND, equivalent to 16.40% compared to the end of 2014, an increase of 166,233 billion VND compared with 2012.

In that block equity of state-owned banks have the largest increase. Total equity capital of 13,309 billion cubic increase (last month) to 203,328 billion VND. Next is that commercial banks increased by 6129 Shares billion to 236,342 billion VND; Cooperative banks increased slightly by 5 billion to 3472 billion VND.

However, the equity capital of the joint venture banks abroad decreased by 594 billion to 117.164 billion; block financial companies, leasing fell from 116 billion to 17.715 billion.

In terms of absolute value, Shareholding commercial banks again leading equity capital to 236,342 billion VND; the second is the State commercial banks with 203,328 billion VND; ranked third venture banks, foreign with 117,164 billion VND.

The charter capital of the whole system to increase slightly by 344 billion to 460,279 billion VND at the end of 2015. As compared to the end of 2014, the charter capital of the system increased by 24 630 billion, equivalent to 5.65 %.

In terms of absolute value, commercial banks also are leading Stock chartered capital to VND 192,980 billion; followed by state-owned banks with 137,082 billion VND; The third is a joint venture banks, foreign to 93,593 billion VND.

2.1.2 Capital Safety Rate of Vietnam Commercial Bank System

According to data from the SBV, the capital adequacy ratio of commercial banks as of 31/12/2012 is 10.63% of the State, of the commercial banks was 14.15% Shares, NH block joint ventures, foreign 30, 43%, of the group of finance companies and leasing is 10.52%, the central credit fund is 39.81%. The average level of the whole system in this year is 14.20%. This figure is as of 31/12/2013 for the State commercial banks rose slightly to 10.91%, commercial banks dropped to 12.56% Shares and adequacy ratio of the whole system fell slightly to 13, 25%. To date 12.31.2015, the capital adequacy ratio of commercial banks minimum state reached only 9.42% decline, the capital adequacy ratio of commercial banks Minimum Shares also fell 12.74% only, the ratio of the volume of foreign joint venture banks remained at a high level of 33%. Adequacy ratio of the volume of financial companies and leasing increased substantially to 23.24% adequacy ratio of the whole system continues to decline only 13%. Overall, in the last period, the capital adequacy ratio of the system but does not fluctuate much.

Currently, although the capital adequacy ratio of the banking system is higher than the rate prescribed minimum capital adequacy individual and consolidated system Circular 36/2014 / TT-NHNN of 9%. However, the ratio is still lower than the rate on capital adequacy.
minimum 13.1% of banks in Asia - Pacific and lower capital adequacy ratio of 12.3% on average a minimum of some Southeast Asian countries (Thailand this ratio is 16%, and Malaysia is 14.6%). This shows that the operation of the banking system in Vietnam is still a lot of potential risks threatening the sustainability of financing.

2.1.3 Quality of Capital of Vietnam Commercial Banking System

a. Bad Debt Situation

As reported by the credit institutions, the NPL ratio of total credit to the economy by the end of June was 4.9% 9/2012, up sharply from 3.1% in late 2011. According to remote monitoring data of the State Bank, by the end of the month delinquency is 8.82% 9/2012. This is a high rate, despite efforts by the central bank to overcome and the commercial banks, the bad debt situation has not been improved. NPL ratio by the end of the month fell to 3.63 12/2013% of total outstanding loans, compared to 4.08% at the end of 2012. NPL ratio fell by 300,000 billion VND is bad debt was muscle restructuring of the central bank in accordance with Decision 780 billion VND and about 40,000 sold NPLs VAMC, not to mention much bad debt banks have dealt with technical measures.

Only the bad debts of commercial banks group Shares are listed currently at 30,000 billion VND and only 4 banks bad debts fell as BIDV, VietinBank, STB and SHB.

To reduce commercial banks' NPL ratio has been implementing various measures including the use of risk reserve fund to give out bad loans off balance sheet. NPLs have decreased most followed by VietinBank. In 2013, VietinBank has been treated with prophylactic 4,576 billion VND of bad debt and collection of 1,266 billion VND from debts previously treated. NPL ratio decreased to 1%. However, notable, outstanding corporate bonds of VietinBank continued to increase from 23,957 billion VND in 2012 to 30,024 billion VND in 2013 (+ 25.3%), making the proportion of corporate bonds in the total list investment securities portfolio increased from 32.6% to 36.2%. This is a relatively high rate compared to other banks.

Bad debt cases have plummeted 2nd Investment Joint Stock Commercial Bank and Development of Vietnam (BIDV) (20.4%). In 2013, the Bank had used 6146.8 billion handled over 40% of the bad loans, thereby reducing the NPL ratio down to 1.9% from 2.7% the previous year. However, the total NPLs stood highest in commercial banks listed shares and No. 3 in the CI system (7.296 billion VND).

However, VAMC remains strategic tool in decreasing bad debts of credit institutions. In fact, declining NPL ratio of banks have close ties with the purchase of bad debt in the period VAMC last 6 months of 2014 and the first months of 2015. VAMC bad debt purchased by the left special shares (TPDB) for the debts of the banks meet the eligibility regulations. Accumulated from January 10/2013 to 31/12/2014, VAMC has acquired 133,555 billion VND in outstanding principal to the purchase price of 39 billion 108 652 CI.
Chart 2.1 The Result of the Purchase of Bad Debt Credit Institution’s Special Bond with VAMC

<table>
<thead>
<tr>
<th>Date</th>
<th>VAMC mua nợ xấu</th>
<th>Nợ xấu theo báo cáo TCTD (không bảo đảm nợ đã được cơ cấu lại)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/12/2013</td>
<td>150,000 tỷ đồng</td>
<td>180,000 tỷ đồng</td>
</tr>
<tr>
<td>01/02/2014</td>
<td>140,000 tỷ đồng</td>
<td>170,000 tỷ đồng</td>
</tr>
<tr>
<td>01/04/2014</td>
<td>130,000 tỷ đồng</td>
<td>160,000 tỷ đồng</td>
</tr>
<tr>
<td>01/08/2014</td>
<td>120,000 tỷ đồng</td>
<td>150,000 tỷ đồng</td>
</tr>
<tr>
<td>01/10/2014</td>
<td>110,000 tỷ đồng</td>
<td>140,000 tỷ đồng</td>
</tr>
<tr>
<td>01/12/2014</td>
<td>100,000 tỷ đồng</td>
<td>130,000 tỷ đồng</td>
</tr>
</tbody>
</table>

(Source: VAMC)

Table 2.2: Status of Bad Debts of the Credit System Vietnam Period 2014-2015

<table>
<thead>
<tr>
<th>Khối ngành hàng</th>
<th>Nợ xấu (tỷ đồng)</th>
<th>Tỷ lệ nợ xấu (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nhà nước</td>
<td>87.754,5</td>
<td>4,20</td>
</tr>
<tr>
<td>NHTM có phân được mua lại 0 đồng</td>
<td>41.200,7</td>
<td>57,71</td>
</tr>
<tr>
<td>Có phân</td>
<td>59.958,2</td>
<td>3,40</td>
</tr>
<tr>
<td>Liên doanh, nước ngoài</td>
<td>7.235,3</td>
<td>1,50</td>
</tr>
<tr>
<td>Công ty tài chính, cho thuê tài chính</td>
<td>17.903,4</td>
<td>27,06</td>
</tr>
<tr>
<td>TCTD hợp tác</td>
<td>873</td>
<td>1,31</td>
</tr>
<tr>
<td>Toàn hệ thống</td>
<td>214.932</td>
<td>4,83</td>
</tr>
</tbody>
</table>

(Source: SBV)

According to figures from the central bank, by the end of 2015, the total bad debt of the whole system is 131,800 billion VND, accounting for 2.55% rate reduction 83,100 billion VND (38.7%) compared to the end of 2014. In 2015 total bad loans be treated up to 187,000 billion VND, in 2014 handled nearly 143,500 billion VND.

b. Profitability of the System

According to sources from the Finance Committee of beaten continental states as of 31/10/2012 price, ROA and ROE indicators of the whole system, respectively at 0.62% and 6.31%. By the end of 2013, ROA and ROE ratios of the entire system of credit institutions decreased to 0.49% and 5.18%. 31/12/2014 ratio to continue to decline 0.4% ROA and ROE of 4.6%. Thus the profitability of the system tends to go down to the ability to threaten the sustainable development of the whole system.

On the other hand, the profitability of the banking system ROA Vietnam is much lower than the 0.94% ROA ratio of the Asia-Pacific (including 52 banks in 10 countries) and ROA
is 0.77% of the emerging countries (including 14 banks of countries Thailand, Philippines, Indonesia, Malaysia, Philippines)

2.2 Operating Ability of Commercial Banking System

2.2.1 Capital and Asset Size

According to data as of 12/31/2015 SBV total deposits of the system reached 5,148,700 billion VND, increased by 696,500 billion VND compared to 2014. The credit balance of the economy of the entire system reached 4,657,000 billion VND, an increase of 686,600 billion VND compared to the end of 2014. In July 2015, total assets reached more than 6,660,000 billion VND, an increase of nearly 52,000 billion compared with the previous month and up 150 970 billion (equivalent to 2.32%) compared to the end of 2014.

Chart 2.2: Total Assets of Credit Institutions as of January 7/2015

Source: SBV

In general, banks are maintaining a high growth rate of capital and assets. Vietnam's banking system deposit growth and higher lending to the region's products (over 22% for many consecutive years, has reached up to 30%), while most of the banking system comparison sector with rapid economic growth and the world's most dynamic growth is also only deposit and loan are 2 digits. China is only about 20% growth rate compared to the average GDP growth rate of over 10% / year. This reality is a threat to the safe and sustainable development of Vietnam's banking system. Because although the rapid growth of capital and assets, but the quality and effectiveness of operations to low growth, high risk.

2.2.2 Service Development Activities

In recent years, commercial banks have to expand and strengthen the development of banking services in order to meet the increasingly diverse needs of consumers. The cash payment of this tradition has gradually switched to cashless payments reduce a significant amount of money in circulation. The commercial banks have taken the initiative to introduce the means and services of non-cash payments (TTKDTM) to customers. Besides continuing
to improve and develop the traditional methods such as debit authorizations (payment order), entrusted with the collection (collection), some media and new payment services based on technology applications information has appeared and is moving slowly to life, consistent with the trend of the domestic payments in the region and the world, such as bank cards, Mobile banking, Internet banking, SMS banking, e-wallet, ... the commercial banks are more concerned about the development of retail banking services, individual customers, the situation is open and use personal accounts increased dramatically, especially since service payroll account growth implementation, in particular: in 2000, only 100,000 individual accounts, but now has reached more than 39 million accounts. Some banks initially deploy payment services for electricity, water, telephone charges, telecommunications, cable TV, insurance and some other charges such as tuition, transportation ... By the end of the month 9/2015 has increased more than 1,600% in the number of cards issued; increased by 470% in value and card transactions increased by 600% in the number of card transactions compared to the end of 2006; rate bank card use than other media tends TTKDTM increased (by the end of 2011, the bank card payments accounted for approximately 8.57% of the transaction amount TTKDTM). By the end of the month 9/2015, of issued cards reached 60 million cards, with 47 issuers and approximately 339 card brands.

Thus, we can see the banks have research efforts and implemented several new product packages to adapt to the needs of the market.

2.3 Quality of Human Resource, Management and Technology

2.3.1 Quality of Human Resource of Vietnam Commercial Banking System

Overall, the quality of human resources of commercial banks is still low. Professional qualifications directly to the decision of the business risks, competitive in its ability to serve customers. In recent years, human resource development banks are very active in the structure, quantity and quality fast as demand expanded sales network. However, the quality of the majority of officers and employees in the banking sector are noteworthy status, number of employees was less good knowledge, especially knowledge of array-related operations. The overheating of the credit institution leads to high-quality human resources, there is a lack of professional ethics, does not meet the requirements, while the recruitment, retraining should not be taken seriously operational risk and increased moral.

SB assess human, who specialized training to work in the banking sector higher, but the rate of training of highly qualified banking professional training are lower in other sectors. Specifically, the percentage of qualified manpower bank university is 30.6%, 34.9% other sectors; postgraduate banks 1.35% 1.75% Other industries. In general, this ratio is not high, still have not met the requirements of the industry. Compared with other countries in the region and the world, this percentage is still very modest. Especially bank staff on the university level is still very low. Situation of the weakness of human resources is a major
challenge for the sustainable development of Vietnam's economy in general and the banking sector in particular.

2.3.2 Management Ability

So far the risk management activities for each bank but was focused, but has not really become effective instrument serves governance. Governance in commercial banks not conform to the principles and standards of good corporate governance as low transparency, no formation work environment and values a healthy business culture, the role and the task of the working position is unclear; risk management systems, management information systems, control team ineffective. Business management level is low and risk management remain weak (lenders rely on collateral, credit appraisal capacity, the system is not appropriate loan classification, Ngyen switch inspection lack of strict control). Borrowing situation with fluctuating interest rates on the money market interbank last time ultimately comes from the banks is not good governance and liquidity assets. Due to the weakness of governance Asset and Liability, Property and the dearth of effective management tools, while some commercial banks want to use this capital to fully operate the business for profitability, should occur locally lack of liquidity in some banks. Due to limited capital, financial capacity is limited, so some banks are not easy to implement. Thus, administration operations and technology management NH is a great challenge to the pressure integration of Vietnam's banking system.

2.3.3 Technology Ability

Vietnam banks recently have stepped up information technology applications, technology and advanced telecommunications networks, and the development of modern software in the banking sector. This allows banks to deploy automated trading systems and online payment internally, customers open accounts can perform a transaction at different places in the same system, the link itself automation and quick access to large number of users in the same time, the security is relatively good. The processing system in the State Bank and the headquarters of major commercial banks have applied to open systems standards. The product data encryption software, manage user accessed, the network management system and the system administrator is used quite common and uniform.

However, information technology systems-bank payment has not reached the advanced level, are at risk of falling behind in the region and the world. The speed of development and application of information technology has been slow, failing to meet the requirements of renovation and modernization of banking and international integration. Information technology systems are not synchronous development, low level of automation. Deploying information technology applications primarily focused on a number of basic banking operations. The ability to connect local payment network of banks with national networks and payment between the local payment network together more difficult, due to the technological
level of the bank payment uneven, honey providers of banking services was thin and international telecommunications infrastructure is still weak prices.

3. Suggestions to Sustainably Develop the Commercial Banking System of Vietnam

3.1 Suggestions to Commercial Banks

First, strengthening the financial capacity of the commercial banking system

In the coming time Vietnam's commercial banks need healthy and improve quickly and fundamental financial capacity to ensure sufficient financial capacity.

+ Increase the equity capital of banks by retained earnings, issuing shares, bonds, merger or acquisition. Resolutely handle weak commercial banks and potentially greater risks for the banking system, including measures to dissolution, bankruptcy of joint-stock commercial banks in accordance with the law, but to ensure no significant impact on the socio-economic aspects.

+ Continue to scale up its chartered capital, assets coupled with improving quality and profitability of assets, reducing the proportion of risky assets in total assets. Definitively settle debts and clean up the balance sheets of commercial banks accounting.

+ Fundamental innovation management mechanism of commercial banks. Accordingly, banks are really autonomous (financial, operational, governance, organizational structure, personnel) are solely responsible for the results of the business and operations in a transparent legal framework, publicity and equality.

Secondly, improving the risk management and monitoring ability of commercial banks.

The bank has a corporate governance structure and strong is important, because banks have a crucial role in the economy of each country, the bank is considered the industry is managed, closely monitored and can use the safety net of government. Therefore, administration of banking activity in general and in particular risk management, should be based on a number of principles of market economy, but must follow the actual operation of Vietnam's economy.

Banks need to develop risk management culture, creating a favorable environment for the application of the principles and practices of risk management. Improving the quality of internal controls, to detect potential risks and take measures to stop in time. But do not get too stressed to test, internal controls easy to lose the creativity at work. Building an effective incentive system, by building relationships between employees with employers, based on income reward mechanisms and internal sanctions to encourage active workers, creative, working with high-yield and quality.

On the other hand, need to improve and step up the statistical reports, ensuring accurate data reporting; Construction and application management model Asset and Liability - There
in business activity. Putting asset management activities to a new position, need to establish the importance of this corporate governance. Coordination and synchronization between the credit risk management - liquidity risk management in asset management liabilities.

Thirdly, building a reliable database.

In banking operations, not all information may be publicly announced, but more transparency of information, ensuring the update, accuracy, will reinforce the confidence of the majority of the population. In fact, due to lack of information, or incomplete information, has no room for rumors exist, upset the market. So regulation mechanism should provide adequate information, transparent, accurate and timely data for the complete system, updated, this is not only for the analyzes and forecasts, which also for the adjustment of policies and mechanisms for monitoring the practical requirements. Only when there are good information systems, transparency, confidence will increase.

Fourth, developing high quality human resource with suitable technology

This is a key factor to improve competitiveness for the banking sector. The reality in Vietnam today, the shortage of high-quality human resources for the management and use of banking technology is taking place in most of the banks. Thus coupled with technology investments must take all measures (to create an environment for learning self-employed person or organization specialized training and enhanced mechanisms of reward and punishment in the job fair, ...) to improve the quality of human resources, education and professional ethics. It is urgent to do, if a bank wants to work towards developing a stable and sustainable.

3.2 Suggestion to the Government and State Bank

The government needs to use flexible, harmonious combination of monetary policy and fiscal policy in the run macroeconomic stability creates economic, proper orientation for enterprise development. Completing the legal system and law SB CIs, speeding enacted Competition Act and monopoly control, bringing this law become a tool for the Government to control the competitive activities. SOE reform, to create a more equal playing field for businesses to compete. Strengthening the role of inspection and supervision by the central bank to operate the business of credit institutions, ensuring that banks operate safely and efficiently, avoiding unfair competition between banks.

References

Annual Report of Commercial Banks