

Analysis of Factors Affecting the Business Performance of Vietnam Commercial Banks

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ABSTRACT---- *The world economy is entering a period of decline, inflation in the US and UK is at the highest level in 40 years. Commercial banks are under pressure to raise deposit rates and ensure business results. This article aims to analyze the factors affecting the operation of commercial banks. The purpose of this study is to determine the overall factors affecting the business activities of commercial banks. Based on this theory, the author mentions a number of solutions to enhance the operational efficiency of Vietnamese commercial banks. These solutions contribute to policy suggestions for the State Bank of Vietnam and the Economic Committee of the National Assembly to issue appropriate policies to help Vietnam's economy grow, contributing to escaping the middle-income trap flask.*

Keywords--- Commercial Banks (CB), Business Efficiency (BE), Business Results (BR), State Bank (SB)

1. INTRODUCTION

The bank agrees to allow customers to use an amount with the condition of repayment and an interest rate on the loan. Lending interest rate is the price of money that a bank lends to a customer. Lending interest rates fluctuate depending on factors such as: supply and demand for credit in the market...

1.1. Lending interest rate and deposit interest rate

A fundamental factor that directly affects income cost which is the change in the lending rate or the deposit rate.

1.2. Loan interest rate

Banks agree to allow customers to use an amount with repayment conditions and an interest rate on loan capital. Lending interest rate is the price of money that a bank lends to a customer. Lending interest rates fluctuate depending on factors such as: supply and demand for credit in the market; The level of credit risk on the following factors: time, loan size, implementation cost, capital use environment, loan guarantee relationship...; Mandatory adjustments of the regulatory environment.; Competition among CBs has impacted and made lending rates tend to decrease gradually. There are many different interest rates used for different borrowers, which is a disadvantage for banks with small scale and limited financial capacity.

1.3. Interest rate on capital mobilization

Customers who deposit money in a bank with a term or without a term, when withdrawing money from the bank, the customer gets a larger amount than the initial deposit. That difference is part of the bank's costs that bring in income for the customer. The rate determined between the spread and the initial deposit over time is called the deposit rate. Deposit interest rates also fluctuate depending on the following factors: deposit term; the relationship of supply and demand for capital; General price index and average profit in the economy; Mandatory adjustments of the regulatory environment.

Deposit interest rates tend to increase gradually because competitive factors in banking business narrow the gap between lending rates and deposit rates.

SB Vietnam stipulates the ceiling on lending and deposits interest rates for CBs. The change in interest rates leads to a change in the business results of CBs. The change in deposit interest rate increases, reducing the bank's financial reserves, leading to a decrease in competitiveness even though the lending interest rate does not include a level to offset operational risks. Unfavorable interest rate fluctuations for banks also reduce profits and affect the safety of the system. SB Vietnam stipulates a ceiling on lending interest rates, which makes lending rates not reflect prices properly through the relationship between supply and demand.

2. INTERNAL FACTORS IMPACT ON COMMERCIAL BANKING

2.1. Service fees charged by banks

Modern banking operations have a significant proportion of service revenue in total income (from 30% to 45%), through collecting fees for customers using the bank's services). The long-term trend shows as follows: while the interest rate gap is narrower, the service fee level tends to increase gradually. Fees depend on factors such as: exclusive products and convenience of banking services, competitive activities, general price index of goods and services in the economy, quality of lending activities. Service fees have a direct impact on banking operations and are a low-risk source of revenue for the bank's operations.

2.2. The proportion of different types of capital in the total capital

The capital structure has many different types, corresponding to different interest rates such as: Deposits on checking accounts, savings deposits demand, term, certificate of deposit... Banks' capital sources have different interest rates, superior loans, and residential savings have much higher interest rates than sources unlimited capital. Therefore, if in the capital structure, the proportion of demand capital or sources with low interest rates is high, the cost of capital will decrease, which will increase the bank's profit and vice versa.

2.3. Bank customers

The profitability of the bank depends greatly on the economic conditions of the customers. It is very good for banks to have relationship customers in economic sectors with growth rates located in developed socio-economic zones. At that time, customers will use a lot of the bank's products, thereby increasing the efficiency of banking operations compared to other economic sectors with less developed economic sectors serving customers.

2.4. Bank size and brand

With a number of large CBs, having many branches, there are advantages over small-sized CBs, so in banking operations, larger revenue is achieved. Customers' psychology is that they trust more in banks with large scale, high safety, variety of services and low costs. Therefore, the tendency of customers to come to do transactions with big and branded banks more, affects the business performance of the bank.

2.5. Quality of customer's staff

Banks have a team of qualified professionals, easy to be profitable in banking activities, on the other hand can overcome limitations on potential limit, and increase working efficiency. Besides, the staff is also the face of the bank. Therefore, the staff has a great role in keeping old customers and attracting new customers to the bank.

2.6. Operating expenses of the bank

Cost is a factor that directly affects the performance of the bank. Banks that have reasonable operating costs and save unnecessary costs will operate more effectively.

3. EXTERNAL FACTORS AFFECTING COMMERCIAL BANKS

The level of competition of other credit institutions in the area is also a factor that strongly influences the bank's business performance. Banks operating in an environment with many competing credit institutions will incur more operating costs, share customers, and reduce revenue.

The characteristics of geographical location, structure of economic sectors also affect the business performance of the bank. If the bank is located in an area with good economic development, a high proportion of the industrial economy means a high demand for banking services and vice versa. On the other hand, banks based in border provinces and cities, large border gates such as Lang Son, Mong Cai, Lao Cai, etc. have advantages for import and export business, and also have an influence on business performance.

The cultural level of the people where the bank is located also has a significant influence on the bank's business performance. For example, with a high level of education and culture, people (customers) have more understanding of the bank, easy access to and use of banking services, and less discrimination between private banks. and state-owned banks. This helps private banks to be more competitive and more accessible to customers.

In addition, factors on mechanisms and policies, legal environment, and foreign exchange rate risks also affect the bank's income. These factors affect the bank's operations and affect business performance.

4. MEANING OF IMPROVING THE BUSINESS EFFICIENCY OF COMMERCIAL BANKS

In the market economy constantly improving the business performance of CBs is of great significance reflected in the following aspects: CBs Effective operation will enhance the ability of financial intermediation, such as raising the level of domestic capital mobilization and allocating that capital to where it is used effectively, contributing to meeting the increasing capital needs of the country, industrialization and modernization of the country.

The more efficient the operation, the lower the cost of providing credit capital and other services, thereby contributing to improving the competitiveness of economic organizations, contributing to the economic growth chief. Then there will be the opposite effect to make the CB develop and operate more effectively. When operating effectively, the CB has more conditions to increase accumulation, modernize technology, and improve competitiveness compete not only for the domestic market but also step by step reaching out to foreign markets, approaching and integrating with the international financial market.

5. SOME SOLUTIONS TO IMPROVE BUSINESS PERFORMANCE OF COMMERCIAL BANK IN VIETNAM

5.1. Improving the quality of human resources

Currency trading is a sensitive business activity that faces the most risks in its operations, so it requires CBs to have a management team, professional departments really good in expertise, qualified to run domestic currency business, and aim to modernize the CB system and integrate with the international monetary and financial system.

The human factor is the most important factor that determines the success of CB's business. Therefore, building an organization and banking apparatus with a team of qualified, intellectual, professional knowledge and good personality will create rapid and sustainable development for CBs.

Therefore, the issue of training and re-training the staff of CBs so that CBs always have professional knowledge, modern information technology, to meet the requirements of bank staff in the economy. The market is a pressing issue today.

5.2. Completing and strictly controlling the banking business

It can be said that the operation, management and business process is the weakest stage of Vietnamese CBs today. A series of operational and business management process issues need to be improved and innovated, such as:

- + Administration plays an important role in improving the efficiency of CB's business operations, especially in improving the quality of the business. amount of credit.
- + Credit process, checking before, during and after lending.
- + Payment process both inside and outside the banking system for each specific payment instrument such as checks, cash, documents used in the bank and payment via bank, clearing process.

5.3. Strengthening equipment, machinery and information technology

In a market economy, power lies in the hands of those with information privileges. Therefore, to achieve effective banking business management, an indispensable condition is to equip CBs with a modern information technology system, ensuring the ability to operate the latest technologies in revenue collection, collect and process information.

It is necessary to equip modern technical bases for banking business and management to promote the role of modern technology and information in the cause of innovation in banking management and business invest more in computer technology, telecommunications technology, electronic payment system, interbank payment.

5.4. Expanding capital sources, rapidly increasing mobilized capital, especially medium and long-term

Mobilizing capital is one of the most important activities of CB. This activity provides capital so that the bank can perform other activities such as granting credit and providing banking services to customers. On the other hand, through capital mobilization activities CB can measure the reputation as well as the trust of customers for the bank. Since then, CB has solutions to continuously improve capital mobilization activities to maintain and expand relationships with customers.

5.5. Improving credit quality, making it healthy and enhancing operational capacity.

CBs need to expand credit to the economy, invest in credit for economic growth, strictly implement the new credit mechanism, and implement a strict lending process, in order to put credit capital into banks customers do business effectively, contributing to promoting economic restructuring towards industrialization and modernization. Pay special attention to credit investment in the fields of agriculture and rural areas.

Actively looking for customers, bringing qualified and qualified staff to advise and help customers in finding business plans, setting up effective projects for capital investment with a positive and dynamic motto but safe and effective. Implement healthy loan balance growth, create goods and services, and ensure economic growth to ensure capital recovery to continue lending.

Completing the preparation of loan documents for projects and export processing units, bringing capital at the right time, taking advantage of seasonality to release capital, turn capital, and not let capital stagnate.

Implement well the process of analyzing the quality and classifying debts, analyzing the objective and subjective causes leading to bad debts and inability to recover. On that basis, apply remedial and handling solutions.

Commercial banks need to diversify lending methods and diversify customer composition and business areas.

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