

The development of banking system in vietnam

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The development orientation of the banking system of Vietnam from 2005 to 2020 In 2005, State Bank submitted to the Politic Ministry and Government a development project of the banking system from 2005 to 2020 according to the Resolution of 9th National Party. It is to build up a banking system develop safety and fairly; have enough the competitive ability; and integrate stability in international financemarket.

Firstly, the State Bank needs to re-structure basically and comprehensively the organization and the action of State Bank for which has enough ability to build and realize the monetary policy with market principle and advanced technology. Role and function of State Bank perform with international routines and rules for do effectively the national management function in the banking and monetary.

Besides, it will be the foundation of the development of State Bank become sa modern central bank. The main innovation of State Bank focuses on following problems: Ensuring State Bank is independent, autonomous in the set up, conduct the monetary policy, interest rate and exchange rate; performs the function of actually central bank; is the bank issuemoney; is the bank of banks; is the central payment of nation; regulate the monetary market.

Re-structure the organization of state bank from the center to the branch towards streamlined and modern, ensure that state banks has theresponsibilityin creating an open operatingenvironmentand favorable conditions for financial institutions n the territory of Vietnam Creating and implementing the monetary policy follow the market principle to base on the

monetary policy setting with suitable communication and quantified target. Reform the supervision of system banking comprehensively to meet the actual needs of developing Vietnamese banking system and suit to the international rules and standard of banking supervision.

The safety supervision system of Vietnamese banking operations will strive to satisfy the basic international standards in 2010; firstly, it is the basic rules of effective banking supervision of Basel Committee and the Basel Capital Accord 1988 (Basel I) and then, it will implement the Basel II after 2010. To further modernize the payment system to enhance the utility of providing banking services, to increase the proportion of non-cash payment and payment through banks, state bank can control the amount of money circulation and reduce financial risks.

Secondly, Credit Institutions need to reform fundamental and thoroughly to develop systems of credit institutions in modern, multi-functional activities, diversified ownership, and types of credit institutions; for which have operating scale and financial potential strongly to make a foundation building a modern system of credit institution, attaining advanced level of development in Asia, applying sufficiently the international standards of banking operations.

It is able to compete with banks in the region and the world. The reform of credit institutions focuses on some main point in following: Ensuring the state commercial banks and commercial banks have stakes in the control of state become the key leader in the banking system on the scale of

operation, financial capability, technology, process level management and business efficiency.

The other credit institutions have the responsibilities which is to ensure the comprehensive, safe and effective development of Vietnam's banking system. The financial capacity of credit institutions is strengthened by increasing their equity and improving asset quality and profitability. The equitization of state-owned commercial banks completes step by step to follow the precautionary principle, ensure economic stability and social security system, which allows foreign investors, especially internationally leading banks buy stocks and participate in management and administration of commercial banks of Vietnam.

Innovative basically the management system of credit institutions, to ensure the credit institution independent in the finance, staff, organizational structure and operations, executive management, which bear all responsibility for business results and activities within the legal framework. Quality, openness and transparency. The relationship between State Bank and credit institutions is not only the State control relation, but also the economic relation to rely on respecting the market principle.

Forming synchronous legal framework is transparent and fair to promote the competition and ensuring the safety system; apply more completely the international standards and rules of operating monetary and banking; create healthy environment and incentives for credit institutions, enterprises and individual business development.

Eliminatediscriminationamong credit institutions and eliminate other forms of protection and subsidy in the banking sector. Speed up the process of international economic integration, which raise the initiative on monetary and banking with the roadmap and steps are suited to the competitiveness of the credit institutions and the ability of state banks control system.

With the potential market, the strong growth of the economy in the process of integration, the stable politic and social, especially with a legal framework for banking operations become more complete toward the openness and transparency, Vietnam's banking sector will successfully implement the reform and opening up the banking system, contributing actively to the economic- socialdevelopment of the country. Every credit institutions need to actively improve the financial capacity by: -Financial capacity of credit institutions is strengthened by increasing ower equity and improving asset quality and profitability.

The equitization of state-owned commercial banks completes step by step to follow the precautionary principle, ensure economic stability and social security system, which allows foreign investors, especially internationally leading banks buy stocks and participate in management and administration commercial banks of Vietnam. -Diversify forms of raising capital, control reasonable the interest rate of long-term and medium-term of saved money and strengthen medium-term and long-term capital to meet capital needs for business. The credit growth associated with securing the loans effectively. Push up to deal the bad dept being continuous toward reducing the bad debt with the construction of control and monitoring mechanism of credit quality.

-Banks need to structure the capital investment in the new condition toward decrease the proportion of short-term loans, increase the proportion of medium and long term lending and develop the individual consumption credit in the economy.

Continued innovation the mechanisms and policies related to the activities of credit institutions; form synchronous the legal framework is transparent and fair to promote the competition, to ensure that the credit institution independent the finance, staff, organizational structure and operations, executive management, which bear all responsibility for business results and activities within the legal framework equality, openness and transparency; create the open business environment for operations of credit institutions .

The relationship between State Bank and credit institutions is not only the State control relation, but also the economic relation to rely on respecting the market principle. Issue the regulations about control the risky systems, supervise the risks in banking activities, improve the safe regulations in banking operations, issue regulation about standard and minimum requirement of the management system of risks in credit institutions, ensuring early warning capabilities for credit institutions, especially to be the foreign exchange market and the national payment system. and an important part to fix the credit risks of banks that performs the management for commercial banking from the width to the depth toward enhance risk management capacity through complete the internal structure of organization, implement the testing, inspection and reporting regularly.

Conduct the audit for commercial banks according to international standards, hired foreign auditors audit the banking activity in 2005 and 2006. Supervise carefully activities and the financial situation of commercial banks before supplement and implement the equitization. Accelerate the restructuring of the banking system; amendment and supplement the law of State Bank of Vietnam and the Credit Institutions.

Speed up the process of international economic integration, which raise the initiative on monetary and banking with the roadmap and steps are suited to the competitiveness of the credit institutions and the ability of control system of state banks, reform fundamentally and innovative thoroughly commercial banks toward develop comprehensively, multifunctionally and modern, meet the standards and requirements according to international routines, ensure every step to make commercial banks development as well as other ones in the region and on the world.

Improve capacity of staff through enhancing the executive management level. Improve the management capacity of state-owned commercial banks after the equitization will be the fastest and most effective by the help of foreign strategic partners.