SWOT Analysis for Vietnam Commercial Banks

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Abstract:
Any organization doing business in the economy, when organizations always properly analyzing the strengths, weaknesses, opportunities and threats of their units always make the right business strategies and decisions. The aim of using the theory of SWOT analysis, the article has analyzed the current strengths, weaknesses, opportunities and threats of Vietnamese commercial banks. From there, the article gives conclusions about the strengths, weaknesses as well as opportunities and threats of Vietnamese commercial banks.

Keywords: SWOT, Vietnamese commercial banks.

1. Introduction
The SWOT analysis model is a useful tool used to understand the Strengths, Weaknesses, Opportunities and Threats in a business project or organization. Through SWOT analysis, businesses will clearly see their goals as well as factors inside and outside the organization that can positively or negatively affect their goals. In the process of developing a strategic plan, SWOT analysis serves as the most basic and highly effective tool to help you have an overview not only of the business itself but also the factors that always influence and determine the success of the business.

SWOT analysis model is said to be developed by Albert Humphrey in the 1960-1970s. This is the result of a research project carried out by Stanford University, USA. This project uses data from 500 of the biggest Fortune 500 companies to find out the reasons for these failure in planning. Albert and his colleagues initially published an analysis model called SOFT: Satisfactory - Good present, Opportunity - Good future, Error (Fault) - Bad thing in the present; Threat - Bad in the future. However, in 1964, after this model was introduced to Urick and Orr in Zurich, Switzerland, they changed F (Fault) to W (Weakness) and SWOT was born from there.

SWOT analysis helps to provide insight into an organization, project, or context so it is especially useful in decision making, strategic planning and planning.

The SWOT model is presented as a matrix with 2 rows and 2 columns and divided into 4 parts corresponding to the 4 components of the model including Strengths, Weaknesses, Opportunities, Threats. From the above model we have:

Strengths: are positive or beneficial internal factors in your business that help you achieve your goals. It is its own advantage, stands out and is comparable to other competitors. Such as advantages of (Resources, Assets, People, Experience, Knowledge, Data, Finance, Price, Product Quality, Process, Technical Systems, ...)

Weaknesses are factors within the business that are negative or make it difficult to achieve your goals. It may be that the work is not done well, aspects where there are no strengths, there will be weaknesses that we need to overcome.

Opportunities are actors outside the business (business markets, society, government, global trends, policies, laws, ...) that are positive and beneficial to help businesses achieve target.

Threats are factors outside the business (business market, society, government ...) that are negative or make it difficult to achieve the goals of the business. After that, what needs to be done is to work out a solution to overcome and limit the risks and risks that may occur.

The objective of this paper is to use the theory of the SWOT model to apply to the analysis of strengths, weaknesses, opportunities and challenges faced by Vietnamese commercial banks. The structure of the article, in addition to the summary and references, includes: Introduction, the current state of SWOT analysis in Vietnamese commercial banks and finally making conclusions.

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2. Current state of SWOT analysis for Vietnamese commercial banks

2.1. Strengths of Vietnamese commercial banks in the CPTPP sector

S1: The domestic banking network has been expanding. The ability to access and use banking services tends to increase.

Directly related to the banking industry, on September 5, 2016, the Prime Minister issued Decision No. 1726 / QD-TTg approving the "Project to improve banking service accessibility for the economy.

". Assigned the State Bank of Vietnam to be the unit in charge of organizing the implementation, monitoring and urging the implementation of the Scheme and annually review, evaluate and report to the Prime Minister. In which, there are 3 issues mentioned by the Project, from the goal to the solution, which is to expand the banking service supply channel; increasing the quantity and quality of banking products and services, with simple and easily accessible design for adults and businesses, especially people in rural, remote and isolated areas, poor; increase the use of banking services. The project also clearly defines the overall goal and 8 goals to be achieved by 2020: First, 70% of the adult population has a payment account at the banking system; second, at least 20 branches and transaction offices of commercial banks per 100,000 mature population; third, 30,000 ATMs (about 40 ATMs per 100,000 adult population); Fourth, the rate of branches and transaction offices of commercial banks in rural areas is about 15%, about 35-40% of rural adults who save at credit institutions; Fifth, about 50-60% of small and medium enterprises are operating with loans from credit institutions; Sixth, doubling the proportion of income from non-credit services in the total income of commercial banks.

Specifically, with the goal of expanding access to financial, banking and insurance services for everyone, the State Bank is assigned to take the lead in implementing the roadmap of the number of commercial bank branches per 100,000 people from 15 age up to 2020 will be 20 branches, by 2025 and by 2030 it will be over 20 branches; The number of ATMs per 100,000 people aged 15 and over by 2020 will be 40 machines, by 2025 and over 40 by 2030; The proportion of people aged 15 and over with a current account at a bank or financial institution is 70% by 2020, 80% by 2025 and over 90% by 2030.

For the goal of enhancing the accessibility of enterprises, especially small and medium enterprises, to banking services, according to the roadmap, the number of outstanding loans at credit institutions by 2020 is 200,000 enterprises, by 2025, 250,000 enterprises and by 2030, 300,000 enterprises.

Access to financial services is one of the factors used as a measure to evaluate the level of credit service development in a country, two popular indicators: number of commercial bank branches, number of devices Average ATM per 100,000 people, credit information depth index is often used to assess the ability to access financial services.

S2: Customers have confidence in making investments, transacting through the banking system, especially large domestic banks.

While the dong interest rate level dropped, the amount of dong deposited in banks continued to increase. Domestic banking sector mobilization and lending accounts for an overwhelming market share with 92% for capital mobilization and 95% for lending activities. This shows that, up to now, the priority in transactions with domestic banks is the main trend of the Vietnamese people. This further reinforces people's confidence in the banking system. Therefore, this is an advantage for commercial banks to expand the service market, to attract and improve brand value to customers.

S3: Bad debt management is improving day by day.

According to the report on results of the implementation of "Proposed increasing resources, promoting bad debt handling" [14], the problem of bad debt management has been increasingly improved and achieved positive achievements. The ratio of NPLs to total outstanding loans has been significantly improved, in 2018 the ratio increased slightly but is in the control plan of the State Bank.

Following the directions of the Prime Minister, the Governor of the State Bank of Vietnam issued Directive 06 / CT-NHNN dated 20/7/2017 specifying measures and responsibilities that the State Bank, credit institutions, and VAMC need to implement to ensure the effective implementation of Resolution 42 and the Scheme on restructuring the system of credit institutions associated with bad debt handling in the 2016-2020 period have been approved by the Prime Minister. In parallel with the improvement of the legal framework for
dealing with bad debts, the State Bank also issued Circular 09/2017 / TT-NHNN amending and supplementing Circular 19/2013 / TT-NHNN on the purchase, sale and handling of VAMC's bad debt settlement is in accordance with Resolution 42. At the same time, the State Bank instructs credit institutions to work closely with VAMC to agree to take measures to remove difficulties and problems in handling bad debts, and collateral of debts sold to VAMC; actively looking for debt buying partners for debts sold to VAMC and authorized by VAMC to sell debts; gather resources to speed up provisioning for bad debts sold to VAMC, which are paid by special bonds, in order to settle bonds before maturity or on time as prescribed.

In order to improve VAMC's capacity, while promoting bad debt trading activities according to the market mechanism, by the end of 2017, the State Bank provided sufficient charter capital to VAMC in accordance with Decree No. 34/2015 / ND-CP dated 31 / 3/2015. Following that, right from the beginning of 2018, the State Bank issued Decision No. 28 / QD-NHNN dated January 5, 2018 approving the Project on restructuring and capacity building of VAMC in the period of 2017 - 2020 and orientation to 2022.

In which, 2017 is the first year that VAMC achieved positive results in debt purchase at market value with a total debt purchase value of more than 3,000 billion VND (at debt purchase price). After purchasing debt, VAMC has made efforts to handle and urge customers to pay debts, apply appropriate debt handling measures, including strong measures such as seizing collateral, to recover in time. debt purchase soonest. Accordingly, accumulated from its inception to April 2018, VAMC has recovered more than VND 86,000 billion from purchased bad debts, of which, in 2017, VAMC’s debt recovery reached nearly 31,000 billion VND, exceeding the debt recovery plan assigned by the State Bank. 

S4: The market has not been fully exploited. Products and services are gradually diversified to suit the needs of customers.

According to the traditional view of the banking business, when it comes to individual customer needs, people often think of borrowing money and sending money. However, in reality, the needs of people are much greater, including investment and insurance needs. Until now, if they want to invest, individuals often invest by themselves by participating in the gold, stock, and real estate markets. If you want to participate in insurance, you should go through an insurance agent. In fact, this is a potential market where Vietnamese commercial banks can completely satisfy all of these needs of customers.

In the current context, when the credit information depth has been improved quite well, the part of customers with increasing demand for banking services is increasing. Therefore, Vietnam is still a potential market for commercial banks to exploit.

In the report on business performance at the end of 2018, many commercial banks grew 50%, even 100% and 200% of their profit before tax compared to the same period in 2017. Unlike the previous years, non-interest income of many banks increased sharply. This shows positive signals about the income quality of the banking industry.

S5: Some commercial banks in Vietnam have made progress in the application of fintech and information technology.

According to the statistics of the Payment Department (SBV), the number of domestic payment transactions via bank cards in the first quarter of 2019 increased by 18.45%, the number of financial transactions via internet channels increased by about 66%. compared with the same period last year. Electronic payment, especially via mobile phones, also grew strongly in both quantity and transaction value (up 97.75% and 232.3% respectively).

According to the survey data of Vietnamese commercial banks conducted by Vietnam Report, 100% of banks plan to cooperate with fintech companies in the payment field in order to aim at "cashless payment". In addition to business-related priorities, more than 50% of banks have expressed interest in enhancing their reputation and image in the media. Some successful current models such as Grab, Alibaba, Amazon ... are applying technology with payment link with commercial banks. It shows that banks have been actively cooperating with other companies (Fintech, insurance ...) to launch new products / utilities that are more suitable to customers' trends and needs.
According to VietNam Digital Landscape (2018), out of a total of 96 million people, 67% are using the internet, 37% are using social media on a regular basis, and 73% use smartphones out of 146, 5 million subscribers nationwide. According to a quick study by the SBV (2018), 72% of fintech companies are choosing to compete with banks, and the remaining 14% choose to develop completely new products (Le Thanh Tam et al., 2018).

S6: The role of the State commercial banks is declining and the loans related to the direction of the State are also decreasing. This factor is also a positive signal for the health of the market, ensuring fair competition between banks.

On the basis of the successes in 2018, analyzing the advantages and disadvantages in 2019, the State Bank continues the general operating direction of “Active, flexible and prudent and coordinated monetary policy management, harmonize with the fiscal policy and other macro policies, maintain macroeconomic stability, control inflation, ensure large balances to support production and business growth. Continuing to manage interest rates and exchange rates flexibly, in line with macro balance, monetary market developments and management requirements; stabilize the foreign currency market; credit growth goes hand in hand with credit quality improvement; credit focus on production and priority sectors; control foreign currency lending; increase the State foreign exchange reserves when favorable conditions exist”.

The State Bank will be more cautious and flexible to create conditions for commercial banks to be more proactive in making decisions depending on the specific situation of each commercial bank. Specifically: Regarding interest rate management, on the basis of closely following macroeconomic developments and the money market, the SBV continues to flexibly implement interest rate solutions, synchronously combining with other monetary policy tools. to stabilize the money market, control inflation according to the target and contribute to stabilizing the macro-economy.

In exchange rate management, the State Bank continues to operate the exchange rate flexibly, in accordance with the financial market situation, macro and monetary balances and monetary policy goals, and is willing to sell foreign currency interventions and to closely coordinate and synchronize other monetary policy tools to stabilize the foreign currency market. For credit, the State Bank operates credit solutions to control the credit scale in accordance with the orientation targets while improving credit quality, creating favorable conditions in accessing credit capital of the foundation. economy.

Regarding the direction of operating the refinancing and compulsory reserves: Re-refinancing credit institutions with reasonable volume, interest rates and duration to support liquidity, lending under programs approved by the Government and the Prime Minister approves and supports the restructuring of credit institutions and handling bad debts. Operate compulsory reserve instruments in sync with other monetary policy instruments. In the restructuring of the credit institutions system associated with bad debt handling, the State Bank identifies the objectives: Continue to implement and closely monitor the restructuring of credit institutions associated with bad debt handling. At the same time, controlling and improving credit quality associated with strengthening bad debt settlement according to market principles; completing the legal corridor to support bad debt handling and restructuring credit institutions. The handling of bad debts must be associated with the implementation of measures to prevent and minimize newly arising bad debts and improve the credit quality of credit institutions; promoting the role of the Vietnam Asset Management Company (VAMC) in dealing with bad debts to maintain a safe and sustainable NPL ratio (less than 3% of total outstanding loans).

In payment activities, the State Bank continues to improve the legal corridor, mechanism and policy to develop the commercial business center, limit cash payment in accordance with international practices and meet the requirements of using payment services. people's math; Effectively implement the Business Center Development Project in Vietnam for the 2016-2020 period approved by the Government in Decision 2545 / QD-TTg dated December 30, 2016, and implement the Project to promote the via-bank payment. for the collection of charges for public services such as electricity, water, school fees, hospital fees and payment of
social security programs approved by the Prime Minister in Decision No. 241 / QD-TTg dated February 23 / 2018.

Recently, on August 8, 2018, the Government issued Decision No. 986 / QD-TTg on the Vietnam Banking Industry Development Strategy to 2025, with a vision to 2030. For the State Bank, the strategy is to achieve the modernization goal of the State Bank of Vietnam in the direction of: Having a reasonable organizational model and a synchronous, effective and efficient operation mechanism, consistent with the socialist-oriented market mechanism. Full legal status and accountability; implementing the priority goal is to control inflation, contribute to stabilizing the macro-economy, promote sustainable growth; ensuring a safe and healthy system of credit institutions, playing a key role in ensuring financial stability; implementing the role of monitoring payment system, being a payment and settlement center for payment systems and financial and monetary transaction systems in the economy. The strategy aims to gradually increase the independence, initiative and accountability of the State Bank of Vietnam on the goal of operating monetary policy, controlling inflation at a level consistent with the socio-economic development orientation in each period, supporting the macroeconomic stability, promote sustainable economic growth.

S7: Vietnamese commercial banks have improved brand value

Moody's Investors Service on August 14 upgraded a number of reviews for 14 commercial banks in Vietnam after this world's leading credit rating organization raised the national credit score. Of Vietnam one level to Ba3 from B1 on August 10, with the prospect of 'stable' from "positive". Moody's said this credit rating upgrade is based on the strong growth potential of the Vietnamese economy, backed by the increasingly efficient use of labor and capital resources in the economy. In addition, according to this credit rating agency, Vietnam's credit rating also reflects an improvement in the health of the banking system.

Also in May 2018, Fitch Ratings upgraded the credit rating of the long-term debt issuer and revised the Support Ranking of 3 banks with state capital in Vietnam, including VietinBank, Vietcombank and Agribank from B + to BB. - Previously, this agency also raised the credit rating of Vietnam to "BB" from "BB-" with a "stable" prospect. The basis for Fitch Ratings to raise the outlook positively is based on many important factors such as Vietnam is building policies towards macro stability. This measure, including a more flexible exchange rate and increased focus on stabilizing inflation, helped attract foreign investment (FDI) inflows and maintain strong economic growth. Fitch Rating assessed that Vietnam's foreign exchange reserves have been continuously improved, the driving force for the improvement of foreign exchange reserves is thanks to the application of a new exchange rate mechanism in early 2016 with a flexible exchange rate target. to make the current account have a large surplus and to attract FDI to continue pouring into Vietnam.

Another major credit rating agency, Standard & Poor's, currently gives Vietnam a long-term credit rating at BB-, a 'stable' outlook.

According to the latest information published by Brand Finance, there are spectacular promotions of Vietnamese commercial banks in the Top 500 most valuable banking brands globally: there are 3 Vietnamese commercial banks: VietinBank, BIDV, Vietcombank. Specifically, VietinBank has increased from 310 to 242, BIDV from 351 to 307, and Vietcombank from 368 to 325. Brand Finance evaluates VietinBank as one of 10 banks with changes in value biggest brands in 2018-2019, with changes of up to 66%. Meanwhile, BIDV is also in the list of 10 banks with the strongest brand-name strength (change 22%), only after the bank Caixa of Spain and BTPN of Indonesia.

In 2017, many international organizations highly appreciated the stability of the Vietnamese banking system, in which Moody's raised the outlook rating of the Vietnamese banking system from "stable" to
"positive."). Bloomberg assesses Vietnam dong as one of the most stable currencies in Asia. According to the Doing Business Report 2018 of the World Bank (WB), the Getting credit index of Vietnam ranks 29th out of 190 countries surveyed, reached 75 points on a scale of 100. Compared to 2017, this index has increased by 5 points and improved by 3 grades.

2.2. The weaknesses of Vietnamese commercial banks in the CPTPP block

W1: NPL ratio, though improved, is still high compared to CPTPP

According to World Bank statistics, the ratio of bad debts to total outstanding loans in Vietnamese banks in 2018 was 1.92. This rate has been improved compared to 2017 (2017 was 1.83%), but still high compared to the member countries in the CPTPP (only lower than Mexico, Brunei and Peru).

In the past 5 years (from 2013-2018), in Vietnam, although VAMC has accompanied credit institutions and other AMC companies, the NPL ratio of the whole banking sector has been brought down to less than 3%, from 3.61% at the end of 2013 to 2.18% to April 2018, but this is still only a measure to clean the balance sheet of the banking system, while the number of outstanding debts is estimated to be 10, 1% of total outstanding loans of the banking system. In fact, the debt trading market in Vietnam is still incomplete, debt handling tools are still rudimentary and the process of dealing with outstanding debts for many years has faced many difficulties. Currently, the bad debt trading market of Vietnam has only a few players, including VAMC, DATC and 28 AMC companies of credit institutions - which have very thin resources.

In addition, the valuation of NPLs in a transparent, correct market value so as not to lead to negative phenomena and profit while selling bad debts is also a difficult problem and also causes many short-term problems. with the Vietnamese banking system. Therefore, if in the future, these debts are still only at the "settlement on the book" stage but have not been completely resolved, the banking system will bring a burden on capital again. In addition, the market still lacks an objective and professional valuation agency and credit rating agency.

W2: The domestic banking system is monotonous, has low quality, is not oriented to customer needs and is heavy on traditional banking services. The products and services for the international market are not diversified.

Although Vietnam's commercial banks have made remarkable progress in recent times, compared to the services of the banking system of CPTPP member countries, there are still few types of products and services, meanwhile, services, intermediaries are weak. Vietnamese commercial banks have been associated with traditional services and operating methods under the old system for a long time, using limited channels with only loans, deposits, bond investments, contact exchanges. System ... The long-term expansion of commercial bank branches is the main way to improve profits while banks pay less attention to the development of other types of services, especially banking services. row number. Besides, product supply-demand conflict, not paying attention to customer experience, service level of commercial banks is very low, layout of stores and business channels are not reasonable. Employees lack the competition and awareness of the service that customers deserve. In addition, the segmentation of the customer group is not in the right place, ignoring the value of the popular customer group and the profitability of the popular customer group has not received adequate attention.

W3: The level of service access of small and medium-sized enterprises, the population, especially in remote and rural areas is not good.

Although commercial banks have made many efforts in recent years to diversify types of products and services, the level of access to banking services in Vietnam is still low compared to the region and the world. The distribution of branches and transaction offices is not equal, mainly concentrated in urban areas, the size of
transaction offices, even branches are not worthy. For individual customers, the rate of accessing and using banking services is still at a modest level. The main method of transaction is still direct transactions at the counter, transactions via electronic systems are not popular with rural customers while the proportion of customers in rural areas accounts for 60%. The card business and non-cash payment businesses are still underdeveloped. Payment applications are not diversified, the level of alliance between banks in the card system is not high, causing difficulties and inconveniences for users.

W4: The safety ratio is not high, the application of Basel II has not been completely applied in governance.

According to World Bank data, the CAR of Vietnamese commercial banks has met the standards prescribed by Basel II (over 8%), but is still lower than that of banks in the countries that signed the CPTPP Agreement. average of the world. Facing the trend of opening the financial services market - banking with many new types of banking services and requirements for implementing the CPTPP, the requirements for CAR according to national standards will be even higher to strengthen capacity. operations, minimizing risks and improving competitiveness for Vietnamese commercial banks.

In 2018, the operations of commercial banks have achieved very encouraging results. However, from an objective view, the problem of risk management in domestic banks still has many shortcomings. Some banks have weak management capacity, violating the principles of corporate governance and risk management. Asset quality of the banking system develops in a negative direction. Many banks have low capital ratios, even some banks are 9% lower than the prescribed rate of the State Bank of Vietnam, many banks still have many weaknesses in terms of bad debts, management capacity, and management capacity. risk treatment, technology, human resources.

W5: With a small capital scale, limited human resources, technology level is still slow compared to other countries in the CPTPP.

Financial capacity is being strengthened but is still a weakness of the Vietnamese commercial banking system. All banks have met the requirements of the State Bank of Vietnam on minimum charter capital; However, the number of commercial banks with a large charter capital of over VND 10,000 billion is not much. This is a major barrier in completing facilities to join the international standard payment system according to the CPTPP's commitment to financial integration. In addition, to increase market share, it requires a large capital source to both ensure business expansion but still meet system safety. Limited financial strength, which will reduce the competitiveness of CPTPP financial integration, especially difficult when expanding business activities outside the territory of Vietnam.

Labor resources serving the banking industry in Vietnam are abundant in quantity but not of high quality. The system of human resource training institutions throughout the country is the one that provides abundant human resources for the whole industry, but this is also a weakness when the training system is not really linked to reality. Half of the universities only train basic transaction staff, there are no programs to train experts and middle and senior management personnel.

The training of human resources that is not suitable with the market demand is a disadvantage for the efficiency of the Vietnamese commercial banking system. The whole country has 40 institutions that are allowed to specialize in banking and finance, including 24 universities, annually providing about 11,000 undergraduate bachelor's degrees and about 7,000 college bachelor's degrees. However, the number of graduates working in the banking industry is only 1/25 [14]. This shows that the number of bachelor's surplus annually is very large, while about half of the workers are not trained in the right major. In addition, the level of human resources that is not consistent with the common practice, most banks have to provide professional training for new employees.

After the CPTPP takes effect, the market opening will create favorable conditions for foreign banks with experience, financial potential, technology and high level of management to participate in the financial market of Vietnam, leading to Vietnam commercial banks to compete fiercely with foreign banks at home, in which the advantage will belong to foreign banks. Because with the strength of service quality and diversified services, foreign banks will attract a large number of domestic customers, especially foreign-invested enterprises.
leads to the risk of a decline in the market share of domestic commercial banks. Besides, brain drain will take place from domestic commercial banks to foreign banks.

W6: Procedural, institutional, charter and policy barriers make it difficult to expand into international markets and vice versa

According to Prof., Dr. Vu Van Hien, considering the perspective of sustainable, creative, inclusive development, there are still many limitations in the field of international economic integration in Vietnam, reflected in the following aspects:

(1) The promulgation of policies and laws is both lacking and synchronous. The implementation of the Party's undertakings and resolutions and the State's laws on international economic integration has not been strict, strong or drastic. Competence in economic management and management, especially domestic enterprises, is weak.

(1) The strategy for international economic integration is not comprehensive and specific, leading to the failure to take full advantage of the benefits of international economic integration in increasing resources for economic development, implementing to industrialize and modernize the country. Due to the lack of an international economic integration strategy with a specific roadmap suitable to the general conditions of the country, sustainable, creative and inclusive development orientation in international economic integration. In some stages, the stage has not been implemented synchronously and fully. In some cases, international economic integration is still passive, has no scientific and practical basis suitable to the current state of national development, has not brought into full play the efficiency and benefits of integration.

(2) The internal limitations of the economy are a factor that negatively affects the increase in resources for development: a- The macro balance and the major balances of the economy are not stable. Budget deficit is quite high. Public debt is at a threshold; Business investment environment and competitiveness have been slowly improved. Administrative procedures still have many problems, the production and business situation still has many difficulties, the number of dissolution and shutdown enterprises is large. Financial and governance capacity of most domestic enterprises is still limited.

(3) International economic integration requires regular coordination between ministries, departments, and sectors, between state management agencies and enterprises, the community, and synchronous coordination and implementation from the Central to local. However, over the past time, a focal point for international economic integration in some ministries, departments, sectors and localities has not paid attention to coordination and consultation with action programs on economic integration. international. Therefore, the integration implementation has not achieved the desired results. In addition, when developing plans, projects, action programs on international economic integration, most of the focal points on international economic integration in ministries, departments, and localities have not. have this plan, scheme, program. Because there is no regulation on monitoring, monitoring and evaluation mechanism, it is difficult to fully and promptly synthesize as well as evaluate the results of the implementation in a comprehensive and comprehensive manner.

2.3. Opportunities to increase competitiveness and enhance stability for Vietnamese commercial banks when joining CPTPP

First, international investment flows facilitate the banking system to increase liquidity and increase business opportunities.

When the CPTPP is officially implemented in all member countries, international investment flows into Vietnam will grow strongly in the coming time. This is a springboard to create favorable conditions for Vietnamese commercial banks to increase liquidity and increase business opportunities. Besides, Vietnamese commercial banks have many opportunities and conditions to access trust funds in the world at lower costs because Vietnam's position will be much improved after joining the CPTPP.

According to the Peterson Institute for International Economic Research, the CPTPP helps Vietnam increase by more than 2% of GDP by 2030, even up to 3.5% of GDP if there is stimulus to increase productivity. Due to the impact of tariff cuts, the CPTPP helps Vietnam's GDP increase by 4.7% in 2035.
compared to 2017. Vietnam's export turnover will increase by 4.32% per year on average. Vietnam's total export turnover will reach $311.1 billion (2030) compared with the estimated level of $179.5 billion (2017).

Along with commitments to liberalize financial services, investment liberalization commitments will contribute to attracting investment inflows from countries participating in the CPTPP agreement into Vietnam in the coming time. Increased foreign investment inflows mean growth and development of FDI enterprises. This leads to an increase in capital demand and the need to establish relationships with Vietnamese commercial banks. This is an opportunity for Vietnamese commercial banks to expand their market share in services as well as to grow credit.

Second, the finance - banking sector will be expanded according to common commitments. The driving force for institutional reform, improvement of commercial banks' operating environment according to international common standards.

Commitments to financial liberalization under the CPTPP are very high. Accordingly, a service provider from one CPTPP country can provide a new financial service in the market of another CPTPP country if domestic companies operating in this market are allowed to provide services there. This is an opportunity for the expansion of the size, service and type of foreign banks. CPTPP has high standard conditions in terms of institutions, quality of state management as well as legal framework. Participation in the CPTPP will contribute to reforming the institutional environment towards "common standards" according to international practices. This is a necessary condition for growth, providing a positive driving force for the development of the country in general and the operation of the commercial banking system in particular. Institutional reform is a mandatory condition, also a driving force for Vietnamese commercial banks to promote their competitiveness, mobilize and use the best available resources in the country and make better use of resources outside.

The CPTPP will help encourage and promote domestic reforms in many areas such as services, customs, e-commerce, government procurement, intellectual property, investment, legal matters, and marketing access. fields for goods, rules of origin, non-tariff measures… all activities of the above fields are directly related to banking operations. Through members of the CPTPP (which are countries with highly developed economies with a complete legal system), Vietnam will learn and exchange experiences to complete the legal system, as well as management, run the market economy. Accordingly, CPTPP will promote Vietnam to restructure the economy; reform and rearrange the appropriate financial structure; promote reform and simplify administrative procedures; creating the link between ministries and branches to enhance the competitiveness of the business environment, and promote connectivity and cooperation between domestic commercial banks and foreign commercial banks.

Third, Expand the retail market and improve services to increase non-interest income.

Up to now, in Vietnam, there are 9 100% foreign owned banks, 2 joint venture banks, 48 foreign bank branches, 11 non-bank institutions and 50 representative offices of foreign organizations. In the context of the increasing integration of the economy, improving the quality and efficiency of the Vietnamese banking system compared to other regional and international banks is a necessary requirement.

The system of commercial bank’s needs: Diversifying and improving product quality to help commercial banks improve their competitiveness and expand market share. In the current international economic integration context, diversifying and improving product quality in the international direction is a great concern of banks to exploit the retail market. Therefore, it is very important to create a highlight for the product and the harmony between following the needs of customers and meeting the trend of market integration.

Fourth, the CPTPP Agreement is at a prospect for Vietnam's trade, thereby creating opportunities for the banking industry to support businesses to develop business.

According to statistics, in the first 6 months of 2019, basically, Vietnam's export turnover to CPTPP countries increased, in which some markets recorded great growth such as Canada (up 32.9%), Mexico (up 23.4%). Although many businesses already know how to take advantage of the CPTPP for export growth, statistics show that the rate of taking advantage of incentives is still very low. For example, the export goods under the CPTPP form only reached $190 million out of a total of $16.4 billion of exported goods, equivalent to only taking advantage of 1.17%. According to the survey results of enterprises’ interest in CPTPP for 8,600
surveyed enterprises, although businesses already have a level of interest in CPTPP when 26% of enterprises do research, they still More than 70% of enterprises are not sure about CPTPP.

Fifthly, the driving force to push Vietnamese commercial banks to open the market and innovate themselves to suit the new situation. Expand opportunities to cooperate with human resources with high professional qualifications, improve governance and finance, and access scientific and technical advances from strong banks in the CPTPP.

Joining the CPTPP helps increase the market size, the unified market is highly interconnected, and all commercial banks have equal opportunities to expand market share. When international capital is free to flow, banks can mobilize a larger source of capital for credit expansion and other business activities. At the same time, it also creates conditions to create pressure to improve the technical capacity of the system of commercial banks, build a national unified payment system that meets international standards.

One of the factors that have a great impact on the operations of commercial banks is the issue of "international labor movement in the context of CPTPP integration and market opening". When the CPTPP is officially implemented in Vietnam, there will inevitably be a part of the foreign workforce from countries, mainly CPTPP countries entering Vietnam and vice versa. This will have a positive impact on the operations of Vietnamese commercial banks such as: providing high quality human resources, contributing to improving labor productivity, promoting rapid economic growth; creating human resources to meet the needs of foreign banks in Vietnam; creating a competitive environment between Vietnamese workers and foreign workers; Vietnamese workers can learn directly about foreign languages, styles, techniques and techniques in order to improve and improve their own level; boosting government spending on improving the quality of human resources; Moving workers to work abroad will create jobs for the unemployed, and create conditions for commercial banks to invest in depth and improve competitiveness in the integration period. In the long term, the qualification of workers working abroad is improved by being trained and retrained while working abroad. It is the employees working abroad that will be the driving force of the economic restructuring because this is a high-quality workforce that meets the needs of the development investment strategy of commercial banks in depth. ; The movement of workers to work abroad contributes directly to improving the quality of human resources, opportunities to get exposed to advanced technology, high-quality professional qualifications and at the same time contributing to increasing investment. and expanding the service market of Vietnamese commercial banks on the world market

Sixth, the increasing income of a part of the population as well as the deep development of the financial market create opportunities for the development of financial products as well as the provision of services related to private investment. Consulting and portfolio management for customers.

The liberalization of reinsurance services, including reinsurance of foreign deposits in Vietnam in the spirit of CPTPP, will bring new opportunities for deposit insurance of Vietnam commercial banks. On the one hand, opening the door to these foreign reinsurance organizations will increase opportunities to choose quality deposit insurance service providers for commercial banks and depositors; increase the ability to protect interests and general stability, prevent system breakdowns, maintain confidence in the market. This will help increase deposits with large scale and longer term deposits; minimizing massive withdrawals or short-term deposits with depositors' hedging. On the other hand, the competition will intensify both towards the deposit insurance agency, as well as towards the commercial banks - the deposit insurance buyers. At that time, deposit insurance at Vietnamese commercial banks will have to consider increasing their insurance levels and improving their service conditions and quality towards more market.

For commercial banks, the competition to retain depositors by increasing insurance coverage and confidence in the ability to protect depositors has also increased. Depositors - customers will be motivated and tend to switch to more and longer term deposits at banks that have a higher commitment to purchase deposit insurance. This means a decrease in market share and a bank's ability to raise capital with lower deposit insurance coverage. At the same time, when buying high deposit insurance, banks will have to pay more fees, comply with more stringent reporting regulations and financial transparency with insurers and reinsurance money. to send. Even, depositors may also have a reduced deposit interest rate, while enterprises have to
increase interest rates on credit loans to compensate for the increased cost of the bank to buy deposit insurance at a correspondingly high rate. The war on benefit-sharing, profitability and trust associated with the purchase fee and deposit insurance coverage will increase and will create many new moves in the structure and direction of shifting credit flows and soon, both operations of banks and credit institutions.

2.4. Threats for Vietnamese commercial banks in increasing their competitive position and stabilizing their banks when joining CPTPP

First, the management capacity and size of Vietnam's banking industry are still quite low compared to other countries participating in the CPTPP.

In 2018, the operations of Vietnamese commercial banks achieved very encouraging results, but there were still many weaknesses (bad debts, low management capacity, and inadequacies in risk management at banks). From an objective view, the restructuring is still slow, manifesting in the fact that the results of handling bad debts are not substantial. Economic experts believe that, in order to restructure effectively, the whole banking system must operate in a very healthy and transparent manner, strictly comply with the provisions of the law, thereby producing products and services, standard banking services.

Besides, risk management in domestic banks still has many shortcomings. Some commercial banks have weak management capacity, violating the principles of risk management. Asset quality of the banking system develops in a negative direction. Many commercial banks have low minimum capital adequacy ratio, some even lower than the regulated rate of the State Bank of 9%. According to estimates, the capital adequacy ratio of the whole banking system stands at only 8.5%.

Under the pressure to improve competitiveness, prepare conditions to meet Basel II standards, banks' need to raise capital is increasingly urgent. Up to 18/34 banks announced their plan to increase capital this year and were approved by the general meeting of shareholders. Accordingly, it is estimated that the whole commercial banking system will need nearly 63,000 billion VND to raise capital.

Second, domestic banks are faced with the trend of increasing foreign ownership at Vietnamese commercial banks. Risk of being controlled and acquired if the business is ineffective.

When joining CPTPP, Vietnamese commercial banks will face a wave of acquisitions and mergers from foreign banks. While opening up, domestic banks can receive more capital flow from foreign investors, but the pressure to be acquired and dominated is also increasing. The prospect of listed companies in the manufacturing-trade sector that were once dominated and manipulated by foreign investors may be repeated in the financial sector.

The pressure from foreign banks is huge, forcing domestic banks to either raise capital or pave the way for a wave of mergers and acquisitions. However, due to low competitiveness, the removal of barriers in the field of microfinance after the deadline for commitments under the WTO has ended, increasing the number of foreign banks with strong financial and public potential, technology, management qualifications make the competition pressure more and more fierce. This is even more likely when there is still not a clear solution to the problem of cross-ownership among Vietnamese commercial banks.

Third, the competition is increasingly fierce, especially with the participation of foreign banks and foreign investment funds.

When Vietnam enforces the commitments in the CPTPP, Vietnamese commercial banks also face fierce competition pressure: The opening of integration, leading to a large number of foreign banks with strong financial potential, Technology and management skills to enter the domestic financial market and the fierce competition between domestic and foreign banks is unavoidable.

Foreign banks with strengths in service quality and service diversity will attract a large number of customers - foreign-invested enterprises and a large part of domestic businesses and individuals. This leads to an increase in the market share of foreign banks and a decline in the market share of domestic commercial banks. Besides, also stems from new requirements for economic restructuring and regulatory policy. Commercial banks will face imbalances in their role in providing capital to the market between the commercial banking system and non-bank institutions, as well as the economic impact of this imbalance. The SBV has
introduced legal requirements such as capital management, banking fees, forex trading, asset management and invoice business.

According to the author’s synthesis based on the statistics of the State Bank, although the total assets of foreign banks at the end of 2018 were only nearly 1,137 million dong, less than a quarter of the total assets of joint stock commercial banks. State-owned commercial banks, but the growth rate was 19.12%, 1.5 times higher than that of joint stock commercial banks and 3 times higher than that of SOCBs. Currently, Vietnam has 9 banks with 100% foreign capital. The number of foreign bank branches also increased to 49 with the participation of Agricultural Bank of China Hanoi and Kookmin Hanoi. Meanwhile, foreign credit institutions in Vietnam are also constantly increasing their financial capacity. In which, the most significant one is Standard Chartered Vietnam, when it just increased its charter capital to nearly 3,534 billion dong in early 2018, by the beginning of 2019, the bank continued to increase its capital to 4,215 billion dong. In 2018, the State Bank also approved many foreign bank branches to increase capital, such as NongHuyp Bank, Hanoi Branch, to increase capital to 80 million USD; Bank of China HCMC branch increased capital to 100 million USD; Siam Bank HCMC branch increased capital to 100.47 million USD. Increased financial capacity has created conditions for foreign credit institutions to continuously expand their network in Vietnam.

Not only develops in breadth but also the depth of operations of foreign credit institutions in Vietnam has also increased. Previously, foreign banks often only served their own enterprises operating in Vietnam, but now they are reaching to dominate the segments that domestic banks have long dominated such as. loans for personal consumption. According to banking experts, the promotion of foreign banks in Vietnam is to anticipate opportunities from new generation Free Trade Agreements such as CPTPP or EVFTA, so the market may continue to grow. continue to receive more new foreign credit institutions. Meanwhile, the fact that domestic commercial banks are focusing on restructuring, handling bad debts as well as increasing capital to meet Basel II standards is also an opportunity for foreign investors to take advantage of market share.

Fourth, the legal and institutional aspects in consolidating the legal framework and improving the indicators according to international standards

Implementing commitments in the CPTPP, Vietnam has to cut import taxes, which will reduce budget revenues, but will not have a sudden impact because in the CPTPP, 7/10 countries have signed FTAs with Vietnam. (Only 3 countries, Canada, Mexico and Peru, do not have an FTA with Vietnam, but trade is still modest). Joining the CPTPP, although there are certain limits for the opening of the banking market, the market access conditions in this sector will be gradually eliminated. This can be seen as a challenge for developing countries in general and Vietnam in particular. [4, p.7].

Fifth, the remuneration policy, attracting and training high-quality human resources are not high compared to CPTPP member countries.

When opening financial markets for foreign banks, Vietnamese commercial banks are forced to face the pressure to improve quality and move high-quality financial and banking human resources to foreign institutions and the region. : During the development period, the financial sector may attract a large labor force to participate and is one of the regions with high wages, but in times of crisis and recession, working in The financial sector is also the most vulnerable group, facing pressure to lay off or cut wages. Even when it is not due to the decline in the business trend, there is always a severe labor movement in the financial sector. It is the reduction of low-skilled labor to replace it with skilled labor, which is prone to brain drain of highly skilled labor in the competition process. Therefore, one of the major challenges of the Vietnamese banking system is the retention of talents, avoiding the transfer of high-quality human resources of Vietnam to regional countries [18]

Sixth, fierce competition with foreign banks on the strategy of “retail” and strategy to raise non-interest income.

Vietnamese commercial banks like American banks in Chiarozza et al. (2008), banks in emerging economies in Odesanmi and Wolfe (2007), increase non-interest income will contribute to increase the efficiency of banking business. In particular, banks should develop non-credit service supply activities. In general, profits from non-credit services contribute significantly to the total operating income of commercial
banks in the context of potentially risky credit activities, securities investment and trading activities, facing many difficulties in this moment. Therefore, the development of non-credit services is an effective way to change the structure of a bank's business results. The increase in equity will benefit banking operations, create a competitive advantage and the ability to exploit non-interest income generating activities. In contrast, commercial banks need solutions to well manage operating costs. Besides, mobilizing capital from customer deposits is not always low cost, due to competitive pressure, banks have to increase costs for mobilizing deposits and reduce lending rates. Therefore, Vietnamese commercial banks need to have an appropriate capital mobilization strategy to save costs and increase business efficiency. The weaknesses of Vietnamese commercial banks compared to developed countries in the CPTPP are the level of science and technology application, management, high-quality human resources and service diversity. Therefore, the landing of foreign banks is a huge challenge for Vietnamese commercial banks in the race of the strategy of "retailing" and increasing revenue from service activities.

5. Conclusion

Based on the theoretical basis, the summary conclusions from the previous studies analyzed by the SWOT model on 4 main contents: strengths, weaknesses, opportunities, and challenges are summarized in the following table:

Table 1: Simulations of SWOT model for Vietnamese commercial banks

<table>
<thead>
<tr>
<th>STRENGTH (S)</th>
<th>WEAK (W)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1: The domestic banking network has been expanding. The ability to access and use banking services tends to increase.</td>
<td>W1: NPL ratio, although improved, is still high compared to the region.</td>
</tr>
<tr>
<td>S2: Customers have confidence in making investments, transacting through the banking system, especially large domestic banks.</td>
<td>W2: The domestic banking system is monotonous, has low quality, is not oriented to customer needs and is heavy on traditional banking services. The products and services for the international market are not diversified.</td>
</tr>
<tr>
<td>S3: Bad debt management is improving day by day.</td>
<td>W3: The level of service access of small and medium-sized enterprises, the population, especially in remote and rural areas is not good.</td>
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<tr>
<td>S4: The market has not been fully exploited. Products and services are gradually diversified to suit the needs of customers.</td>
<td>W4: The safety ratio is not high, the application of Basel II has not been completely applied in governance.</td>
</tr>
<tr>
<td>S5: Some commercial banks have made progress in the application of fintech and information technology.</td>
<td>W5: with small capital scale, limited human resources, technology level is still slow compared to other countries in the CPTPP.</td>
</tr>
<tr>
<td>S6: The role of the State commercial banks is declining and the loans related to the direction of the State are also decreasing. This factor is also a positive signal for the health of the market, ensuring fair competition between banks.</td>
<td>W6: Procedural, institutional, charter and policy barriers make it difficult to expand into international markets and vice versa.</td>
</tr>
<tr>
<td>S7: Vietnamese commercial banks have improved brand value</td>
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<thead>
<tr>
<th>OPPORTUNITIES (O)</th>
<th>THREATS (T)</th>
</tr>
</thead>
<tbody>
<tr>
<td>O1: International capital flows facilitate the banking system to increase liquidity and increase business opportunities.</td>
<td>T1: The capacity and scale of Vietnam's banking industry is still quite low compared to other countries participating in the CPTPP.</td>
</tr>
<tr>
<td>O2: The finance and banking sector will be expanded according to general commitments. The driving force for institutional reform, improvement of commercial banks' operating environment according to international common standards.</td>
<td>T2: Domestic banks are facing the trend of increasing foreign ownership at Vietnamese commercial banks. Risk of being controlled and acquired if the business is ineffective.</td>
</tr>
<tr>
<td>O3: Expanding the retail market and improving services to increase non-interest income.</td>
<td>T3: Competition is getting fiercer, especially with the participation of foreign banks and foreign investment funds.</td>
</tr>
<tr>
<td>O4: The CPTPP Agreement is at a prospect for Vietnam's trade, thereby creating opportunities for the banking industry to support businesses to develop business.</td>
<td>T4: The legal and institutional aspects of consolidating the legal framework and raising the indicators according to international standards</td>
</tr>
<tr>
<td>O5: The impetus for commercial banks of Vietnam to open up the market, renew itself to fit with the new situation. Expand opportunities to cooperate with human resources with high professional qualifications, improve governance and finance, and access scientific and technical advances from strong banks in the CPTPP.</td>
<td>T5: Remuneration policy, attracting and training high-quality human resources are not high compared to CPTPP member countries.</td>
</tr>
<tr>
<td>O6: The landing of foreign banks will bring about the development of Vietnamese non-interest income generating activities.</td>
<td>T6: Fierce competition with foreign banks in terms of &quot;retail&quot; strategy. Domestic customers increasingly have confidence in foreign banks.</td>
</tr>
</tbody>
</table>

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O6: The increasing income of a part of the population as well as the deep development of the financial market create opportunities for the development of financial products as well as the provision of services related to consulting and portfolio management for clients.

References


