APPENDIX A.

The state-owned commercial banks

The four SOCBs are the leading banks of the banking system and have 230 branches in all cities and provinces in Vietnam. The number of third-level branches nation-wide is more than a thousand. The number of staff working in the SOCBs is approximately 40,000, of whom the graduate and post-graduate workforce accounts for 55 per cent, while 43 per cent has high school graduation as their highest educational attainment. The remaining 2 per cent include the unskilled workforce.

As mentioned earlier, the group of SOCBs dominates the credit market. At year-end 1999 outstanding loan volume of these four SOCBs accounted for 73 per cent of all loans in the economy. This dominance is mirrored in the mobilisation of funds, where the SOCBs accounted for 75 per cent of all resources mobilised through formal institutions.

The Vietnamese Bank for Agriculture and Rural Development (VBARD) is the largest SOCB in terms of legal capital and has a rather wide scope of operations. It serves a wide range of customers and exerts considerable influence not only upon agriculture production but also on non-agriculture activities in rural areas. According to a 2000 report by the VBARD, total capital of the bank was 55,041 billion dong and total debts 48,548 billion dong, of which medium and long-term loans accounted for 42 per cent.[1] The VBARD also has extended international relations and foreign businesses, and it has received finance from international institutions like ADB, the World Bank and the International Fund for Agricultural Development (IFAD). The VBARD has received and implemented 50 foreign agricultural and rural development projects amounting to a total investment capital of over US$1,300 million. In addition, the VBARD has carried out credit programmes with broader socio-economic perspective and objectives as stipulated by the government. These includes policy credit for non-commercial purposes such as: providing loans to build houses on stilts (over water) in flooded areas of the Mekong River delta and providing loans to reduce the adverse impacts of floods and droughts.

According to the annual report of 2000, the Industry and Commerce Bank of Vietnam (Incombank) had total assets of 48,704 billion dong while total deposits were 40,745 billion. Total debts were 26,224 billion dong, of which medium- and long-term loans accounted for 31.6 per cent. Over the year 2000, the Incombank increased the rate of medium- and long-term loans from 20 per cent at the beginning of the year to 25 per cent of total loans at year-end. These loans were predominantly granted to large government programmes and priority sectors such as the postal services, the communication sectors, the processing industry and the production of construction material. In addition, the Incombank delegated investments and performed credit activities for a range of non-commercial purposes such as lending to reduce adverse impacts of floods, the creation of training funds for poor students and loans to purchase food for reserves.

As for the Foreign Trade Bank of Vietnam (Vietcombank), the 2000 annual report shows that total assets by the end of 2000 were 65,633 billion dong, of which funds in foreign currencies accounted for 74.9 per cent. The total volume of deposits at the Vietcombank was 43,748 billion dong, while total credit lending was 14,421 billion dong, of which medium- and long-term loans accounted for 17.61 per cent.[2] A total of 57.8 per cent of total loan volume was in dong. As is evident by its name, the Vietcombank is primarily involved in trade financing.

Finally, the 1999 annual report of the Vietnamese Bank for Investment and Development (VBID) indicates that its total assets amounted to 39,176 billion dong, of which total loans accounted for dong 28,201 billion.[3] Total deposit volume amounted to 18,379 billion dong in 1999. In addition to undertaking the roles of a multi-functional commercial bank, the VBID was responsible for assisting government-directed development investments. In 1999, the government granted the bank a development investment credit worth 8,335 billion dong. This fund was especially allocated to several big economic programmes directed towards industrialisation and modernisation, including programmes to develop the electricity, petroleum, cement, and rubber industries, or programmes directed towards industries processing agricultural outputs such as sugar cane and seafood.

Among the SOCBs it is mainly the Vietcombank and the VBARD that lend to private enterprises for it is these two banks have an extensive branch network at the district and village levels. Moreover, their respective areas of specialisation (dating back to what was stipulated during the monobank era) are in sectors that have seen rapid growth following the initiation of the Doi Moi reforms.

NOTES

1 According to Article 8 of Decision 1627/2001/QD-NHNN, dated 31 December 2001 short-term loans in Vietnam are defined as having a maturity below 12 months. As for the medium-term loans, their maturity ranges from 12 to 60 months, while long-term loans are defined as those having a maturity above 60 months.

2 This was lower than the share of medium- and long-term loans achieved in both 1998 and 1999.

3 Medium- and long-term debts accounted for 61 per cent total credit from the Vietnamese Bank for Investment and Development.