

# Index

- 1997 Financial Crisis. *See* East Asian Financial Crisis
- accountability, lack of  
as cause of EAFC 2  
effect of civil law tradition 3  
measures against 45, 63  
as obstacle to financial sector liberalisation xviii, 53
- accounting standards 145  
current (Vietnamese) 20, 37–38, 43, 44; deficiencies in ~ 43–45, 116, 136  
international ~, adoption of 44–45, 116, 136  
*see also* banks, domestic
- agricultural sector  
banks in xxi, 121–128, 131–132.  
*See also* state-owned commercial banks; Vietnam Bank of Agriculture and Rural Development; Vietnam Bank for the Poor; Vietnamese Bank for Investment and Development  
credit 14–17. *See also* credit; credit cooperatives; People's Credit Funds; Vietnam Bank of Agriculture and Rural Development  
decollectivisation 10, 15, 122, 133n  
development opportunities xxii  
government policies towards xxii, 14, 16, 132–133. *See also* government policies
- increased demand for financial services 122  
loans, crucial role of communes etc. in xxii, 124, 127  
*see also* liberalisation, financial sector
- Asian Development Bank 114, 127, 139
- Asian Financial Crisis. *See* East Asian Financial Crisis
- asset management companies 106–117, 145  
autonomy 113  
funding 114–115  
powers 113–114  
and SOCBs 111–112  
types 106, 108
- assets  
as collateral for loans. *See* collateral high liquidity of 131  
management. *See* asset management companies  
*see also* land; savings
- audits. *See* banks, domestic
- autonomy. *See* asset management companies; state-owned commercial banks; State Bank of Vietnam
- Bank of Agriculture and Rural Development. *See* Vietnam Bank of Agriculture and Rural Development
- Bank for Foreign Trade. *See* Vietcombank

- Bank for Investment and Development.  
*See* Vietnamese Bank for Investment and Development
- Bank for the Poor. *See* Vietnam Bank for the Poor
- Bank for Social Policies 46, 146. *See also* lending, policy-based; non-performing loans
- banking sector  
 in central planning period 2, 8–10  
 competition within. *See* competition, financial sector  
 concentration 61, 63, 75. *See also* competition, financial sector  
 entry. *See* entry, banking sector  
 government restrictions on xx, 69, 70–72, 124  
 increased foreign presence. *See* banks, foreign  
 likely impact of indirect regulation xix, 82  
 move to two-tier system 12, 142  
 safety nets 72–74  
*see also* banks, commercial; banks, domestic; banks, foreign; financial sector; informal financial sector; regulatory framework
- banks, commercial  
 legalised 12  
 types 12. *See also* banks, foreign; credit cooperatives; JSB; JVB; state-owned commercial banks
- banks, domestic  
 activities limited by government xx, xxi, 124  
 in agricultural sector xxi, 15–16, 121–128, 131–132  
 auditing of 44–45  
 capital, asset, management, earnings and liquidity (CAMEL) 102, 118  
 capital requirements xx, 74  
 fragility 59, 63, 72, 74, 75, 128  
 franchise value of xix, 58, 72, 128  
 lack of competition between. *See* competition, financial sector  
 state ownership of 9  
 viability dependent on resolving NPL issue 20  
*see also* banks, commercial; state-owned banks; state-owned commercial banks
- banks, foreign 31n  
 concerns about 62  
 effect on domestic financial sector 62, 63  
 entry permitted 12  
 increased presence xix, xx, 13, 18, 61–62, 89, 116  
 restrictions on 18  
 US xix, 51
- Bilateral Trade Agreement (between Vietnam and USA) xix, 40, 51, 62, 75, 89, 145. *See also* banks, foreign; financial markets
- bond market 90–95, 117n–118n  
 deficiencies in xx–xxi, 90–91, 93, 116  
 importance of 90. *See also* savings internationalisation of 93–95. *See also* foreign direct investment used to finance government deficits xxi, 91  
*see also* treasury bills
- capital adequacy ratio 47, 48. *See also* state-owned commercial banks
- central bank. *See* State Bank of Vietnam
- Central Credit Fund 16–17. *See also* People's Credit Funds
- collateral  
 laws on 109  
 used (or not used) for loans 35, 49, 106, 109, 111, 113, 123, 126, 127, 144. *See also* bond market; loans/lending; non-performing loans; state-owned enterprises  
*see also* land; savings

- communes, crucial role with bank clients xxi–xxii, 124, 127
- Communist Party. *See* Vietnamese Communist Party
- competition, financial sector  
 effect of foreign banks 62–63  
 lack of ~ in rural financial markets xxii, 121, 124, 128, 132  
 level of xix, 60, 62–63, 65–66, 75  
 measures of 60–61  
*see also* banking sector; entry, banking sector; financial sector; rural financial markets
- competition, political. *See* political competitiveness
- consensus governance xiii, 9, 41, 42, 117n  
 as a brake on reforms xvii, xviii, 53, 54, 135  
 hinders autonomy of SBV xx, 79, 87, 116  
 and resolution of NPLs 54
- corruption 21, 72  
 measures against 55n, 98  
 in other countries 59
- credit  
 in agricultural sector 14–19. *See also* credit cooperatives; People's Credit Funds; Vietnam Bank of Agriculture and Rural Development; Vietnam Bank for the Poor  
 customer perception of xxii, 129, 132  
 demand for 15, 48, 122  
 government control of 17, 18, 20–21, 124  
 informal 26–30. *See also* informal financial sector  
 SOE share of 18–19, 46, 123  
 trader 29–30  
*see also* leasing; lending, policy-based; loans/lending
- credit cooperatives 14–16  
 permitted 12
- rapid growth 15  
 replaced by PCFs 16. *See also* People's Credit Funds  
 system collapses xvii–xviii, 15–16, 53, 122, 131, 135, 142
- Credit Information Centre 146
- crises, financial  
 EAFC. *See* East Asian Financial Crisis  
 government role to prevent 57. *See also* government influence/intervention  
 greater stability from presence of foreign banks 61  
 linked to liberalisation 58  
 in rural credit. *See* credit cooperatives
- currency  
 devaluation of dong. *See* dong  
 foreign. *See* currency, foreign  
 markets. *See* interbank currency market  
 parallel system 23–24  
 reforms 10, 144, 145  
 role of SBV 12
- currency, foreign  
 attraction of vs dong 23. *See also* saving  
 holdings 23–25, 31n, 32n, 131, 142  
 interest rates 50, 144, 145. *See also* interest rate  
 market 50–51. *See also* interbank currency market  
 savings in 49. *See also* savings
- debt. *See* credit; loans/lending; non-performing loans
- decollectivisation. *See* agricultural sector
- deposit insurance 49–50, 74–76, 131. *See also* Deposit Insurance Agency  
 Deposit Insurance Agency 49, 145
- deregulation. *See* liberalisation, financial sector; regulatory framework

- development, financial system. *See* financial system
- Development Assistance Fund 46. *See also* lending, policy-based
- Doi Moi. *See* liberalisation, financial sector; reform process
- donor community 129
- dollars, dollarisation. *See* currency, foreign
- dong (VND)
- defending 95
  - devaluation 23, 33, 34, 51, 95, 142, 143, 144
  - and interest rates 50. *See also* interest rates
- East Asian Financial Crisis, 1997–98 21, 33–39, 41, 53, 63, 106, 143
- causes 2, 94, 95
  - impact on reform process xi, 38, 39, 53
  - Vietnamese response to xviii, 35, 53
- economic reforms
- driving growth and development xi
  - see also* liberalisation, financial sector; reform process
- entry, banking sector
- foreign banks permitted 12
  - liberalisation of process xix, 76, 142
  - new entrants xix, 75
  - regional comparison 64–65
  - restrictions 63–66
  - see also* banking sector; competition, financial sector; rural financial markets
- equitisation
- of banks xix, 48, 89
  - of SOEs 45
- Euro. *See* bond market; currency, foreign
- financial lease companies 40, 41, 124, 133n. *See also* leasing
- financial markets, domestic
- division of labour within xxi, 124, 132
  - management by SBV xx, 12, 50–51, 89–90, 95–104, 116
  - opened to foreign banks xix, 12, 62–63
  - rural. *See* rural financial markets
  - state organisation of. *See* government influence/intervention
  - see also* bond market; interbank currency market; stock exchange/market
- financial sector
- analysis, framework for xiii–xiv
  - in central planning period 2, 8–10
  - central role of government in xxii, 57
  - at centre of current reform process xi
  - colonial legacy 2–4, 6–8
  - competitive pressure within. *See* competition, financial sector
  - deregulation. *See* liberalisation, financial sector; regulatory framework
  - development influenced by
    - geography 5–7; ~ political factors 4–5; legal system 2–4.
    - See also* legal system
  - direct government control
    - previously xi, xvii, 8, 135
  - diversification 41, 55n
  - indirect government control persists xi–xii, 135. *See also* government influence/intervention
  - informal. *See* informal financial sector
  - investment projects, reduced quality xxii, 132
  - lack of transparency. *See* transparency
  - ‘level playing field’ xix, xxii, 62, 75. *See also* competition, financial sector; regulatory framework
  - links with state-owned productive sector. *See* state-owned commercial banks: links with SOEs

- market-based vs bank-based 136  
 need for separate regulatory authority xxi. *See also* State Bank of Vietnam  
 reforms. *See* liberalisation, financial sector; reform process  
 regulation. *See* government influence/intervention; regulatory framework  
 stability 59, 63. *See also* crises, financial  
 trust in xviii, 16, 22, 49, 53, 90, 131, 135. *See also* Deposit Insurance Agency  
*see also* banking sector
- Financial Sector Restructuring Authority 108
- financial services 39, 46, 60, 62, 89  
 in agricultural sector 37, 121–133  
 demand for 37  
 lowered quality xxii, 128, 130, 132  
 supply of 16, 30, 55n
- foreign companies 40, 51. *See also* banks, foreign; insurance market
- foreign direct investment (FDI) 33, 34, 94, 95. *See also* bond market; equitisation
- French legal heritage  
 as brake on reform process xvii, 53  
 effect on economic growth 2–4, 8  
 nature of 2–4  
*see also* financial sector: colonial heritage; ~ : development
- gold 23, 90, 131. *See also* savings
- government 55n  
 bonds. *See* bond market  
 budget deficits xxi, 91  
 concern to preserve social and political stability. *See* stability  
 secrecy 34. *See also* transparency  
 use of financial sector for own ends xi
- see also* consensus governance; government influence/intervention; government policies; lending, policy-based; state, role of
- government influence/intervention  
 control of credit allocation. *See* credit  
 direct vs indirect influence xx, xxii, 82–83, 116, 124, 136  
 limiting xxii, 136  
 pressure on banks 47, 59, 66, 122, 129. *See also* lending, policy-based  
 previous direct control of financial sector xi, xvii, 8, 135  
 restrictions on banking sector xx, 124  
 role in financial sector xxii, 57, 58, 124, 137  
*see also* regulatory framework
- government policies  
 agricultural sector xxii, 14  
 to create effective financial environment 57  
 ‘uncollected bill’ for past failures xiii, 59, 104
- Hui. See* Rosca
- hyperinflation 10. *See also* inflation
- Incombank 140  
 established 12  
 recapitalization 47
- Industry and Commerce Bank of Vietnam. *See* Incombank
- inflation 10, 11, 80–82, 89
- informal financial sector 1, 25–30.  
*See also* credit; loans/lending; moneylenders; Roscas
- insurance market  
 banks excluded from xx, 55n, 70, 71, 76  
 entry of foreign companies 40, 55n, 144  
 opened 39–40, 55n, 143

- inter-bank currency market
  - deficiencies in xx-xxi, 96, 116
  - domestic 95-96, 143
  - foreign 33, 96, 143
- incorporate debt. *See* non-performing loans; state-owned enterprises
- interest rates 11, 30, 93, 94, 95, 142
  - deregulation of 50, 59, 143, 146
  - subsidised 9, 121, 129, 131;
    - negative impact of ~ xxii, 129-131, 132; positive impact of ~ 130
- international accounting standards.
  - See* accounting standards
- International Fund for Agricultural Development 139
- International Monetary Fund 35, 41
- investment
  - foreign. *See* foreign direct investment
  - negative impact of subsidised interest rates xxii, 129
- joint-liability groups xxii, 127, 132
- joint-stock banks 18, 54n, 143-144
  - debts 31n, 36
  - difficulties 36
  - growth 13
  - permitted 12
  - restructured 36, 144
- joint-venture banks
  - basis 17
  - growth 13
  - permitted 12
- lack of skills. *See* skills
- lack of transparency. *See* transparency
- land
  - as collateral for loans 29, 109
  - decollectivisation. *See* agricultural sector
  - as form of savings/investment 131.
    - See also* savings
  - laws 121
  - ownership 109
  - land-use rights 29, 51, 109, 126, 144
- leasing 40-41, 133n
  - as form of credit 41
- legal system
  - deficiencies re land ownership 109
  - and financial sector development 2-4
  - French heritage. *See* French legal heritage
  - reform 4, 72
  - requirements 57, 63
    - see also* regulatory framework; State Bank of Vietnam
- LEIPC. *See* political competitiveness
- lending, policy-based 39, 145
  - government pressure for 47, 124.
    - See also* government influence/intervention
  - as obstacle to financial sector liberalisation xviii, 136
  - as hindrance to equitisation xix
  - persistence of xxi, 46-47, 53, 66
    - see also* Bank for Social Policies; Development Assistance Fund; loans/lending; non-performing loans
- liberalisation, financial sector 53
  - achievements 59-60
  - crises xvii, 57. *See also* credit cooperatives; crises, economic
  - increased pace of since 2001 41, 135
  - lengthy process 14, 52, 59
  - negative impact 58-59, 128
  - obstacles xviii, 14, 135
  - perceived benefits 58, 128
  - preceding SOE sector reforms 14
  - progress from regional perspective xviii-xix, 53
    - see also* interest rates; reform process
- loans/lending 141n
  - crucial role of communes etc. xxii, 124, 127
  - dominance of SOCBs 139. *See also* state-owned commercial banks

- by family/friends 28, 30
- international. *See* bond market
- non-performing. *See* non-performing loans
- rolling over of SOE debt 20, 44
- see also* collateral; credit; lending, policy-based; Local Credit Funds; moneylenders; People's Credit Funds; Roscas; Vietnam Bank of Agriculture and Rural Development; Vietnam Bank for the Poor
- Local Credit Funds 16–17, 36, 37, 128. *See also* People's Credit Funds
  
- mass organisations 122
  - crucial role with bank clients xxi–xxii, 124, 126, 127, 130, 132
- Ministry of Finance 46, 112
- Ministry of Planning and Investment 112
- moneylenders 26, 29, 30
  
- non-performing loans 48, 53, 136
  - concerns about xii, 20, 104–105
  - as hindrance to equitisation xix; ~ to SOE reform 104
  - initial response to problem 105
  - measures addressing xxi, 44–45, 49, 108, 111–112. *See also* asset management companies; State Bank of Vietnam
  - no speedy resolution xviii, 53
  - regional comparison 106, 107
  - understated 20. *See also* transparency
  - see also* lending, policy-based; state-owned commercial banks; state-owned enterprises
- NPLs. *See* non-performing loans
  
- PCFs. *See* People's Credit Funds
- people's committees
  - crucial role with bank clients xxi–xxii, 124, 127
- People's Credit Funds 36–37, 125–126, 128, 133n
  - customers 125, 128
  - established 16, 122, 125, 142. *See also* credit cooperatives
  - financial products 126
  - success of 131–132
  - see also* Central Credit Fund; credit; loans/lending; Local Credit Funds; Regional Credit Funds
- political competitiveness 5, 6
- Prime Minister's Office 112
- private enterprises
  - credit to 15, 18–19, 104, 141
  - see also* equitisation
- private lobby group 89
- privatisation
  - of agricultural sector. *See* agricultural sector
  - of banks. *See* equitisation
- prompt corrective power index 67–69. *See also* regulatory framework; State Bank of Vietnam
  
- Radhanasin Bank 108
- real estate 90, 150
  - banks excluded from ~ market xx, 70, 71, 76, 150
  - as collateral for loans 106, 126
  - as form of savings/investment 131. *See also* savings
  - see also* agricultural sector; land
- reform process
  - hindered by concerns to preserve stability. *See* stability
  - hindered by French civil law heritage xvii, 53, 135
  - financial sector now at centre of xi
  - gradual pace of xvii, 52
  - initiated 10–13
  - slowdown after Financial Crisis xi, 52
  - see also* liberalisation, financial sector

- Regional Credit Funds 16, 36. *See also* People's Credit Funds
- Registry Centre for Secured Transactions (RCST) 49, 146
- regulatory framework  
 authority to act 67–68, 84  
 bank supervision and regulatory indicators 147–153  
 benefits of strengthening xx  
 global pressure to strengthen 54  
 new rules/legislation not strictly enforced xviii, 53  
 regional comparison xx, 53 68, 85  
 requirements 57, 63, 76, 136  
 SBV supervision xx, 97–104; ~ not up to international standards 101–102  
 speed of response to problems xx, xxii, 67, 69, 84–85  
*see also* State Bank of Vietnam
- Rosca (Rotating Savings and Credit Association) 26–28. *See also* credit
- Rotating Savings and Credit Association. *See* Rosca
- rural financial markets 128  
 competition in xxii, 124, 132. *See also* competition, financial sector  
 early disaster in. *See* credit cooperatives  
 segmentation of xxii, 132. *See also* government influence/intervention  
 structural changes xxii, 133  
*see also* agricultural sector; financial markets, domestic; People's Credit Funds; Vietnam Bank of Agriculture and Rural Development; Vietnam Bank for the Poor
- rural sector. *See* agricultural sector
- savings 130–132  
 alternatives 90. *See also* currency, foreign; gold; land  
 loss of ~ due to credit cooperatives crisis 15; ~ leads to mistrust of banks 15, 49, 131. *See also* assets; credit cooperatives  
 mobilisation xxii, 22–23, 39, 121, 129–131, 144  
 security of. *See* deposit insurance scheme  
*see also* assets; collateral; currency; interest rate; Vietnam Postal Service Savings Company
- SBV. *See* State Bank of Vietnam
- securities market 136, 150  
 banks excluded from xx, 70, 71, 72, 76, 150
- seignorage 24, 32n
- skills  
 building 48, 88, 115  
 lack/shortage of 17, 21, 39, 115, 130
- small- and medium-scale enterprises 15. *See also* agricultural sector
- SOE. *See* state-owned enterprises
- stability, concern for preservation of social and political  
 as a brake on reforms xvii  
 government priority xiii, xvii, xviii
- state, role of  
 as organizer of financial sector xxii  
*see also* government; government influence/intervention; government policies
- State Bank of Vietnam  
 autonomy/independence xx, 1, 63, 80–89, 103, 116; ~ types of 82, 83, 116, 117n  
 established 8  
 governors 86–87  
 influence of government/local authorities 84. *See also* government influence/intervention  
 management of financial markets xx, 12, 50–51, 89–90, 95–104, 116



- measures to resolve NPLs xx, xxi, 104.  
*See also* non-performing loans
- reorganisation 13
- role 8, 12, 37–38, 79, 84, 96–97. *See also* regulatory framework
- separation from banking operations 12–13, 79, 103. *See also* state-owned commercial banks; ~ from political system 37, 38, 79, 81, 82–83. *See also* government influence/intervention
- staff training 87–88
- state-owned banks 12
- state-owned commercial banks 13, 139–141
- autonomy 12, 47, 60, 63
- banks. *See* Bank for Social Policies; Inccombank; Vietcombank; Vietnam Bank of Agriculture and Rural Development; Vietnam Bank for the Poor
- creation 12
- crisis among 35
- dominance of 17, 139
- lending 48–49; policy-based ~ 46, 47. *See also* lending, policy-based; loans/lending
- links with SOEs xvii, 18, 20, 21, 53. *See also* state-owned enterprises
- non-performing loans of 35, 43–44, 104–105, 111–112, 136. *See also* non-performing loans
- plans to equitise xix, 48, 49
- reform 48, 110, 145; cost of ~ 48; pressure for ~ 42–43; ~ impeded by NPLs 104, 136. *See also* liberalisation, financial sector; reform process
- recapitalisation 1, 43, 47–48, 114, 145, 146
- separation from political/state authorities. *See* government influence/intervention; ~ from regulatory authorities. *See* State Bank of Vietnam
- see also* agricultural sector; banking sector; banks, domestic; financial sector
- state-owned enterprises 9
- banking sector support during Financial Crisis 35
- delayed reform of 13–14
- equitisation of. *See* equitisation
- get most of credit 18
- NPL problem among xviii, 44, 45, 54, 104, 109
- policy based lending 147–148
- pressure for reform 42, 145
- slow pace of reform 46
- state ownership/control
- degree of 60–61
- negative effects of xviii, 61
- see also* equitisation; government; non-performing loans; State Bank of Vietnam
- State Security Commission 38
- stock exchange/market 38–39, 144.  
*See also* financial markets, domestic
- taxes 2, 32n, 35, 44, 109, 144. *See also* seignorage
- transparency, lack of 128–129
- in decision making 9, 42
- effect of civil law tradition 3
- and financial sector development xxii
- in NPL problem xviii, 44, 53, 113
- needed in opening up of banking sector xix
- as obstacle to financial sector liberalisation xviii, 53, 136
- as result of financial sector reform preceding SOE reform 14
- World Bank ‘joint reviews’, unavailability of xii–xiii
- treasury bills (T-Bills) 91–93, 116
- United States xix

- banks. *See* banks, foreign
- bilateral trade agreement with. *See* Bilateral Trade Agreement
- VBARD. *See* Vietnam Bank of Agriculture and Rural Development
- Vietcombank 140  
 established 9, 12  
 importance of 118n–119n  
 loans 141  
 restructuring of 112  
*see also* state-owned commercial banks
- Vietnam Bank of Agriculture and Rural Development 46, 121, 125–126, 132, 133n, 139–140  
 customers 123, 125, 127, 141  
 established 12, 122, 125  
 financial products 126, 133n  
 largest bank 122–123, 139  
 loans 122–124  
 purpose 15, 125  
 strengthened 16  
*see also* agricultural sector; state-owned commercial banks
- Vietnam Bank for the Poor 46, 125–126, 132  
 customers mainly the poor 125, 127, 128  
 established 122, 125  
 financial products 126  
 loans 126, 127, 129, 132
- problematic policies 129, 132  
 purpose 125  
*see also* lending, policy-based; state-owned commercial banks
- Vietnam Industrial and Commercial Bank. *See* Incombank
- Vietnamese accounting standards. *See* accounting standards
- Vietnamese Bank for Investment and Development 112, 119n, 140–141  
 established 9, 12  
*see also* state-owned commercial banks
- Vietnamese Communist Party 9, 42.  
*See also* government
- Vietnamese Living Standards Survey (VLSS) 131
- Vietnam Postal Service Savings Company 39, 46, 144. *See also* savings
- World Bank 39, 60, 139  
 1995 report xii, 98  
 2002 Banking Sector Review xii, 39, 46  
 ‘joint reviews’, unavailability of. *See* transparency, lack of  
 pressure for reforms 35, 41
- World Trade Organisation  
 membership 51, 89, 146