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Factors Affecting the Mobilization of Savings Deposits by Commercial Banks in Vietnam

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Abstract

The objective of the study is to identify factors affecting the mobilization of savings deposits at commercial banks in Vietnam. The research was conducted by studying a number of Vietnamese commercial banks in the most recent period. Research has shown two main groups of factors affecting the mobilization of savings deposits by commercial banks in

Vietnam, including objective and subjective factors. Based on the research results, a number of solutions are suggested to improve the efficiency of mobilizing savings deposits, contributing to attracting savings customers of Vietnamese commercial banks in the coming time.

Keywords: Commercial Banks, Savings Deposits, Mobilization

1. Introduction

A bank is a monetary business organization, providing a comprehensive portfolio of financial services, with three main types: Receiving deposits, granting credit and providing payment services. Among them, deposit mobilization is the most important operation and is an integral part of banking activities. Commercial banks mobilize input capital at low costs to lend at competitive interest rates in the economy and savings deposits play a very important role.

With increasing challenges and the desire to hold a larger banking market share, banks that want to promote lending activities must increase mobilized capital.

However, the competition situation of banks is increasingly fierce from competition in products, services, loans to competition for deposits. Along with extensive integration into commercial organizations, free trade, and inter-regional cooperation, banks are increasingly under competitive pressure not only from domestic but also foreign competitors. Therefore, banks must further enhance their operational efficiency to survive and develop. In particular, mobilizing capital from customers' savings deposits is one of the important activities to maintain and increase the business capacity of commercial banks. Because customer savings deposits are the main source of capital for commercial banks to make loans, contributing to promoting economic growth, income distribution and hunger eradication and poverty reduction.

In today's increasingly developed and fiercely competitive market economy, mobilizing savings deposits is a problem for every commercial bank. Therefore, the author conducted research on factors that influence the decision to deposit savings at these banks.

2. Research methods

The article uses qualitative research methods including two basic methods: Data collection, synthesis and analysis and evaluation. Based on the synthesis of data related to the mobilization of savings deposits by commercial banks in Vietnam, the article offers some solutions to improve the savings mobilization activities of target groups. This in the near future.

3. Factors affecting the mobilization of savings deposits by commercial banks

3.1 Objective factors

3.1.1 Factors of the economy

First, economic factors: Commercial banks are directly affected by economic criteria such as economic growth rate, national income, inflation rate... When the economy develops and national income is high, economic units and residents will have large sources of money deposited in banks. On the contrary, if the economy is in crisis, the unemployment rate is high, and inflation

is increasing, not only capital mobilization but other banking activities will also face difficulties because people instead of depositing money in banks. Will invest in other highly stable assets, private enterprises will shrink production so the amount of money deposited in banks will be limited.

Second, political factors: Political stability or foreign policy among countries in the region and the world will also affect the development of commercial banks.

Third, legal factors: The mobilization of savings deposits by commercial banks is greatly regulated by the legal environment. Commercial banks are businesses that trade in special goods (currency), so they are affected by many policies of the government and central bank. Changes in State and Central Bank policies on finance, currency, and interest rates will affect commercial banks' ability to attract capital from savings deposits.

Law on Credit Institutions, Law on State Bank... regulates the ratio of capital mobilization of banks compared to equity capital, regulations on deposit and use of deposit accounts... Some Laws indirect impact on banking activities such as the Foreign Investment Law or commercial banks are not allowed to accept deposits or lend by increasing or decreasing interest rates, but must rely on the interest rates offered by the State Bank and can only be changed within a certain margin allowed by the State Bank. Thus, the operating goals of commercial banks are built into the State's regulations and regulations to ensure safety and enhance customer confidence.

Fourth, scientific and technical factors: In the era of information technology explosion, the application of technology becomes a mandatory condition for commercial banks. Services such as home banking, ATMs, letters of credit (L/C), cause the rate of deposits and payments through banks to increase.

Fifth, cultural, social, and population factors: Densely populated places with high incomes will make it easier to mobilize capital from customer deposits than remote places with low educational levels.

3.1.2 Factors from the customer side

Currently, the world economy still has complicated developments, negatively affecting the domestic economy. Real estate and gold investment channels have many risks, especially the almost frozen real estate market. Therefore, to ensure their assets, people choose to deposit money in banks. This is considered a safe and profitable channel to keep money even though deposit interest rates have continuously decreased since recently.

3.2 Subjective factors from commercial banks

First, the reputation of the bank

People deposit money in banks not simply to seek profit, but also because they hope that depositing money will help them minimize risks when holding money. When customers decide to deposit money, they will only go to banks that are truly reputable, solid in their operations, have capital and high solvency with a brand name in the market. Therefore, if a bank has a high reputation, it will be easier to attract capital. Banking reputation cannot be established in a short period of time, but requires a long and persistent process.

According to the State Bank, by the end of April 2023, the total deposits people deposited into the banking system reached 6.33 million billion VND. This is the highest deposit level ever in the context of continuously cooling

interest rates.

Normally, customers will deposit money when savings interest rates increase. But while savings interest rates have decreased due to the State Bank continuously lowering operating and mobilization interest rates, total savings deposits have still increased over the past 13 months. According to the latest statistics of the State Bank, people's savings deposits into the banking system as of the end of September reached more than 6,449 million billion VND, an increase of 9.95% compared to the end of 2022.

Second, the bank's interest rate policy

When individuals or organizations deposit money in a bank, the first thing they want is to earn profits, so interest rates are the first factor they care about. Therefore, interest rate policy is one of the most important tools supporting banks' capital mobilization. And banks use it as a tool to change the scale of capital attracted to the bank, especially deposits.

Third, the bank's technology level

Today, along with the innovation of banking activities, commercial banks increasingly focus on applying modern science and technology to banking activities. This is also inevitable in the field of information technology today. Technology helps banking activities take place faster, more accurately and with less risk. Modern facilities and equipment are always the face of the bank, it is the first thing customers will see when entering the bank. Customers will trust and feel more secure when depositing money in banks with high levels of science and technology.

Fourth, the capacity, qualifications, and professional ethics of bank staff

Modern equipment, bank reputation or interest rate policy... are all determined by human factors. Banking is a service activity, the goal is to serve the needs of customers, so the professional qualifications and service attitude of bank staff are quite important factors that determine the effectiveness of bank operations row.

- In terms of management, if the bank has good management skills, it will be able to give appropriate advice to customers and bring high efficiency, which will attract customers to them. On the other hand, good management will ensure capital safety, increase reputation, and create good conditions for the bank's capital mobilization.
- Regarding professional qualifications: The qualifications of bank staff greatly affect the quality of service, service costs affect the bank's capital attraction.

A bank with a team of staff with high professional qualifications, service attitude, enthusiastic and open working style will make a very good impression on customers, which will help the bank attract many customers. Than. Therefore, commercial banks need to have training and fostering plans to improve professional qualifications and working techniques for workers in the direction of deep expertise and proficient application of modern technology.

Fifth, the bank's marketing policy

The market is both the object of service and the operating environment of the bank. Bank and market activities have a direct relationship and influence on each other. Therefore, understanding market needs to closely associate bank operations with the market will make bank operations highly effective. That will be done well through the Marketing Bridge. Because Marketing helps bank directors recognize market factors, customer needs, products and services and

their fluctuations. Thanks to Marketing, the bank's Board of Directors can coordinate and direct the activities of all departments and all bank employees to better meet customer needs.

Sixth, customer care policy

Any commercial bank that wants to survive and develop long-term in the market must first have an existing customer base. To do so, banks need to satisfy the desires and requirements of customers, because customers are the vital element of the bank.

4. Solutions to improve the efficiency of mobilizing savings deposits of commercial banks

4.1 Enhance the management role of the State Bank

The State Bank needs to create an open legal corridor and strengthen its supervisory role in the savings deposit mobilization activities of commercial banks.

4.2 Some solutions from commercial banks

4.2.1 Enhance reputation to meet customer needs

An important characteristic of customers is the level of regular use of banking services. The higher the level of use, the more conditions banks have to expand the mobilization of savings deposits.

The more the economy develops, the number of commercial banks increases, along with increasingly fierce competition between banks. To gain loyal customers, banks need to give customers confidence in the quality of service and benefits they receive when choosing this bank over other commercial banks.

4.2.2 Diversify forms of mobilizing savings deposits

Commercial banks operate and develop mainly thanks to the amount of money mobilized from the economy. In the context of fierce competition in the field monetary finance as it is today, to obtain large capital resources requires commercial banks. Commerce must have reasonable mobilization policies to attract necessary capital in the economy to serve the operations of commercial banks.

If banks want to easily mobilize savings deposits, they must first diversify forms of capital mobilization. The more diverse and flexible the bank's capital mobilization forms are, the greater its ability to attract capital from the economy. This comes from differences in age, gender, income level, place of residence, consumption preferences and position in society. Needs and psychology of different strata of the population. The higher the diversity of mobilization forms, the easier it will be to meet the needs of the population to the maximum, because they can all find for themselves a suitable and safe form of deposit.

Commercial banks must have policies to meet the needs of each customer group accordingly and need to consider very carefully before applying new forms of mobilizing savings deposits. Along with the strong development of banking products and services, commercial banks now need to diversify practical forms of mobilizing savings such as demand savings, term savings, and savings. For children, personal savings for future accumulation, retirement savings, accumulated savings, to suit the needs of different subjects and regions across the country.

4.2.3 There is a competitive interest rate policy

When the interest rates and deposit methods or terms of

banks are the same, the deciding factor for customers' deposits is the quality of the bank's service. Maintaining competitive deposit interest rates among banks will attract new deposits and maintain existing deposits.

In fact, the need for savings always exists when deposit interest rates decrease, and only a small part of idle cash flow from savings shifts to stocks, real estate... because risk appetite is different. Together. Besides, although deposit interest rates have decreased, with interest rates for terms of 12 months or more currently about 5-6%/year, compared to the inflation rate of about 3.1%, depositors still have real interest rates. Positive.

To maintain competition with other banks and attract more capital, banks must have a competitive interest rate and must have additional incentives for long-term customers, with incentive policies. For new customers. Commercial banks must regularly monitor interest rate fluctuations in the market, predict fluctuation trends, calculate average output and input interest rates, to set moderate interest rates. Competitive and attractive, but still ensuring benefits for the bank.

4.2.4 Modernize banking technology

Currently, transaction times can be extended, especially for large deposits, due to the stages of sorting and counting money. Therefore, in addition to staff being able to support and guide customers to quickly inventory different types of money, banks need to be equipped with modern money counting machines that are highly capable of detecting counterfeit money. Count both old and new money with absolute accuracy.

Improving the level of banking technology plays an important role in mobilizing savings deposits. As the level of banking technology increases, customers will feel more satisfied with the services provided by banks and feel more secure when depositing money at banks. This is a factor that helps banks compete in non-interest rates because customers care a lot about the quality and type of services that banks provide. With the same deposit interest rate, the bank that improves service quality better and creates more convenience for customers will be more competitive.

Therefore, commercial banks need to continue to improve their money withdrawal and deposit application software programs to create convenience in transactions for both employees and customers.

4.2.5 Improve capacity, qualifications and professional ethics of bank staff

Banking is a special, sensitive business, closely tied to money and always facing many permanent risks, including moral risks of officers and employees. The success of banking operations depends on people, and employee performance depends heavily on training, coaching, and fostering. Therefore, each bank officer not only needs to have high professional expertise but also needs to have bravery, responsibility, and professional ethics.

A commercial bank with a team of highly qualified staff, service attitude, enthusiastic and open working style will make a very good impression on customers, which will help the bank attract more people. More customers. Commercial banks need to pay regular attention to the service attitude of their employees and must train a team of highly professional staff.

Currently, in many Vietnamese banks, the professional qualifications of staff have many shortcomings. Therefore, it is necessary to focus on improving the qualifications of officials to suit the needs of the market economy.

4.2.6 Have an effective marketing strategy

Marketing plays a huge role for commercial banks in today's era. In modern banking activities, marketing is always emphasized and there needs to be a certain cost for this work. At the same time, banks must also have a special marketing strategy not only on television but also using panels, posters, and flyers to promote the mobilization of savings deposits.

4.2.7 Apply reasonable customer care policies

All commercial banks seek to retain and attract more customers in many ways. Customer care activities are one of the important tools for banks to retain and develop their customers. In increasingly fierce competition, satisfying customer needs through customer care activities plays an increasingly important role. This activity will help the bank promptly grasp and respond to customers' arising needs.

5. Conclusion

Attracting customer savings deposits to commercial banks plays a very important role in the financial system. Because customer savings deposits are the main source of capital for commercial banks to make loans, contributing to promoting economic growth, income distribution and hunger eradication and poverty reduction.

In the coming time, commercial banks need to comprehensively consider the factors affecting the mobilization of savings deposits, and at the same time implement solutions to improve the efficiency of this activity so that saving is an important factor. Safe investment channel for all strata of the population and plays an important role in mobilizing resources for the country's socio-economic development.

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