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## **Developing Non-Cash Payment Activities at Vietnam Joint Stock Commercial Bank for Industry and Trade Thanh Hoa branch, Vietnam**

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### **Abstract**

In the context of the booming 4.0 technology revolution and the emergence of the digital economy, the increasingly effective digital payment ecosystem is gradually causing banks to change their traditional business models globally, gradually. Step in digitizing banking, affirming the role of technology in the new era. The banking industry has been developing digital banking activities in the direction of automation, intelligence, and increased experience to bring many benefits to customers using financial services, contributing to the development of the country's payment infrastructure. Vietnam. Payment in cash as before could not

meet the payment needs of the entire economy during the development period. Applying non-cash payment methods to bring more convenience, safety and cost savings is something that any bank is interested in, including the Joint Stock Commercial Bank for Industry and Trade. Thanh Hoa branch. The article uses qualitative research method to analyze the current situation of non-cash payment activities at Thanh Hoa branch of Industry and Trade Joint Stock Commercial Bank, thereby offering solutions to develop payment activities. Non-cash payments in the near future.

**Keywords:** Non-cash Payment, International Payment, Domestic Payment, Vietinbank

### **1. Introduction**

Currently, economic development is a global issue that every country sets as its top goal. This causes countries to implement policies of integration with the world economy. Faced with the above situation and realizing the goal of a rich people, a strong country, and a fair and civilized society, our Party advocates shifting the economy from a centralized planning regime to a market economy with state regulation. That is an objective premise, promoting the development of potential in the market economy, stimulating commodity production and gradually participating in the international division of labor as well as creating a premise to promote financial activities. Currency, especially banking activities.

Along with the development of the economy, the commercial banking system is also formed, constantly innovating and developing to serve the needs of the economy. Commercial banks' activities include many different forms from mobilizing capital, lending, providing customer support services.... As a payment intermediary, payment activities are activities basic, accounting for a high proportion and playing an important and decisive role in the existence and development of the bank.

For any economic contract, the most important issue is how to pay, what is the payment method and whether it brings a lot of profit. In our country, the habit of using cash to pay for goods and services has existed for a long time. Every year it costs billions of dong for transportation, storage, and counting costs, not to mention the very long payment time. This is a big waste while we currently need capital to invest and develop. Therefore, Project 06 issued by the Prime Minister aims to promote non-cash payment services through banks, thereby overcoming the above situation. It not only saves the social economy but is also a practical tool to regulate and promote production, circulation of goods and increase capital turnover. Besides, non-cash payments help commercial banks have more capital for payments, while state banks reduce the amount of money in circulation.

Recognizing the importance of non-cash payment activities at commercial banks, the article has deeply researched non-cash payment activities at Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank). Thanh Hoa branch.

**2. Research methods**

Information collection method: The article uses secondary information through statistics from the Customer Service Department of Vietinbank Thanh Hoa for the period 2021 - 2023, documents related to non-cash payment activities bank face.

Methods of processing and analyzing information: After collecting information, it is processed using Excel software and using analytical methods such as: Descriptive statistics method, comparison method to evaluate the current state of operations. Non-cash payment activities at Vietinbank Thanh Hoa.

**3. Non-cash payment methods at Vietnam Joint Stock Commercial Bank for Industry and Trade Thanh Hoa branch**

**Payment authorization:** At Vietinbank Thanh Hoa branch, the payment authorization process is performed when an individual or business authorizes another party to make payment without using cash. To carry out this process, customers need to go to the transaction counter and write a payment authorization letter, then pay money to the teller to make the payment. In case the customer is a representative of the business, the signature and seal of the chief accountant and director are required to confirm and prove the accuracy and validity of this process.

**Authorized collection:** In reality, at branches this form of payment only applies to regularly recurring service costs such as electricity, water, telephone, and house rent. Economic organizations in the same province or city or sales proceeds agreed in advance by the seller and buyer, when there is mutual trust, so it is rarely used.

**Check:** Used to directly pay for goods and services between buyer and seller or to withdraw cash at bank branches. All customers opening accounts at the bank have the right to use Checks for payment. When using a Check, the payer will initiate the payment process by writing the amount to be transferred into the Check, then the recipient will take the Check to the bank to receive the corresponding amount.

**Bank card:** Is a payment instrument issued and sold by banks to customers to pay for goods, services, and other payments; withdraw cash at payment agent banks or automatic cash machines (ATMs). This is considered a modern means of payment; bank cards are closely related to information technology and its applications in the banking sector. There are two main types of bank cards: Debit cards

and credit cards. Debit cards allow customers to pay directly from their bank accounts, while credit cards allow customers to borrow money from the bank to make transactions and then pay back the borrowed amount over time. Specified deadline. When customers come to open an account at the transaction counter, they will be guided and advised by tellers on card issuance. The customer's profile will then be transferred to the card center to prepare the card for printing. After about a week, the card will be sent back to the branch or address requested by the customer. When receiving a new card, customers will need to log in to the "Vietinbank Ipay" application to change the PIN code to secure their personal information and transactions.

**Electronic banking:** Joint Stock Commercial Bank for Industry and Trade Thanh Hoa branch is currently providing two banking applications to help customers make payments without using cash. Specifically, the "VietinBank iPay" application is for individuals and "eFast Banking" is for business organizations and enterprises. To open a VietinBank account, customers need to have the owner's SIM card and identification card. After the account opening process is completed, VietinBank's system will send a notification via text message about the login name and temporary password to the SIM registered with the bank. Customers can then change their password and use it to make payments. VietinBank's applications are highly diverse, easy to use and ensure safety in protecting customer information.

**4. Results of non-cash payment activities at Joint Stock Commercial Bank for Industry and Trade Thanh Hoa branch**

In evaluating non-cash payment activities, banks use certain criteria. The first is the payment scale based on transaction turnover, which helps evaluate the business performance of the system. The second criterion is the scale of non-cash payments by customer to better understand the amount of payment from different customer groups. In addition, it is also necessary to consider non-cash payment methods to evaluate the diversity and convenience of payment methods in the system. This helps improve the user payment experience and increase flexibility in the online purchasing process.

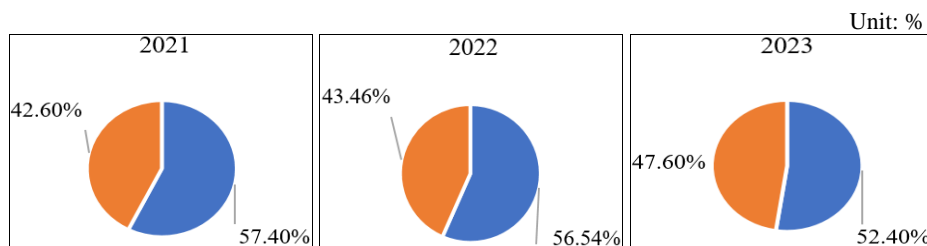
**4.1 Payment scale according to payment turnover at VietinBank Thanh Hoa**

**Table 1:** Payment scale by payment turnover at Vietinbank Thanh Hoa in the period 2021 – 2023

**Unit:** Billion VND

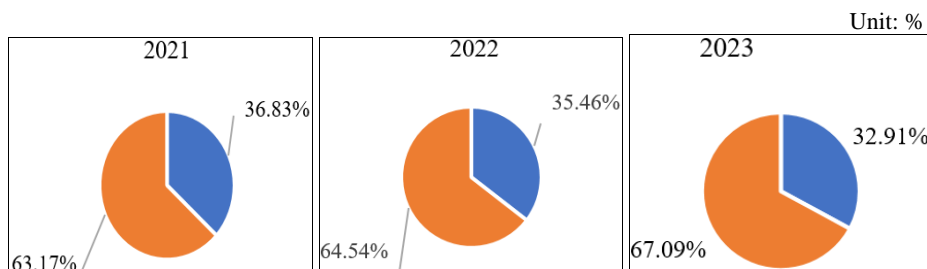
| Targets                |                  | 2021   | 2022    | 2023    | Difference 2022/2021 |              | Difference 2023/2022 |              |
|------------------------|------------------|--------|---------|---------|----------------------|--------------|----------------------|--------------|
|                        |                  |        |         |         | Absolute             | Relative (%) | Absolute             | Relative (%) |
| International payments | Payment in cash  | 33.051 | 36.825  | 40.682  | 3.774                | 11,42        | 3.857                | 10,47        |
|                        | Non-cash payment | 24.531 | 28.301  | 36.961  | 3.770                | 15,37        | 8.660                | 30,60        |
|                        | Total            | 57.582 | 65.126  | 77.643  | 7.544                | 13,10        | 12.517               | 19,22        |
| Domestic payment       | Payment in cash  | 35.741 | 40.611  | 45.276  | 4.870                | 13,63        | 4.665                | 11,49        |
|                        | Non-cash payment | 61.289 | 73.917  | 92.289  | 12.628               | 20,60        | 18.372               | 24,85        |
|                        | Total            | 97.030 | 114.528 | 137.565 | 17.498               | 18,03        | 23.037               | 20,11        |

**Source:** Customer Service Department at VietinBank Thanh Hoa



Source: Customer Service Department at VietinBank Thanh Hoa

Fig 1: Structure of international payment scale by revenue at VietinBank Thanh Hoa in the period 2021-2023



Source: Customer Service Department at VietinBank Thanh Hoa

Fig 2: Structure of domestic payment scale by revenue at Vietinbank Thanh Hoa in the period 2021-2023

■ Payment in cash  
■ Non-cash payment

Based on the analysis table, we see that the total payment value of the branch increases each year. Specifically in the field of international payments: In 2021, a payment level of 57,582 billion VND will be recorded, increasing to 65,126 billion VND in 2022, and in 2023 the payment level will continue to increase by 12,517 billion VND at a rate of 19.22%. Compared to 2022. Meanwhile, domestic payments in 2021 will reach 97,030 billion VND, by 2022, it will record 114,528 billion VND, an increase equivalent to 18.03% compared to 2021, and in 2023 this payment level will increase to 137,565 billion VND. Copper.

In international payment activities, the use of cash still accounts for a higher proportion, but tends to decrease from 57.40% to 52.40%. This shows that in this field, non-cash payment methods are growing strongly, increasing by 42.60%; 43.46% and 47.60%. On the contrary, in domestic payment activities, the trend of non-cash payments predominates, always over 60%. This trend continuously increases from 63.17% to 67.09%. This shows that the demand and popularity of using payment services through banks, especially non-cash payment services, among people

is increasing. At the same time, this also shows that the branch's ability to meet customer payment requests is very high.

**4.2 Scale of non-cash payments by payer at VietinBank Thanh Hoa**

Recently, the Government has implemented many policies to support the development of production, business and consumption activities. Thanks to positive changes, the need to use local banking payment services is increasing. The two main groups that play an important role in promoting the development of payment services in general and non-cash payment activities in particular are both people and economic organizations operating in the area.

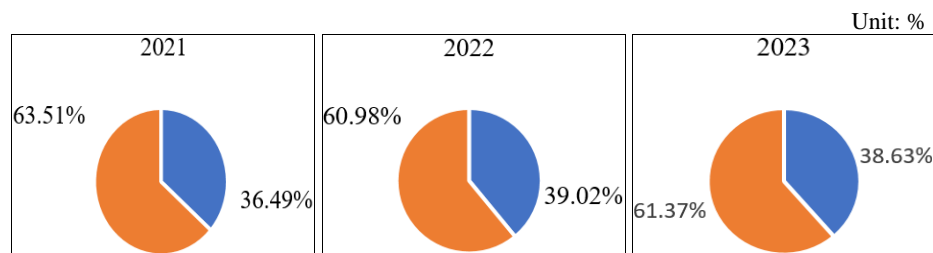
From the implementation of specific non-cash payment services at branches in the period 2021-2023, we can see that the number of customers using this service is constantly increasing. The level of use of non-cash payment services by each customer at Vietinbank Thanh Hoa is shown as follows:

Table 2: Scale of non-cash payments by payer at Vietinbank Thanh Hoa in the period 2021-2023

Unit: Billion VND

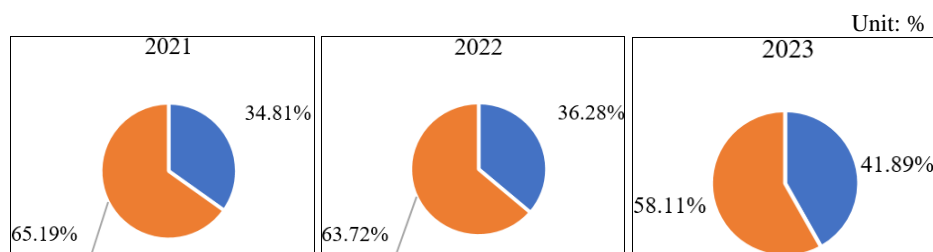
| Targets                |                        | 2021   | 2022   | 2023   | Difference 2022/2021 |              | Difference 2023/2022 |              |
|------------------------|------------------------|--------|--------|--------|----------------------|--------------|----------------------|--------------|
|                        |                        |        |        |        | Absolute             | Relative (%) | Absolute             | Relative (%) |
| International payments | Residential            | 8.952  | 11.043 | 14.277 | 2.091                | 23,36        | 3.234                | 29,29        |
|                        | Economic organizations | 15.579 | 17.258 | 22.684 | 1.679                | 10,78        | 5.426                | 31,44        |
|                        | Total                  | 24.531 | 28.301 | 36.961 | 3.770                | 15,37        | 8.660                | 30,60        |
| Thanh toán nội địa     | Residential            | 21.335 | 26.820 | 38.657 | 5.485                | 25,71        | 11.837               | 30,62        |
|                        | Economic organizations | 39.954 | 47.097 | 53.632 | 7.143                | 17,88        | 6.535                | 12,18        |
|                        | Total                  | 61.289 | 73.917 | 92.289 | 12.628               | 20,60        | 18.372               | 19,91        |

Source: Customer Service Department at VietinBank Thanh Hoa



Source: Customer Service Department at VietinBank Thanh Hoa

Fig 3: Structure of international payment scale by customer type at VietinBank Thanh Hoa in the period 2021-2023



Source: Customer Service Department at VietinBank Thanh Hoa

Fig 4: Structure of domestic payment scale by customer type at VietinBank Thanh Hoa in the period 2021-2023

■ Residential  
 ■ Economic organizations

Through the data table, we can see that the growth rate of non-cash payment value of customer groups has increased over the years. In the field of international payments in 2022, the value will increase by 10.78% compared to 2021, reaching VND 17,258 billion for economic organizations and increasing by 23.36% to VND 11,043 billion for the residential sector. By 2023, the growth rate of non-cash payment value of economic organizations is 31.44% compared to 2022, surpassing that of residential areas by 2.15%. The non-cash payment structure shows that economic organizations account for a large but gradually decreasing proportion. Specifically, it will reach 63.51% in 2021 and decrease to 60.98% in 2022, increasing to 61.37% in 2023. In contrast, the residential area accounts for a small but gradually increasing proportion of 36.49%. Up 38.63%. In the field of domestic payments in 2022, the value will increase by 17.88% compared to 2021, reaching VND 47,097 billion for economic organizations and increasing by 25.71% to VND 26,820 billion for the residential sector. By 2023, the growth rate of non-cash payment value of residential areas is 30.62% compared to 2022, surpassing that of economic organizations by 18.44%. In the total non-cash payments by object, economic organizations account for a large proportion but tend to decrease from 65.19% to 58.11%. In contrast, the residential area accounts for a small proportion, gradually increasing to 34.81%, 36.28% and 41.89%. This result shows that economic organizations have a high level and frequency of using non-cash payment services from banks. For the residential sector, the demand for payment via banks is increasing, but because people's awareness is still limited, the proportion of people using non-cash payment services is still low. The transaction rate and transaction value are also much lower than those of organizations and businesses.

**4.3 Current status of non-cash payment methods at VietinBank Thanh Hoa**

Currently, Vietinbank Thanh Hoa is implementing many

non-cash payment methods such as payment orders, checks, collection orders, bank cards and electronic banking services. Diversifying payment services and improving quality is carried out in parallel with the increasing application of new and advanced payment technology. The transaction value of non-cash payment activities at Vietinbank Thanh Hoa in the period 2021-2023 is as follows:

Table 3: Non-cash payment methods at Vietinbank Thanh Hoa in the period 2021-2023

| Targets               | Unit: Billion VND      |        |        |                  |        |        |
|-----------------------|------------------------|--------|--------|------------------|--------|--------|
|                       | International payments |        |        | Domestic payment |        |        |
|                       | 2021                   | 2022   | 2023   | 2021             | 2022   | 2023   |
| Delegate expenses     | 3.042                  | 3.847  | 5.968  | 4.369            | 4.664  | 5.012  |
| Authorized collection | 633                    | 982    | 1.186  | 2.854            | 2.986  | 3.105  |
| Czech                 | 2.544                  | 3.069  | 4.681  | 3.672            | 2.581  | 3.069  |
| Bank card             | 9.410                  | 11.054 | 13.051 | 19.873           | 20.513 | 21.693 |
| Electronic banking    | 8.902                  | 9.349  | 12.075 | 30.521           | 41.173 | 59.410 |
| Total                 | 24.531                 | 28.301 | 36.961 | 61.289           | 73.917 | 92.289 |

Source: Customer Service Department at VietinBank Thanh Hoa

Through the above data, we can see that the use of payment methods is increasing sharply. In the domestic payment sector, sales increased by 20.60% compared to 2021 in 2022 and continued to increase by 24.85% compared to 2022 in 2023. In contrast, in the international payment sector, Sales have increased significantly from 15.36% to 30.6%. This increase is shown consistently across all forms of payment. In particular, bank cards and electronic banking are the two methods with the highest sales and the proportion of electronic banking services is increasing. This structural transformation is inevitable and reflects the modernization trend of the banking industry as well as other sectors of society. The application of modern forms of payment such as payment cards and electronic banking services helps optimize the payment process, bringing more convenience and speed to users. The increase in the number of personal

accounts via payment cards is also an important development direction for the branch, and this structural adjustment will contribute to promoting the development of non-cash payment activities. Currently, integrating e-commerce into banking, using internet banking and mobile banking services helps branches compete strongly with other commercial banks in the market.

#### **General assessment on the development of non-cash payment activities at Vietinbank Thanh Hoa**

In the current market economic context, individuals and business organizations have the right to choose the payment method that suits them. At the same time, they clearly realize the advantages of non-cash payment such as safety, speed and convenience, so people increasingly prefer this form of payment. The branch has made many improvements in payment processing, diversifying payment methods, thereby creating trust in the community. From completely manual payments and based on paper documents, we have gradually shifted to automatic processing using electronic documents. Currently, electronic payment transactions account for a significant proportion. The processing time for a transaction has been significantly shortened from weeks in the past to just a few minutes for payments in different systems or different locations, and in just a few seconds or instantly for payments made in different locations. Payment in the same system or in the same area. This is an important change contributing to the increase in the proportion of non-cash payments.

As one of the major banks in the area, Vietinbank Thanh Hoa has built trust and confidence from customers when they use services at the branch. Possessing a modern technology platform, the branch is highly appreciated for its level of information security, ensuring accuracy and speed in payments. Capital mobilization and debt collection management are carried out effectively, contributing to improving the Branch's payment activities. The branch has the ability to be proactive in terms of payment capital and expand related credits to create more favorable conditions for customers.

The staff and staff at the Branch are highly trained and always updated with new information and technology in the banking industry. Their flexible approach and extensive knowledge have contributed greatly to meeting customer requirements, helping the payment process take place quickly and professionally.

However, there still exist some challenges related to non-cash payment operations, especially due to the widespread habit of using cash in the community. Especially among the elderly, they often lack knowledge about technology. In addition, they also face competition from other banks such as BIDV, MB,...

#### **5. Solution for developing non-cash payment at Vietinbank Thanh Hoa**

In the context of a growing market economy, Vietnam's economy is trending towards integration and globalization. Economic activities are taking place increasingly faster and more numerous in both quantity and volume. Therefore, the demand for non-cash payments is increasing day by day. To meet the needs of non-cash payment, Vietinbank Thanh Hoa has set development directions to perfect and improve the

quality of its non-cash payment service. Specifically:

#### **On the state side**

Completing the legal infrastructure: The State Bank needs to have more specific legal documents to overcome limitations in current possible payment risks; The State Bank and the Government need to have policies to invest in infrastructure and telecommunications technology to ensure transmission line quality and encourage modern payment services. The State Bank needs to support banks to quickly complete procedures and expand WB projects on modernizing banks and payment systems; at the same time, proactively request relevant ministries and branches to coordinate with banks to complete and expand State Bank forms.

#### **On behalf of Vietinbank Thanh Hoa**

Promote propaganda and advertising to change customers' cash habits. It is necessary to organize and guide the implementation of payments through non-cash payment means; From there, promote its convenience and intelligence.

Minimize costs so that customers do not feel bothered about the bank's services.

Investing in hardware technology requires considering the modernity of technology and upgrading accounting software. Many ATM locations should be opened: There are solutions to ensure ATMs can serve customers 24/7; Invest more in ATMs that can deposit money into accounts to limit the number of customers waiting in the transaction room. Branches should expand their POS system, which are machines that accept card payments when shopping. There are many incentive programs and vouchers linked to payment apps such as VNpay, Shopee pay, etc. used to pay for tuition, hospital fees, and bills to reduce the need to pay in cash.

Allow banks to open more transaction offices to expand their scale, bringing the bank closer to people with potential payment needs, helping them understand and realize the benefits of payment. Don't use cash.

Organize additional professional training classes for branch officials and employees to meet the requirements of new technology in non-cash payment.

Ensure information security for customers so that customers can feel secure in using services on platforms, especially smartphones.

#### **6. Conclusion**

In recent times, non-cash payment of VietinBank Thanh Hoa has achieved some encouraging results. Sales as well as the proportion of non-cash payments are increasing, contributing to accelerating payment speed, ensuring safety and convenience for customers. However, compared to other countries in the region and the world, this rate is still very low. It comes from many reasons, some from the State, the Bank and customers. Recognizing these causes and then coming up with solutions to resolve the existing problems is the immediate and long-term task of all levels, all sectors and especially of the entire banking industry. Along with the development of the economy, non-cash payments need to be innovated, perfected and expanded further, striving to make non-cash payments one of the tools that people must use. Used to limit the negatives that the cash payment

mechanism has been facing in the current period.

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