RECOMMENDATIONS IMPROVING THE COMPETITION OF COMMERCIAL BANKS IN HO CHI MINH CITY

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ABSTRACT: *In Vietnam, commercial banks have limited administrative capacity, facing huge risks, affecting the economy. This fact requires each bank to continuously improve its governance capacity to compete not only with local banks but also with international credit institutions. Besides, the ability to mobilize and structure capital is one of the criteria for assessing the business performance, competition of commercial banks in terms of capital mobilization and reputation in the financial market. Good capital mobilization is the ability to occupy and expand the market share of commercial banks through the types of products to attract deposits from customers. Moreover, the large scale of capital and reasonable structure will allow commercial banks to develop business activities such as lending, investment and other financial services. Capital mobilization is determined by the size and growth of capital resources over time. In addition, the research results showed that there were 200 commercial bank managers who interviewed and answered about 12 questions. The Data collected from 15/07/2016 to 15/06/2017 in Ho Chi Minh City. The researcher had analyzed Cronbach's alpha, KMO test, the result of KMO analysis used for multiple regression analysis. The research results were processed from SPSS 20.0 software. Finally, the researcher has recommendations improving the competition of commercial banks in Ho Chi Minh City for the next year.*

KEYWORDS: Banking, Competition, Commercial Bank, Banking University.

INTRODUCTION

Vietnam has the implementation of the international commitments in the financial sector; the banking system of Vietnam will receive many opportunities, but also face many challenges and difficulties. As a result, the commercial banking system needs to be prepared for competition as foreign banks enter Vietnam more and more. Besides, commercial banks facing with a lot of pressure: The commercial banking system has had some development steps; the gap between Vietnamese commercial banks in foreign countries and foreign banks is still great in all aspects. Therefore, when integrating into the world economy, Vietnam's banking system will face many challenges. (1) The financial capacity of commercial banks in Vietnam is still small, the quality of assets is low, the list of products and services is poor, and the quality of products and services is not high. The organizational structure is not really reasonable. And not professional, management level is still low; banking technology has a significant gap compared to the level of the region and the world. (2) Banking integration will bring fierce and fierce competition in the banking market in Vietnam. Foreign commercial banks currently only hold a minority market share in Vietnam's banking and finance market but will have a near-comprehensive advantage in the future, when government restrictions on commercial banks and banks. Foreign credit institutions are

gradually loosening along the roadmap of Vietnam's commitment to open. (3), banking international economic integration increase the capital and has risk of the banking system, while the management mechanism is not complete, especially the inspection and supervision mechanism, lack of close coordination. Banking synchronization among relevant ministries will also be a big challenge for Vietnamese commercial banks. (4) Banking integration requires Vietnamese commercial banks to have a human resource not only with high expertise in banking but also with an understanding of International Commercial Law and well-equipped with knowledge and skills. Researching, analyzing, evaluating and forecasting in accordance with international standards and models, while human resources of Vietnamese commercial banks are very weak in knowledge and skills. The above mentioned things and combination with the practical requirements of the management, the researcher had boldly chosen the theme: "***Recommendations improving the competition of commercial banks in Ho Chi Minh City***". This study finds out the internal - external factors affecting the competition of commercial banks in Ho Chi Minh City and the researcher has recommendations in order to enhance the competition of commercial banks in Ho Chi Minh City for the future.

LITERATURE REVIEW

The definition of Internal and external factors: Claessens, Stijn, and Luc Laeven (2003). The literature divides the determinants of conventional bank profitability into two categories: internal and external. Internal determinants of profitability comprise variables such as the sources and uses of funds management, capital and liquidity management, and expenses management. All of these internal variables are considered to be controllable by the management of a bank. External variables are those factors that are considered to be beyond the control of the management of a bank. Among the widely discussed external variables are competition, regulation, concentration, market share, ownership, scarcity of capital, money supply, inflation and size.

The definition of Competition: Although competition is considered in the literature as one of the important determinants of profit for conventional banks, debate in this area has not been fully resolved. Philips et al. (1992) believed that public regulation, private organization and institutional market characteristics made industry performance insensitive to differences in market structure and made competition difficult to observe. In view of the difficulties of measuring the impact of competition, most banking researchers prefer to incorporate this aspect within the scope of market structure or regulations.

Vives, Xavier (2001). The comcopetition was among the first researchers to measure the effect of competition on bank profitability. He used entry into the market as a proxy for competition. Emery's findings were that competition had no significant impact on profits. Rhoades (1980) examined the effect of new entry on competition. His results indicated that there was no relationship between entry and competition. Similarly, Vives et. al. (2001) found a weak adverse relationship between competition and the rate of entry.

De Bandt, Olivier, and Philip E. Davis (2000). They examined the impact of foreign banks on the profitability of domestic banks. They found that the existence of foreign banks produced an unwavering impact on the profitability of various types of banks.

Besides, the competition in the banking sector has been analyzed by, amongst other methods, measuring market power (i.e. a reduction in competitive pressure) and efficiency. A well-known approach to measuring market power is suggested.

They analyze bank behavior on an aggregate level and estimate the average conjectural variation of banks. A strong conjectural variation implies that a bank is highly aware of its interdependence (via the demand equation) with other banks in terms of output and prices. Under perfect competition, where output price equals marginal costs, the conjectural variation between banks should be zero, whereas a value of one would indicate monopoly.

Molyneux, Philip and John Thornton (1992). They propose an approach based on the so-called H-statistic which is the sum of the elasticity of the reduced-form revenues with respect to the input prices. In principle, this Hstatistic ranges from -0 to 1. An H-value equal to or smaller than zero indicates monopoly or perfect collusion, whereas a value between zero and one provides evidence of a range of oligopolistic or monopolistic types of competition.
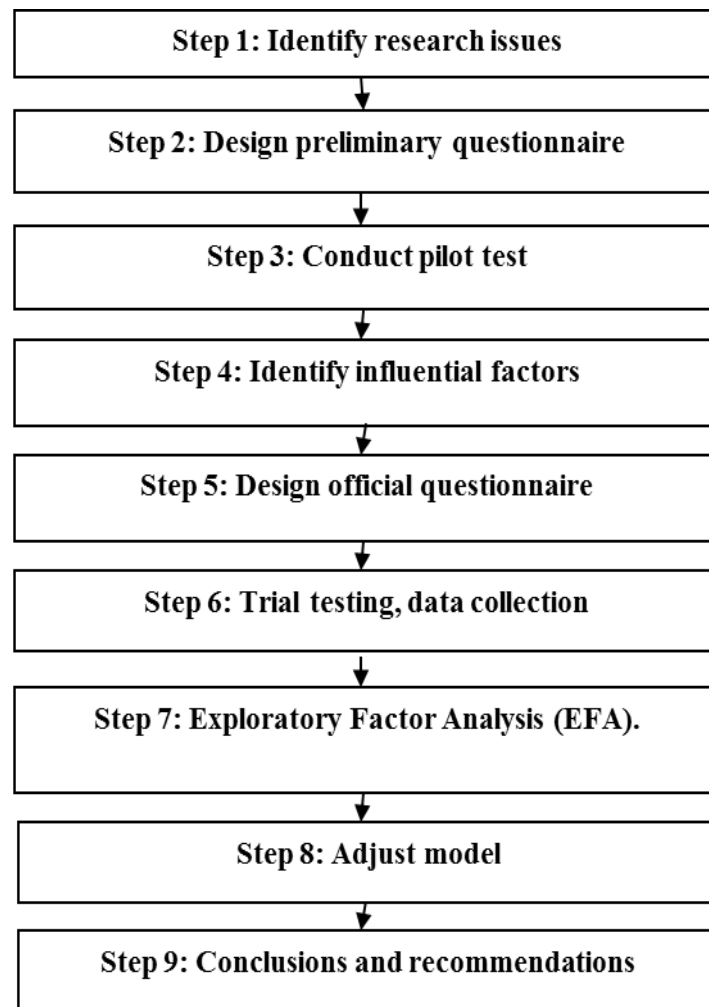
The definition of the Commercial Bank: Steinherr, A. and Ch. Huveneers (1994). A financial institution that provides services, such as accepting deposits, giving business loans and auto loans, mortgage lending, and basic investment products like savings accounts and certificates of deposit. The traditional commercial bank is a brick and mortar institution with tellers, safe deposit boxes, vaults and ATMs. However, some commercial banks do not have any physical branches and require consumers to complete all transactions by phone or Internet. In exchange, they generally pay higher interest rates on investments and deposits, and charge lower fees.

Commercial banking activities are different than those of investment banking, which include underwriting, acting as an intermediary between an issuer of securities and the investing public, facilitating mergers and other corporate reorganizations, and also acting as a broker for institutional clients. Some commercial banks, such as Citibank and JPMorgan Chase, also have investment banking divisions, while others, such as Ally, operate strictly on the commercial side of the business. A commercial bank is a type of bank that provides services, such as accepting deposits, giving business loans and basic investment products.

Michael Porter (Harvard Business School Management Researcher) designed various vital frameworks for developing an organization's strategy. One of the most renowned among managers making strategic decisions is the five competitive forces model that determines industry structure. According to Porter, the nature of competition in any industry is personified in the following five forces: Threat of new potential entrants; Threat of substitute product/services; Bargaining power of suppliers; Bargaining power of buyers; Rivalry among current competitors.

RESEARCH METHOD

Research process is implemented to follow the steps of a typical qualitative research.

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│      Step 1: Identify research issues    │
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│   Step 2: Design preliminary questionnaire│
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│     Step 4: Identify influential factors │
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│    Step 6: Trial testing, data collection│
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│  Step 7: Exploratory Factor Analysis (EFA).│
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│          Step 8: Adjust model            │
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│  Step 9: Conclusions and recommendations │
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Figure 1: Research process for the external – internal factors affecting the competition of commercial banks

Step 1: Based on the studies and interviews with experienced professionals, the research has identified factors (so-called preliminary factors) about 30 commercial bank managers in Ho Chi Minh City.

Step 2: Design a preliminary questionnaire from the factors identified in step 1.

Step 3: Conduct pilot test through specialists to screen elements.

Step 4: Through pilot tests, eliminate the factors that have little effects or add elements that have a strong influence on the competition of commercial banks in Ho Chi Minh City.

Step 5: From the outcome of step 4, design the official survey questionnaire.

Step 6: Conduct formal survey by the questionnaire designed in Step 5 to collect data.

Step 7: Make Exploratory Factor Analysis (EFA).

Step 8: Edit the pattern/model.

Step 9: Based on the factors in the model, propose recommendations to increase the competition of commercial banks in Ho Chi Minh City.

In addition, the formal research is done by using quantitative methods questionnaire survey of 200 commercial bank managers interviewed and answered about 12 questions. The Data collected from 15/7/2016 to 15/7/2017 in Ho Chi Minh City. The reason tested measurement models, model and test research hypotheses. Data collected were tested by the reliability index (excluding variables with correlation coefficients lower < 0.30 and variable coefficient Cronbach's alpha < 0.60), factor analysis explored (remove the variable low load factor < 0.50). The hypothesis was tested through multiple regression analysis with linear Enter method. But it is obvious that there are different types of commercial banks. This also gives evidence to the fact that the results of the study can be generalized to portray the 200 commercial bank managers. Multiple linear regression was used following:

RESEARCH RESULTS

Table 1: Descriptive Statistics and Cronbach's Alpha for the external – internal factors affecting the competition of commercial banks

No.	External Factors (EX)	Mean	Std. Deviation	Cronbach's alpha
EX1	Vietnam political and the economic stability for commercial banks	3.1622	.98669	
EX2	Vietnam investment policies and business law for commercial banks	3.1514	1.01554	
EX3	Vietnam socio-cultural and labor supply for commercial banks	3.2649	.97808	
EX4	Modern technology change for commercial banks	3.0757	.95252	0.879
EX5	Customers' need developing for commercial banks	3.2054	.98410	
EX6	Competitors, inflation and GDP increasing	3.4811	1.05342	
No.	Internal Factors (IN)	Mean	Std. Deviation	Cronbach's alpha
IN1	The organizational structure of commercial banks and Leadership capacity	2.6757	1.41141	
IN2	Work environment and high-quality resource human of commercial banks	2.9514	1.31992	0.921
IN3	Market Share and quality services	2.6865	1.27649	
IN4	Scarcity of capital and commercial bank loan size	2.8270	1.21688	
No.	The competition of commercial banks (CO)	Mean	Std. Deviation	Cronbach's alpha
CO1	External Factors (EX) affecting The competition of commercial banks	3.2757	.60316	0.525
CO2	Internal Factors (EX) affecting The competition of commercial banks	3.2973	.73960	

(Source: The researcher's collecting data and SPSS 20.0)

Table 1 showed that all of factors had Cronbach's alpha that are high 5.0. And table 1 showed that the Cronbach's alpha coefficient if the removal variables is more than 0.6. In addition, the correlation coefficient of the total variations is more than 0.3. Besides, the mean value is around 3.0 and Std. Deviation is around 1.0. Commercial bank managers' responses measured through an adapted questionnaire on a 5-point Likert scale: Conventions: 1: Completely disagree, 2: Disagree, 3: Normal; 4: Agree; 5: completely agree.

Table 2: KMO and Bartlett's Test for the external – internal factors affecting the competition of commercial banks

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.784
Bartlett's Test of Sphericity	Approx. Chi-Square	1412.757
	df	45
	Sig.	.000

Total Variance Explained

Com.	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	3.979	39.792	39.792	3.979	39.792	39.792	3.884
2	3.189	31.893	71.685	3.189	31.893	71.685	3.321
3	.831	8.308	79.994				
4	.586	5.856	85.850				
5	.410	4.101	89.950				
6	.327	3.275	93.225				
7	.269	2.688	95.913				
8	.220	2.195	98.108				
9	.127	1.267	99.375				
10	.063	.625	100.000				

(Source: The researcher's collecting data and SPSS 20.0)

Table 2 showed that Kaiser-Meyer-Olkin measure of sampling adequacy was statistically significant and high data reliability (KMO = 0.784 > 0.6). This result was very good for data analysis. Table 2 showed that Cumulative percent was statistically significant and high data reliability was 71.685 % (> 60 %). This Data is very good for the next analysis of structure matrix.

Table 3: Structure Matrix for the external – internal factors affecting the competition of commercial banks

Code	Component	
	1	2
EX3	.895	
EX2	.871	
EX4	.868	
EX5	.827	
EX1	.795	
EX6		
IN3		.940
IN1		.932
IN4		.902
IN2		.815

(Source: The researcher's collecting data and SPSS 20.0)

Table 3 showed that structure matrix for the External – Internal factors affecting the competition of commercial banks that had two components following: **X1:** External factor is from EX1 to EX6; **X2**: Internal factor is from IN1 to IN4. They are independent variables.

Table 4: KMO and Bartlett's Test for the competition of commercial banks

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.500
Bartlett's Test of Sphericity	Approx. Chi-Square	25.865
	df	1
	Sig.	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.364	68.176	68.176	1.364	68.176	68.176
2	.636	31.824	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

Code	Component
	1
CO2	.826
CO1	.826

(Source: The researcher's collecting data and SPSS 20.0)

Table 4 showed that Kaiser-Meyer-Olkin measure of sampling adequacy was statistically significant and high data reliability, KMO = 0.500. This result was very good for data

analysis. Table 4 showed that Cumulative percent was statistically significant and high data reliability was 68.176 % (> 50 %). This Data is very good for the next analysis of regression analysis for factors affecting the competition of commercial banks.

Table 4 showed that structure matrix for the competition of commercial banks that had 1 component (CO1, CO2) following: **Y**: the competition of commercial banks.

Table 5: Regression Model for the external – internal factors affecting the competition of commercial banks

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.611[a]	.373	.366	.44230	1.657

a. Predictors: (Constant), X2, X1
b. Dependent Variable: Y

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.211	2	10.606	54.211	.000[b]
	Residual	35.605	182	.196		
	Total	56.816	184			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.624	.165		9.854	.000		
	X1	.344	.042	.487	8.257	.000	.990	1.010
	X2	.198	.028	.420	7.118	.000	.990	1.010

a. Dependent Variable: Y
(Source: The researcher's collecting data and SPSS 20.0)

Table 5 showed that adjusted R square was statistically significant and high data reliability. In addition, adjusted R square reached 36.6 percent. The results showed that all t value > 2 **(Sig < 0.00)** was statistically significant and high data reliability. Besides, the regression coefficients were positive. This showed that the effects of independent variables in the same direction with the competition of commercial banks with significance level of five percent.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The competition of commercial bank is a phenomenon associated with market economy, only appeared in terms of market economy. Today, most countries in the world recognize that the competition of commercial bank is the environment that motivates business development and increases productivity and efficiency of organizations, which is the factor it is important to

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strengthen the social relations. The competitive results will determine the position; determine the existence and sustainable development of each bank. So commercial banks are trying to find the right strategy to win the competition. In addition, the research results showed that there were 200 commercial bank managers who interviewed and answered about 12 questions but 185 samples processed and 15 samples lack of information. The Data collected from 15/07/2016 to 15/06/2017 in Ho Chi Minh City. The researcher had analyzed Cronbach's alpha, KMO test, the result of KMO analysis used for multiple regression analysis. The research results were processed from SPSS 20.0 software. The parameters of the model estimated by Least - Squares Method tested for the model assumption and there are the external – internal factors that affecting the competition of commercial banks with five percent significance level. Finally, the researcher has recommendations improving the competition of commercial banks in Ho Chi Minh City following.

Recommendations

Recommendations are to improve the competitiveness of the commercial banking system in Vietnam. Commercial banks must enhance the competitiveness of the Vietnamese commercial banking system and promote the healthy and sustainable development of the banking industry in the coming time; this paper offers the following recommendations:

First of all, commercial banks increase the size of charter capital: It is the most important factor to ensure the minimum capital adequacy ratio in accordance with the regulations of the State Bank and also ensure the safety of the operation of the bank itself in the process of credit operations. Besides, increased capital will allow the bank to invest in technology development, human resources training and expansion of distribution channels. These are also indispensable factors if you want to improve the competitiveness of Vietnamese commercial banks.

Secondly, commercial banks investment in technology development: In today's competitive environment, banking technology is an important factor in the success of banks. Along with the increase in equity capital, commercial banks need to upgrade investment in developing modern technologies that can be integrated in the system, commercial bank are to raise the competitive pressure against the trend of increasingly competitive commercial banks.

Thirdly, commercial banks improve the quality of human resources: (1) Recruitment: commercial banks continuously maintain the policy of recruiting talents to recruit talented people who are competent enough to take on the increasingly demanding task of the banking system. (2) Training: commercial banks are to adopt policies to encourage cadres and employees in self-learning banks to raise their professional qualifications; appoint qualified people to go to training learning how to work, how to organize and manage in developed countries in the world.

Fourthly, commercial banks strengthen cooperation with foreign banks: In the context of deepening economic integration, commercial banks need to step up their cooperation with foreign banks to learn about management, administration and application of technology. This will help commercial banks to control the transaction to ensure safety and stability.

Fifthly, commercial banks have diversification of banking products and services: To meet the requirements of competition in the new era, the commercial banks need to diversify its products as a strengths and spearheads for the development of banking services, especially personal banking services. In particular, commercial banks are focusing on products with

high technology content, the dominant feature in the market to make a difference in competition. Commercial banks utilize new distribution channels to diversify products, expand and grow consumer credit. However, commercial banks need to improve the quality of services; banks should pay attention to the following measures: Improving the professional level, the skill of exploiting the service, the attitude of serving staffs and staffs. Mine; Complete business processes; Strengthening measures to control, supervise and manage risks throughout the bank; Enhance marketing and customer care, to promote…

Finally, commercial banks have training human resources for the commercial banks that are to have a qualified and qualified staff, commercial banks need to develop a human resource development strategy that meets their development needs, including: (1) The structure, arrangement and arrangement of cadres who have the capacity, level and practical experience to meet immediate and long-term business requirements. At the same time, commercial banks increase the recruitment of young, dynamic workers to help rejuvenate the workforce. (2) Commercial banks need to research on the application of modern information technology in the effective management of human resource use, employee evaluation in line with professional ethics, respect for talents and talents. Commercial banks effectively use human resources in each stage of development. (3) Commercial bank are to focus on training and fostering to raise the professional qualifications, professional skills, managerial and managerial capabilities, and step by step raise the quality of human resources in a uniform and steady manner. Commercial banks synthesize, highly competitive, always oriented to customers. (4) Commercial banks need to improve the policy of maintaining human resources such as salary, welfare, etc. to encourage employees to be dedicated to work and to increase productivity. (5) Commercial banks have policies to attract talented professionals and employees and retain them through good remuneration policies such as attractive salary, bonuses and promotions.

Conclusion, the above-mentioned things, the next research should survey more than 200 commercial bank managers in other provinces of Vietnam. This helps the data that is more significant. Because the study topic is very wide as the competition of commercial banks in Ho Chi Minh City is a big area. The process of deepening integration is in the field of finance and banking, commercial banks need to focus on improving their competitiveness in the domestic market in order to maintain their existing market share. Commercial banks continue to develop new markets when conditions are favorable with above mentioned recommendations as stated.

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