Better Management of Listed Banks in Vietnam for Sustainability During Pre-Low Inflation Period - Case of Sacom Bank (STB)

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Abstract
Further researches on banking industry to suggest bank policies and macro policies for sustainable development is becoming necessary.
One of our purposes is to evaluating how much impacts in the market risk of a big listed Vietnam commercial bank, Sacombank- STB with semiannual data. It will serve for better management of bank and will contribute for sustainable economic development.
Our traditional methods still be with qualitative analysis including synthesis and inductive, combined with OLS for 9 macro variables, findings show CPI and GDP growth, rate of loans and risk free rate (Rf) will put more impacts on market risk while external indicators (exchange rate and SP500) just put tiny effect on beta CAPM.
This study can be functioned as references for further researches in other markets.

JEL classification numbers: M21, G12, G30

Key-words: Bank Management, Sacombank, Beta CAPM, Pre-low Inflation, Banking Industry, Vietnam, Policy.

1. Introduction

Sacombank (STB) is a big listed banks in our nation-Vietnam and has been growing over years.
STB vision and mission: To become the leading modern and versatile retail bank in Vietnam. The bank received many awards:

Certificate of Merit from the Prime Minister for "achievement in social security work, accompanying the activities of the Central Committee of the Ho Chi Minh Communist Youth Union, contributing to the cause of building socialism" and defend the Fatherland”.

Emulation flag "Excellent strong grassroots trade union" for outstanding achievements in the movement of emulating good labor and building a strong trade union organization awarded by the Ho Chi Minh City Confederation of Labor.


So Our study will calculate not only inflation but other macro factors that affect the market risk level during the pre-low (L) inflation period (2011-2015).

We structure study with introduction, research issues, literature review, methodology, main research findings/results and conclusion.

2. Body of Manuscript

2.1. Research Question

We will address this issue;

Measure and Evaluate impacts of external macro variables such as balance of trade, exchange rate and S&P500 on market risk of VCB, ACB and STB measured by Beta CAPM.

We also will see and test whether CPI increase will cause beta of STB increases.

2.2. Literature Review


Related studies summarized in below table:
Table 1 - Summarize previous studies

<table>
<thead>
<tr>
<th>Domestic researches</th>
<th>Authors name</th>
<th>Results, contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fama-French 3-Factor Model</td>
<td>Loc, T.D., &amp; Trang, D.T.H (2014)</td>
<td>There is positive relationship between stock earning and market risk, BV, MV and firm size</td>
</tr>
<tr>
<td>Case of stock prices ACB</td>
<td>Dinh Trần Ngọc Huy (2015)</td>
<td>stock price of ACB affected by VN Index and other factors</td>
</tr>
<tr>
<td>The theory of average return of K. Marx</td>
<td>Nguyễn Thị Hương (2017)</td>
<td>Beta will keep pace with the development of the market.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>International researches</th>
<th>Authors name</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kosovo banks profitability impacts</td>
<td>(2016)</td>
<td>Bank loans increase will enlarge profitability of commercial banks in Kosovo</td>
</tr>
<tr>
<td>Macroeconomic factors and micro-level bank risk</td>
<td>Claudia et al (2010)</td>
<td>As ease of monetary, increase in risk of about a third of US banks</td>
</tr>
<tr>
<td>Macroeconomic Factors on Banking Index in Pakistan</td>
<td>Saeed và Akhter (2012)</td>
<td>In Karachi stock market, Between Banking index and exchange rate: there is effect, significantly.</td>
</tr>
</tbody>
</table>

2.3. Methodology

With OLS method for beta with total 9 macro indicators (x1: GDP growth rate (g), x2: Risk-free rate Rf (i), x3: Loan interest rate (r), x4: Exchange rate (ex_rate), x5: S&P 500, x6: VNIndex, x7: trade balance, x8: industrial production index, x9: CPI).

We will show nine variables here:

<table>
<thead>
<tr>
<th>Variable name</th>
<th>Sign</th>
<th>Data source</th>
<th>Reference source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market risk (BetaCAPM)</td>
<td>BetaCAP M</td>
<td>HOSE and HNX</td>
<td>Dinh Tran Ngoc Huy (2021, Springer Verlag book chapter)</td>
</tr>
<tr>
<td>VNIndex</td>
<td>VNindex</td>
<td>HOSE and HNX</td>
<td>Dinh Tran Ngoc Huy “Econometric model for ACB bank stock price 2008-2011, Sai Gon university journal, No.22, 2015”</td>
</tr>
<tr>
<td>Lending rate</td>
<td>r</td>
<td>Commercial bank</td>
<td>Dinh Tran Ngoc Huy (2021, Springer Verlag book chapter)</td>
</tr>
<tr>
<td>Exchange erate</td>
<td>Ex_rate</td>
<td>Commercial bank</td>
<td>Dinh Tran Ngoc Huy (2021, Springer Verlag book chapter)</td>
</tr>
<tr>
<td>S&amp;P500</td>
<td>SP500</td>
<td>NYSE</td>
<td>Huy, D.T.N</td>
</tr>
</tbody>
</table>

(source: stock exchange, bank system, bureau statistics)
Below figure give us analysis:

- standard dev. With highest values: Exchange rate and trade balance.
- standard dev. with lowest values: CPI, GDP growth, Rf.

<table>
<thead>
<tr>
<th></th>
<th>BETA</th>
<th>CPI</th>
<th>EX_RATE</th>
<th>G</th>
<th>IM</th>
<th>R</th>
<th>RF</th>
<th>SP500</th>
<th>TRADEB</th>
<th>VNINDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.447765</td>
<td>0.068270</td>
<td>21.8648</td>
<td>0.056730</td>
<td>154.4800</td>
<td>0.132600</td>
<td>0.073506</td>
<td>170.8978</td>
<td>-23.2000</td>
<td>496.1750</td>
</tr>
<tr>
<td>Median</td>
<td>0.566577</td>
<td>0.036950</td>
<td>21.7800</td>
<td>0.055900</td>
<td>153.9560</td>
<td>0.125000</td>
<td>0.065275</td>
<td>174.1690</td>
<td>-162.5000</td>
<td>492.8980</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.961652</td>
<td>0.183000</td>
<td>23.2300</td>
<td>0.069000</td>
<td>194.8000</td>
<td>0.150000</td>
<td>0.132000</td>
<td>210.8400</td>
<td>-498.0000</td>
<td>592.6500</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.10274</td>
<td>0.000000</td>
<td>20.6190</td>
<td>0.043300</td>
<td>117.4000</td>
<td>0.100000</td>
<td>0.046000</td>
<td>128.2800</td>
<td>-116.0200</td>
<td>351.6500</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.381571</td>
<td>0.059625</td>
<td>87.1500</td>
<td>0.071411</td>
<td>25.7669</td>
<td>0.031380</td>
<td>0.024191</td>
<td>327.3917</td>
<td>-465.6620</td>
<td>83.3768</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.343903</td>
<td>0.210404</td>
<td>0.108851</td>
<td>-0.351761</td>
<td>0.145311</td>
<td>0.841274</td>
<td>1.469391</td>
<td>-0.061715</td>
<td>-0.405459</td>
<td>-0.196155</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>1.725334</td>
<td>2.637092</td>
<td>1.70848</td>
<td>2.181981</td>
<td>1.849123</td>
<td>2.335049</td>
<td>4.388849</td>
<td>1.360020</td>
<td>2.975371</td>
<td>1.736476</td>
</tr>
</tbody>
</table>

3. Main Results

3.1. Overall Analysis

Here, we see for STB case:

- If there is increase in industrial manufacturing index and lending rate will cause Beta CAPM increases but decrease in SP500 will cause it decreases.

3.2. Empirical Research Findings and Discussion

We used 2 scenarios and modeled our data as follows:
Using OLS regression from Eviews, we analyze that:

- First there are internal effects on Beta CAPM of STB: Between beta and Industrial product, Risk free rate, lending rate and VNindex: there is positive correlation with Beta, then between beta and CPI and GDP growth: there is negative correlation.

Next we figure out that SP500 and trade balance have positive correlation with Beta CAPM.
4. Discussion

We would suggest to improve culture of risk management culture at Sacombank -STB, in our country, and we have to consider some following action plans:

- Improving risk management processes.
- Enhancing risk management models.

5. Conclusion and Policy Suggestion

We can infer macro policies from above analysis:

For Government and Ministry of Finance: it would be better to increase GDP growth and lower Rf and lending rate for lower market risk. GDP growth might increase more than exchange rate increase.

On the other hand, authors provides evidence with data that the beta are impacted more by CPI, GDP growth, risk free rate and R.

For management implications, Huy, D.T.N (2015) also suggest better corporate governance and risk management standards for corporations including banking industry.
Limitation of Research

Further researches are needed to implement to other banks and markets/industries.

Acknowledgements

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References


Dinh Tran Ngoc Huy, Nguyen Thu Thuy. (2021). Education for students to enhance research skills and meet demand from workplace-case in vietnam, Elementary education online, 20(4).


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**Exhibit**

Exhibit 1 – Inflation, CPI over past 10 years (2007-2017) in Vietnam

Exhibit 1 – Loan/Credit Growth Rate in the Past Years (2012-2018) in Vietnam