

Human Resources Development of Vietnam Commercial Banking System

Vu Van Hoa^{1*}, Hoang Dung², Ha Thi Thu Phuong³, Pham Van Hieu⁴

¹Vice Principal, Hanoi University of Business and Technology, Hà Nội, Vietnam

²Phd.student, Hanoi University of Business and Technology Hà Nội, Vietnam

³Institute for Postgraduate, Hanoi University of Business and Technology Hà Nội, Vietnam

⁴Faculty of economics, Hanoi University of Business and Technology Hà Nội, Vietnam

*Corresponding author: Vu Van Hoa

| Received: 17.04.2022 | Accepted: 21.05.2022 | Published: 12.06.2022 |

Abstract: The Government has promulgated the "Strategy to develop the banking industry in Vietnam to 2025, with orientation to 2030," The strategic perspective on the development of Vietnam's banking system plays an essential role in the financial system. Credit institutions or commercial banks are treated equally, compete following the law, operate autonomously, and take self-responsibility. In the past time, although the human resource of the credit institution system has improved significantly, the Government still sets a requirement to focus on developing human resources of the banking industry to ensure the completion of strategic goals. The article outlines several limitations and inadequacies in human resources of commercial banks, thereby proposing some solutions to develop human resources of commercial banks to successfully implement the development strategy of the banking industry to 2025 and orientation to 2030.

Keywords: Human Resources; human resource development; human resources in the banking industry.

1. Strategy for human resource development in the banking industry

Vietnam's banking system has undergone many historical development stages. The development stages all pose requirements for the respective human resource requirements. Until now, the system of commercial banks has developed characteristics such as the commercial banking system as a key component in the financial system; very fast growth in scale; products are in their infancy, technology content is not high; competitiveness and asset quality are not high, etc. These factors are setting requirements for improving the quality of human resources of the whole commercial banking system following the development strategy of the banking industry to 2025 and orientation to 2030 that the Government has set out.

This strategy has made a point of timely seizing opportunities and challenges from the impact of the industrial revolution to guide the operation of the banking industry. Deeply aware of the application of modern science and technology and innovation, coupled with the development of high-quality human resources, are the key ingredients for the rapid and sustainable development of the banking industry. Besides, it is necessary to improve competitiveness and shorten the gap in the development level of Vietnam's banking industry compared with the region and the world.

Accordingly, the 9th solution offered by this strategy is to focus on developing and applying science and technology and developing human resources in the banking industry. To concretize this task, the State Bank of Vietnam issued Decision No. 1537/QĐ-NHNN dated July 17, 2019, approving the Implementation Plan of the Banking Sector's Action Program in human resource development. This plan includes such as developing professional standards, applying practice certificates to some core positions in the banking industry, strengthening cooperation between training units and employers in the banking industry; focusing on training high-quality human resources to meet the development requirements of Vietnam's banking system and international economic integration, especially the team of leaders and leading experts to reach the level of the region and international. In addition, this plan focuses on fostering and training a team of experts specialized in the banking industry, such as monetary policy, foreign exchange reserve management, payment, inspection, supervision, forecasting, risk management, etc.

The plan also focuses on training staff to grasp scientific and technological advances and apply them to the reality of the banking industry. At the same time, this plan will train new skills for the existing staff, ensuring that the State Bank's professional team can

Quick Response Code



Journal homepage:
<https://www.easpublisher.com/>

Copyright © 2022 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC 4.0) which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited.

Citation: Vu Van Hoa, Hoang Dung, Ha Thi Thu Phuong, Pham Van Hieu (2022). Human Resources Development of Vietnam Commercial Banking System. *Cross Current Int J Econ Manag Media Stud*, 4(3), 19-27.

apply information technology and advanced working methods. Since then, the bank's staff could propose and advise on policy development; perform State management of monetary, credit, and banking activities following the requirements of the economy in the context of extensive international economic integration and the strong development of science and technology; increase personal autonomy and responsibility.

At the same time, this plan builds a team of the information technology staff at credit institutions with suitable professional qualifications, high professionalism, meeting the needs of operation management, and mastering modern technology systems. This plan also promotes cooperation, taking advantage of support, technology transfer, and specialized training from international organizations such as the World Bank, the International Monetary Fund, the Japan International Cooperation Agency,

Asian Development Bank, Central Banks of developed countries, etc. This cooperation will help improve the contingent of officials and civil servants' qualifications, experience, professional skills, officers, management team, and banking industry employees.

2. Commercial banking system and human resource requirements

2.1. Commercial banks play a vital role in the financial system

Currently, the Vietnamese financial system is mainly composed of commercial banks. Total Credit assets of commercial banks account for more than 95% of the total Credit assets of the whole financial system. This also suggests that the human resources of the commercial banking sector play an essential role in allocating credit resources and other banking services in the current Vietnamese economy (*Figure 1*).

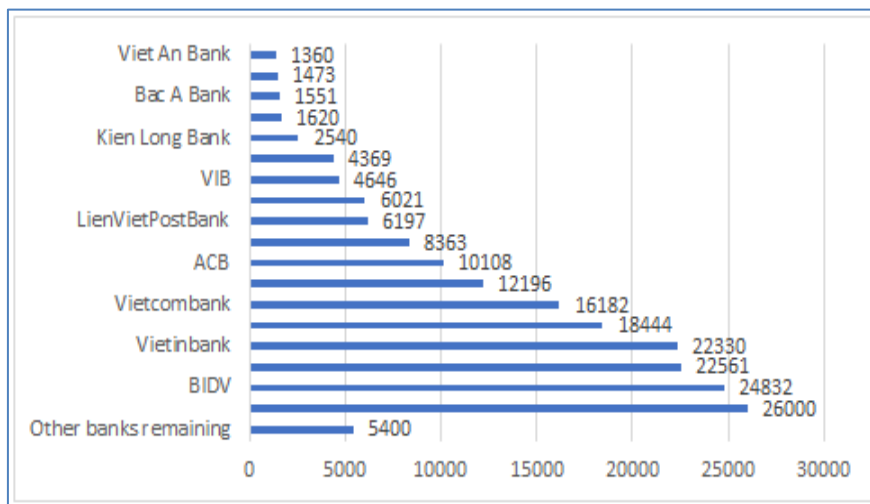


Fig-1: Scale of staff of Vietnamese commercial banks in 2017

2.2. The relationship between growth and management

In fact, the Vietnamese credit institutions have grown quite quickly or hotly in the period from 2000 and especially from 2006 to 2010. Statistical data and expert opinion show that this area has hot growth in equity, credit balance, and rapid development of the urban business network. According to the principle of prudent management of banks, this growth is a challenge in terms of prudential management, leading to the deterioration of capital quality.

In some banks, it has been shown that the volume growth is proving to be too fast compared to establishing management and governance mechanisms

in the banks. It leads to some banks' management, administration, audit, and internal control activities or the number of branches not keeping up with the growth rate of outstanding capital and credit. While credit growth or significant assets, many branches but credit institutions are only in the early stages of applying modern management methods, the governance structure is still limited. Although the bank has a risk management department, it mainly focuses on credit risks and has not had much experience dealing with new and increasing risks. The reporting and disclosure system is still lower than international standards, leading to risk analysis and treatment difficulties (*Figure 2*).

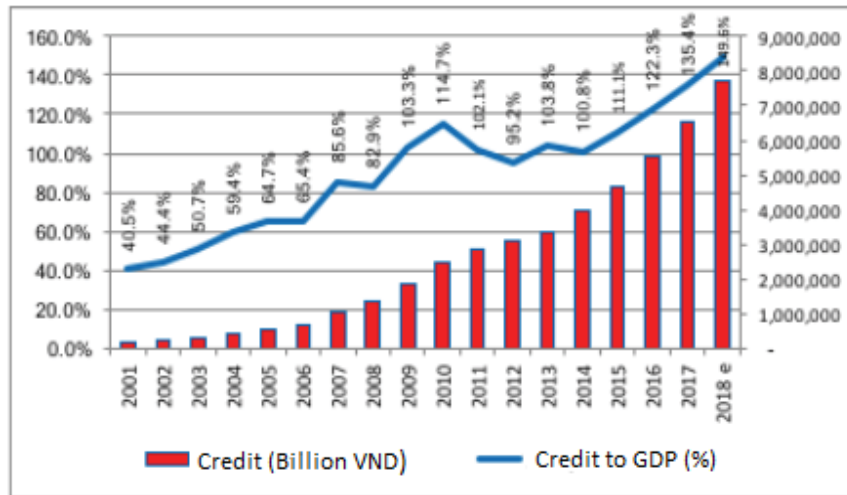


Fig-2: Rapid increase in credit scale and management challenges
Source: IMF (2018)

In addition, the governance culture is still more about compliance with regulations than self-assessment and risk reduction in banking operations. There are still shortcomings in governance, administration, audit, and internal control activities, affecting the ability to identify weaknesses in banking operations.

2.3. Banking products and services of commercial banks

Although the products and services of the domestic commercial banking system have improved a lot, the products are still not diversified; the content of technology and creativity is not high. Specifically: Credit is either collateral-based rather than unsecured or on a rating system based on systematic data collection.

Consumer credit is also based on property mortgages rather than the management system, rating, and customers. The collection of information, building customer database, and building evaluation models, testing objectively (such as the probability of default, risk level or credit score of customers, etc.) is not high yet.

In terms of competition, or deeper international integration, the diversification of new products and products, especially non-credit products, requires a level of management and operation for commercial banks. And that requires commercial banks to have high-quality human resources with appropriate capacity.

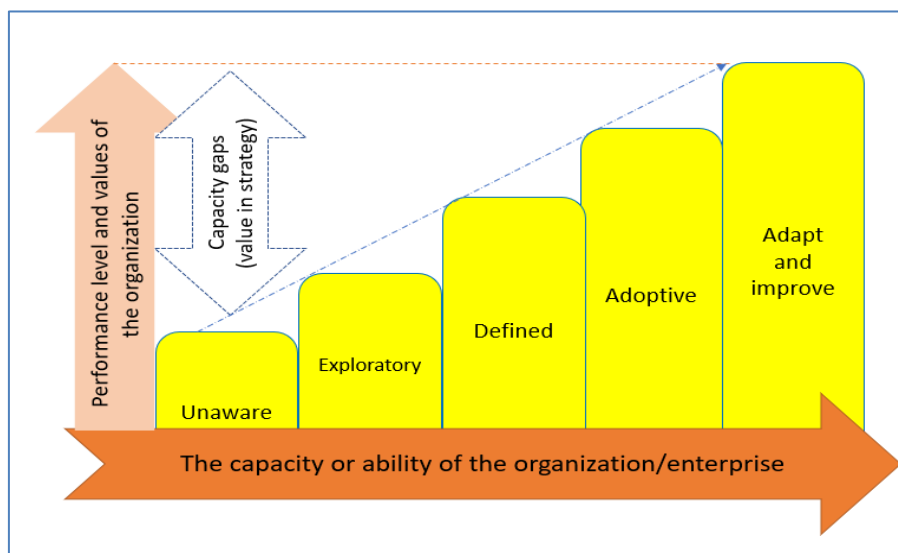


Fig-3
Source: Morgan, J. (2013).

Modern banking services have not been strongly developed and have not met consumers' expectations. The level of provision of modern banking services is

still not much, these services are still limited, and thus, the human resources of commercial banks need to be improved. Currently, providing essential banking

services to people in rural, remote, and isolated areas still have difficulties accessing banking services. Many reasons can cause this situation, but it can be partially due to the limited capacity to research and design various and appropriate products, especially new products for society.

2.4. Corporate governance of commercial banks

Currently, the status of cross-ownership, the group of dominant shareholders, is still a problem to be dealt with in the banking system. Up to now, the situation has been controlled but still complicated developments. Therefore, it is necessary to continue to be strictly managed according to the healthy corporate governance rules prescribed by law to avoid abuse, domination, and an increase in systemic risks.

With state-owned commercial banks holding the majority of ownership rights, the issue of regulations on representative management of state-contributed capital in enterprises still needs to improve.

2.5. Competitiveness

It can be seen that the competitiveness of the banking system partly reflects the bank's management and governance capacity:

The ranking indicators on the development of the financial-banking market in Vietnam are not high. The index of credit institutions (such as the healthy index) is low compared to other sub-indices.

Commercial banks are also small in size, financially sound, and have lower operational efficiency than banks of some countries in the region. Vietnam has only ten banks among the 500 largest banks (in terms of total assets) of the Asia Pacific region, as voted by The Asian Banker magazine in 2014.

Export of banking services is still limited. Some commercial banks have established branches and banks in foreign countries. However, the scale of operation is still small, mainly serving Vietnamese businesses in some markets such as Laos, Cambodia, and Myanmar.

2.6. Asset quality

Banks lend money based on project analysis and evaluation and the quality of operations of enterprises (borrowers). Thus, credit quality primarily reflects the quality of lending decisions. In recent years, the appearance of several cases related to lending partly demonstrates the quality of staff in commercial banks that need to be paid more attention to and improved (Đồ thị 3).

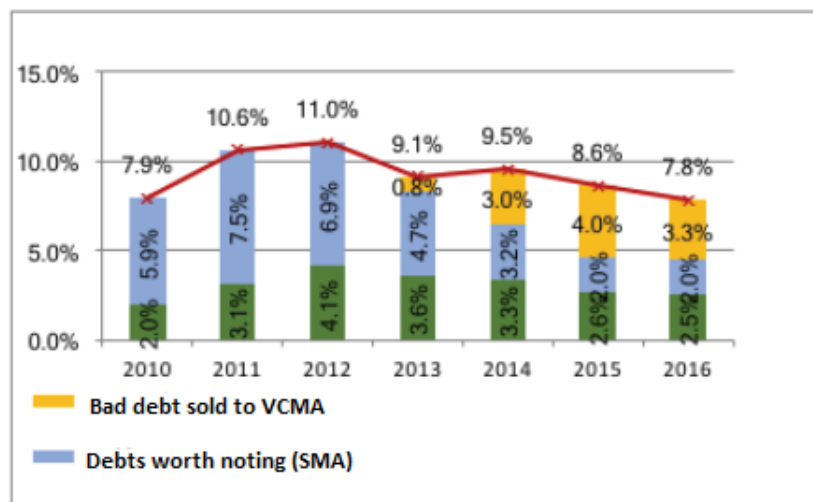


Fig-4: Bad assets of the system, total outstanding loans

Source: Credit Suisse (2017)

2.7. Cost behavior and social responsibility

The behavior or behavior of commercial banks with expenses reflects the bank's corporate management capacity and social responsibility. The evolution of operating costs of commercial banks over the past time demonstrates the bank's management behavior in

response to developments in the domestic business environment. This index partly reflects the bank's management level or ability to reduce costs to achieve maximum profit without causing impacts or harming the interests of other groups, especially social interests.

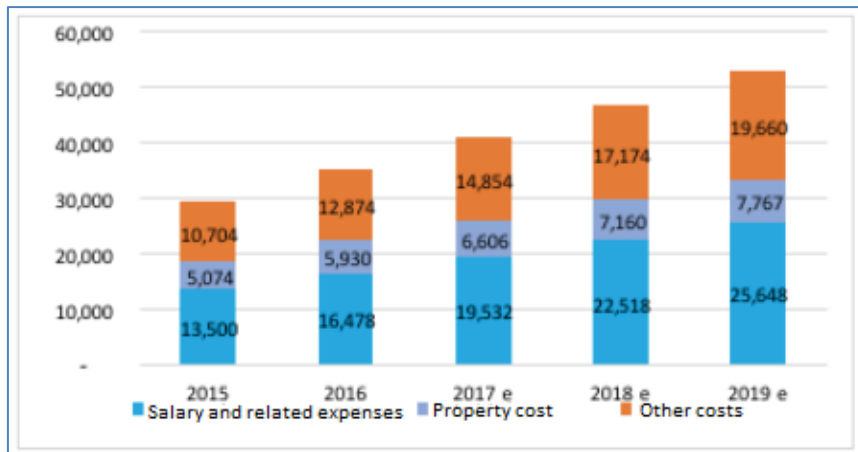


Fig-5: Cost structure of the four largest commercial banks in Vietnam (Billion VND)

2.8. Professional ethics and attitudes

According to the OECD, employees' competencies should be included in their professional attitudes. Professional ethics and philosophy will ensure that employees complete their tasks well. Professional ethics and social responsibility are also social development requirements associated with the concept of comprehensive economic growth.

In addition to some limitations in expertise, the management personnel of commercial banks are somewhat limited in terms of overall vision, long-term and social responsibility, etc. Chasing profits and immediate benefits has led to increased moral hazard in business activities.

3. Situation and solutions for human resource development in the banking industry

3.1. Current status

According to the State Bank of Vietnam (SBV), as of June 1, 2019, the entire banking industry was estimated to have 346,614 people. Human resources in the banking industry with the following qualification structure: 569 Doctorates (0.16%), 20,286 Masters (5.85%); 263,927 University: people (76.16%); 23,453 Colleges (6.77%); 20,054 Intermediate (5.79%); 18,325 beginner or untrained (5.29%).

The above data shows that the majority of human resources with professional training with college degrees or higher in the banking industry are; compared to other industries is quite high. With the above number, structure and qualifications, the banking industry has actively implemented banking processes, developed banking services through the application of digital technology, and built a modern branch model based on the technology of automation, multi-dimensional connectivity and intelligence.

Regarding human resource structure according to systems, the number of employees working in the SBV system is 6,871 people, and the system of credit

institutions is 339,723 people. Compared to 2012, the number of human resources working at joint-stock commercial banks, joint venture banks, foreign banks, and financial companies in 2019 has increased significantly in the banking industry's absolute number and employee ratio. Meanwhile, the proportion of human resources in State-owned commercial banks and the People's Credit Fund system decreased relatively.

As of June 1, 2020, the banking industry was estimated to have 346,614 people, with a qualification structure including: 569 people with doctorate degrees (accounting for 0.16%), 20,286 people with master's degrees (accounting for 5.85%), 263,927 people with university degrees (accounting for 76.16%), 23,453 people with college degrees (accounting for 6.77%), 20,054 people with intermediate degrees (accounting for 5.79%), 18,325 people with elementary qualifications or untrained (accounting for 5.29%).

Regarding the human resource structure according to the systems, the number of human resources working in the State Bank system is 6,871 people; The system of credit institutions is 339,723 people, including the following groups of credit institutions: State-owned commercial banks are 110,947 people, joint-stock commercial banks are 161,211 people, people's credit funds are 14,500 people, financial companies are 41,937 people.

The State Bank's Human Resources Department said that the State Bank lacks a contingent of highly qualified staff in required professional and professional fields. In particular, the state bank has a shortage of experts who are good at economics and macro-management with the requirement to research, forecast, develop strategies, develop orientations for the banking system, and restructure the banking system.

On the part of credit institutions, there is also a shortage of highly specialized staff in critical areas of commercial activities. It determines the organization's operational efficiency and safety, such as modern

banking administration, financial analysis, internal control and audit, analysis and appraisal of investment projects, risk management, especially new IT applications and financial-banking products.

3.2 Assessment of limitations and shortcomings for human resources in the banking industry

3.2.1. Limitations

It can be seen that over the years, human resources in the banking industry have made remarkable progress in terms of quantity and quality. However, human resources in the banking industry in Vietnam still have some limitations as follows:

Firstly, there is a shortage of highly qualified human resources at the SBV and credit institutions, especially leading experts:

Secondly, the professionalism of banking personnel in various positions in many banks has improved but is still not high; the responsiveness, spirit, and customer service skills are still inadequate. The knowledge of economics, banking expertise, foreign languages, and working skills (communication, customer relations, etc.) of a large part of the bank's human resources is still limited and needs training and retraining. In some credit institutions, issues of professional ethics have emerged, causing significant material and reputational losses to the organization.

Third, for training institutions: In recent years, the teaching staff has changed in quality, but there are still some shortcomings. The proportion of lecturers with postgraduate qualifications (especially doctoral degrees) has increased. However, it is slow and still low compared to the requirements of research and creative capacity by the standards of a regional university (such as standard AUN-QA). The regimes and policies for lecturers have partly motivated them to strive for excellence in professional activities, but it is still tricky compared with self-governing higher education institutions. The training schools, the training centers of the State Bank, and the credit institutions are very short of lecturers (both permanent and visiting) with high expertise, good teaching skills, and practical experience. The program content, teaching and learning methods, testing, and evaluation have been gradually innovated, approaching international standards. Higher education institutions have developed short-term and long-term training programs that have been relatively close to social needs. Meanwhile, training schools at commercial banks have also begun to pay attention to training and retraining programs associated with job titles and positions and job requirements.

However, the short-term training programs are not systematic; The succession of training is continuous according to each staff level, and each professional and professional field is not clear.

Technology level

Service systems using IT in the banking industry must be regularly upgraded and updated to ensure international standards and connect with the global banking-financial systems seamlessly. Therefore, the main problem and challenge today is the limitation of the banking industry's qualifications, capacity, quantity, and quality of IT staff.

According to Human Resources Department report in 2019, the State Bank has 224 specialized IT staff (accounting for 3.9% of the total number of officials, public servants, and public employees). Still, only 72 officers (accounting for 32.4%) have an advanced international certificate in IT. In addition, with the policy of downsizing the staff, the recruitment of new IT staff cannot be done quickly.

In addition, there is limited funding for training and retraining to improve IT skills. Currently, funding for training and retraining must be spent mainly on the following contents: Training and retraining according to rank standards, professional titles, leadership-management positions, foreign languages, international integration, etc., and other professional expertise (other than IT). Therefore, the funding for IT-intensive training and retraining is minimal, in many cases relying on external resources, so the amount of training and retraining is limited and not close to the job requirements.

In high technology, intensive training courses are often explicitly designed according to customer requirements, the number of students is small, and the cost is high. Credit institutions are facing difficulties and shortages of highly qualified IT human resources. Some units currently do not have a department or staff in charge of information security and safety; Complex IT services are outsourced mainly.

The limited number of experts and training institutions meet international training standards and foster high-tech and IT fields close to practical requirements. Currently, the number of specialists in narrow fields in IT is lacking. Most credit institutions still lack regulations on priorities, remuneration, and honoring highly qualified IT human resources. Hence, staff are not secure in their dedication and do not intend to stick around for a long time.

In addition, credit institutions still lack the quantity and quality of highly qualified human resources to research and perfect the legal framework to create an excellent ecological environment for credit institutions to develop new services and products using IT. That affects the development of a management and supervision mechanism suitable to the Vietnamese context and the world's standards and good practices, affecting the progress of strategy formulation and general orientation on the 4.0 revolution industry.

3. 2.2. Causes of limitations and existing human resources in the banking industry

There is a lack of valuable and standard tools to manage, use and measure human resource management activities in the industry, such as the set of professional standards, the competency framework for job positions in the industry (by title), leadership, management, and expertise), human resource information infrastructure of the whole industry.

Human resource policies such as remuneration policy, recruitment policy, training, and development policy, policy on using talented people, reward policy, etc, are not adequate or appropriate. It affects the retention of qualified people to work, the spirit and ability to self-study, and the self-training of human resources in the banking industry.

In general, human resource development policies have not made a breakthrough in detecting, assessing, fostering, and improving individual employees' working capacity and the entire banking sector.

The quality of training and outputs of human resources training institutions in the Finance-Banking sector are quite different, especially between public and private universities. The assessment and evaluation of training results are still limited. The coordination between human resource training institutions, credit institutions, professional associations, and management agencies (SBV) is sometimes still lacking, mainly administratively. Still, it lacks cohesion and coordination in human resource management, objectives, and steps to develop human resources in the entire banking industry.

3.3. RECOMMENDATIONS

Based on analyzing the current situation, shortcomings, and limitations in human resource development in the banking industry in Vietnam, the authors make some specific policy recommendations as follows:

Vigorously and drastically promote the training and fostering of capable and potential cadres to form a group of highly qualified human resources, a team of experts playing a pivotal role in expertise and professionalism at units in the banking industry, especially in the field of digital technology. This recommendation is made based on the cross-cutting orientation. It is a fundamental and breakthrough solution to improve the quality of human resources in the banking sector, as clearly stated in Decision No. 1537/QĐ-NHNN (dated July 17, 2019) on the approval and issuance of the SBV's plan to implement the strategy on human resource development for the banking sector to 2025, with a vision to 2030.

In line with this orientation, the State Bank and credit institutions need to develop specialized training and retraining programs for a contingent of technical planning staff and experts to ensure that team receives intensive training and retraining following the requirements of the law. At the same time, develop a policy of reasonable use and remuneration to create conditions for staff to show their capacity and stick with the banking industry. Banks need to evaluate and review the planning to add competent staff regularly and, at the same time, removes unqualified staff from the plan that do not make outstanding contributions to the bank's work.

Improve the capacity and quality of training institutions in the banking industry (including training institutions affiliated to the State Bank in the national education system, refresher schools, and training centers of the State Bank of Vietnam), specifically as follows:

For universities in the public education system: Complete the system of facilities for teaching and learning (classrooms, equipment, libraries, information systems, practice facilities, etc.) Meets the standards set by the Ministry of Education and Training. With refresher schools and training centers, it is necessary to ensure enough facilities for students to have conditions to study, research, exchange, and build good working relationships.

Build a contingent of permanent lecturers and part-time lecturers participating in teaching and research in sufficient numbers, with high professional qualifications and suitable teaching methods. Adjust policies related to faculty development activities such as incentives in sending training abroad, attending scientific seminars related to the teaching content, sending documents and scientific research publications of the banking industry, having a reasonable financial regime when participating in teaching and research, and other benefits for lecturers.

Develop a system of training programs suitable to the needs of recruitment agencies according to open, updated, and flexible criteria, in the trend of integration and standardization according to the most appropriate international practices. Apply IT and communication, expand learning forms, meet diverse needs of students, help learners perfect their personality, professional ethics, legal understanding, and job requirements, and improve life quality. Training and retraining programs must be close to actual job requirements; especially the training program by a professional title, fostering in professional fields such as inspection - supervision, monetary policymaking, research and development of banking services, risk management, capital business, credit, banking IT, customer relationship management...

Implement innovation in training management, fostering, and synchronously combining policies on human resource management to improve the work performance capacity of human resources in the industry.

Implement well the planning, human resource development plan, and development orientation of each banking organization, serving as a basis for developing training plans, implementation plans, layout plans, and rational use of human resources after training.

Develop standards for titles of banking jobs and professional standards for banking, equivalent to those of advanced countries in the region. In particular, special attention should be paid to the professional knowledge and skills required to perform the job as the basis for managing and using human resources according to the job position. It is an essential and indispensable tool in human resource management and quality improvement.

Develop reasonable policies such as recruitment policy, human resource use policy, and salary policy according to the job position. This is the basis to best encourage the capacity of human resources to perform work, associating training with use, scientific research, and technology transfer.

Strengthening training and fostering practical capacity through building and implementing human resource rotation mechanisms between units and systems throughout the banking industry. In the coming time, the State Bank will act as the focal point to deploy the rotation and secondment of officials (including managers and professional and professional staff) between the State Bank and commercial banks, commercial banks, and training institutions. The credit institution system is also encouraged to build an internal rotation mechanism so that staff can understand the reality of many positions, thereby broadening their horizons and improving their ability to coordinate at work effectively. Experience from many countries shows that this is an effective form of training and retraining to solve the shortage of knowledge and practical understanding of human resources.

Expand and improve the efficiency of international cooperation in human resource training.

Expand cooperation with international monetary-financial institutions and foreign training institutions on human resource training in the banking industry. Based on diversifying cooperation objects and forms of cooperation, make the most of financial support, training programs, content, lecturers, and teaching methods.

Encourage training institutions in the industry to cooperate with foreign educational institutions to

improve management capacity, training, scientific research, technology transfer, and teacher training.

Increase the budget for overseas training and retraining, such as increasing scholarships for postgraduate training, increasing the number of staff attending in-depth professional training courses, and new knowledge that training institutions have cannot be trained domestically.

4. CONCLUSION

Human resource development is a crucial factor in ensuring the successful implementation of the organization's objectives and the banking industry. Human resource development requires continuity and continuous creation, especially in transitional periods. This comes from the rapid development and change in banking technology. Human resources at units in the industry must always be fostered, updated, and improved to adapt and master technology. In the coming period, the State Bank and credit institutions need to boldly come up with and consistently implement qualitative breakthrough solutions to detect, attract and build a contingent of talented and dedicated staff to develop the banking industry. Human resource development requires assignment and coordination between human resource training institutions, human resource-using organizations, professional associations, and management agencies. This is an essential condition for training and retraining associated with the use and avoidance of wasting social resources. Through analyzing the current situation of human resources in the banking industry in Vietnam, it can be seen that there are some limitations and shortcomings in the quality of human resources, especially the shortage of highly qualified staff and experts; human resource training and retraining issues; limitations in accessing and applying IT. On that basis, the article proposes recommendations and solutions to train and develop human resources in the banking industry in Vietnam. The solutions, if implemented synchronously, will contribute to enhancing competitiveness, affirming its position, and ensuring the sustainable development of the banking industry in the context of a rapidly changing and developing technology era.

REFERENCES

1. Nguyen, T. A., Nguyen, V. T. (2014). *Changes in human resources in the banking industry in Vietnam - current situation and solutions*. <https://www.tapchiconsan.org.vn/kinh-te/-/2018/30022/bien-dong-nhan-luc-nganh-ngan-hang-tai-viet-nam---thuc-trang-va-giai-phap.aspx>
2. State Bank of Vietnam. (2019). Statistical report for the second quarter of 2019. Human Resources Department, State Bank of Vietnam, 2019.
3. State Bank of Vietnam. (2019). Decision No. 1537/QĐ-NHNN dated July 17, 2019 of the State Bank of Vietnam approves and promulgates a plan to implement the strategic human resource

- development strategy for the banking sector to 2025, with orientation to 2030.
4. State Bank of Vietnam. (2019). Survey data, statistics on human resources in the banking industry (June 2019). Human Resources Department, State Bank of Vietnam, 2019.
 5. Prime Minister. (2018). Decision 986/TTg dated 8/8/2018 on the Banking Industry Development Strategy to 2025 and Orientation to 2030.
 6. Finacial & Money market Review. (2020). Improving the quality of human resources in the banking industry. <https://thitruongtaichinhthiente.vn/nang-cao-chat-luong-nhan-su-nganh-ngan-hang-32594.html>.
 7. Morgan, J. (2013). The five-step maturity model for building a collaborative organization. Retrieved from the future organization. com: <https://the future organization.com/five-step-collaborative-organization-maturity-model>.