



Received: 29-04-2023  
Accepted: 09-06-2023

ISSN: 2583-049X

## **Evaluation of the Social Capital of Employees in Commercial Banks in Hanoi**

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### **Abstract**

According to Bhattacharya and Thakor (1993) <sup>[4]</sup>; Berger & Bouwman (2009) <sup>[3]</sup>, commercial banks play two crucial roles in the economy: they generate liquidity and manage risks. Due to the underdeveloped stock market in Vietnam, the commercial banking system is the foundation of the country's economy (Le, 2019) <sup>[14]</sup>, providing 60% to 80% of the country's capital requirements. Studying social capital is necessary because it plays a significant role in the growth of economic capital. Relationships between big businesses and small and medium-sized businesses should prioritize social capital building (Rotheroe, 2005) <sup>[15]</sup>. This study was conducted with the aim of identifying, analyzing, and

measuring the social capital of employees in commercial banks in Hanoi by using qualitative and quantitative research methods. Quantitative research methods were carried out with SPSS software, including descriptive statistics, Cronbach's alpha, and EFA analysis. On the basis of a review of previous studies and after interviewing experts, the study has identified and analyzed five scales (component attributes) of employees' social capital. Based on this result, the study proposes some recommendations to improve the social capital of employees, thereby improving the quality of human resources and improving business performance in commercial banks in Hanoi.

**Keywords:** Social Capital, Commercial Banks, Employees, Economics

**JEL Classification Code:** A14, M10, O15, G21

### **1. Introduction**

Social capital is one of the topics that is increasingly attracting the attention of domestic and international researchers. However, social capital in Vietnam's banking industry has not been studied much or fully. This topic needs to be studied more because Vietnam's banking industry in general and banks in Hanoi in particular play an important role in the socio-economic development of Vietnam. Moreover, according to Bhattacharya and Thakor (1993) <sup>[4]</sup>; Berger & Bouwman (2009) <sup>[3]</sup>, commercial banks play two crucial roles in the economy: they generate liquidity and manage risks. Due to the underdeveloped stock market in Vietnam, the commercial banking system is the foundation of the country's economy (Le, 2019) <sup>[14]</sup>, providing 60% to 80% of the country's capital requirements. The need for cash for company and production expanded, which sped up the system's credit scale's rise. Because illiquid assets generate income, banks have an incentive to promote liquidity because it boosts profitability (Duan & Niu, 2020) <sup>[9]</sup> and bank value (Berger & Bouwman, 2009) <sup>[3]</sup> more movable assets.

Studying social capital is necessary because it plays a significant role in the growth of economic capital. Relationships between big businesses and small and medium-sized businesses should prioritize social capital building (Rotheroe, 2005) <sup>[15]</sup>.

According to Talavera *et al.* (2012) <sup>[16]</sup>, business owners that invest more time in their social networks are more likely to be approved for loans from commercial banks. As a result, social capital is crucial in the relationship between businesses and items for sale.

Besides the relationship with the leader himself, all social networks are important in the operation of enterprises in general and commercial banks in particular. In fact, commercial banks have also exploited relationships by setting business targets higher than the capacity of employees; for example, if the previous year had achieved the target of increasing revenue by 10%, then this year will require 15%, so for this additional 5%, employees themselves have to mobilize and use relationships to achieve the targets assigned by their superiors.

In addition, due to the impact of the integration process, Vietnamese commercial banks have to face great competition from non-banking financial intermediaries and foreign banks. Therefore, banks Commercial goods have many solutions to improve business efficiency, including human resource solutions. Therefore, evaluation of the social capital of employees in commercial Banks in Hanoi is necessary and meaningful.

## 2. Literature Review

At present, there is no precise and uniform definition of social capital that is widely used in different studies. The concept of social capital was first mentioned by Hanifan (1916) [12]. He used the concept of social capital to refer to friendships as well as interactions between individuals. According to Bourdieu (1986) [5], social capital is the resources that exist in the relationships between individuals and organizations (collectively referred to as subjects), thereby bringing benefits to the subjects. Coleman (1988) [8] suggested that through the relationships between people, social capital is formed and developed.

According to the World Bank, social capital is concerned with traditional institutions, relationships, and values. According to Cohen & Prusak (2001) [7], social capital consists largely of constructive cooperation between people: trust, mutual understanding, shared moral values, and connection style. The members of corporations, communities together make it possible to act together.

Social capital focuses on social relationships that provide beneficial benefits to the participants in those relationships (Claridge, 2004) [6].

Social capital falls into three categories: bonding social capital, bridging social capital, and linking social capital (Baum & Ziersch, 2003; Aldrich & Meyer, 2014) [2, 1]. In it, bonding social capital describes the tight cross-linking between individuals who are emotionally close or similar in terms of demographic characteristics, attitudes, resources, and information, such as friends and family members. Meanwhile, bridging social capital is used to describe social relationships between acquaintances or individuals who are not too closely connected through joining a range of different social groups, from political organizations and parent associations to clubs founded by people with similar interests such as sports and entertainment. Finally, linking social capital is used to refer to social relationships that help connect ordinary people with powerful people in society.

Truong (2009) studies the relationship between social capital and human capital. The author asserts that this relationship may contain many policy issues that can be applied to both the macro level and the enterprise level in human resource development.

Inheriting the results of the above studies and the opinions of experts, we believe that social capital theory studies the network of links between people and the resources of individuals, groups, or organizations. was formed and developed on the basis of networks of reciprocal relations with mutual trust and reciprocity. From there, consider the change in user behavior under the influence of resources as well as the network of links. In addition, social capital is the relationships, culture, identity, and standards between one subject and another. Social capital focuses on studying human relationships in socio-economic life in general and in economic activities in particular, with the aim of assessing the impact of the interrelationships between the factors involved. to people such as cognitive capacity, ability to act, and external factors such as social environment, organizational environment, psychological state, emotions, behavior, and behavior of people in relationships in economic and social relations.

## 3. Research Methods

### 3.1 Research Context

As of the end of 2021, Vietnam has 49 banks. In which joint

stock commercial banks dominate with 31 banks (3 state-owned joint stock commercial banks), 4 100% state-owned banks, policy banks, and joint venture banks each with 2 banks, 100% foreign capital, 9 banks, and 1 cooperative bank (State Bank of Vietnam, 2021) [17].

Currently, 31 joint-stock commercial banks all have headquarters or offices in Hanoi. 1,918 branches and transaction offices of 46 banks are located in 29 districts of Hanoi City. Branches and transaction offices are mainly located in Dong Da District (270), Hoan Kiem District (242), Hai Ba Trung District (219), Cau Giay District (210), Ba Dinh District (179), etc. Experiencing the COVID-19 pandemic, the volatility of the economy, and the Russia-Ukraine conflict poses difficulties and challenges that the banking industry has to face, including those with headquarters and branches in Hanoi.

According to statistics from the State Bank of Vietnam, the total number of human resources in the banking industry by 2021 will be 210,000, of which more than 8,000 will work in the state banking system and the rest will be allocated to banks. trade and the people's credit fund system. According to the State Bank of Vietnam, the rate of training in the banking industry is higher than that of other industries, but the rate of specialized training is lower than that of other industries. Specifically, the number of human resources professionals with a university degree in banking is 35.06%, in other majors it is 36.45%, a master's degree in banking is 1.85%, and in other majors it is 2.08%.

Currently, it is quite common for employees to switch jobs regularly from one bank to another. Due to the lack of personnel, banks have lowered their recruitment standards or transformed models, departments from headquarters to branches and transaction offices, qualifications for the work to be performed, and the wrong implementation of procedures, regulations, and professions. Moreover, due to the lack of leadership in commercial banks, the leaders are appointed when they are not capable and experienced enough for the assigned positions. Besides, the situation of contradictions Internally, employees probe, but mutual conflicts still occur. Leadership is not thorough in guiding employee training and employee engagement or resolving conflicts arising at the unit.

### 3.2 Scale and Design of Questionnaires

The scale used in this study is a 5-point Likert scale ranging from 1 to 5. Totally disagree, to 5. strongly agree. The statements in each scale are inherited from previous studies and expert opinions to correct the wording and then adjusted to suit the context of commercial banks in Hanoi, Vietnam, at the present time, based on the results of expert interviews and group discussions. The social capital of employees in commercial banks in Hanoi is measured by five observed variables (see Table 1).

**Table 1:** Observed variables of the social capital of employees in commercial Banks in Hanoi

Code	Scale
<b>The social capital of employees in commercial Banks in Hanoi (SC)</b>	
SC1	A concern for everyone
SC2	Organizational capacity
SC3	Reliably
SC4	Honest and fair
SC5	Character identity

### 3.3 Samples and Data Collection

The study sample was selected according to the convenience method. After designing the questionnaire, we conducted the survey online on Google Docs. The link is shared via social networking sites such as Zalo, Facebook, and email. The research sample has diverse aspects: ownership form (including 3 state-owned commercial banks and 9 joint-stock commercial banks) and size by total assets. The total assets of commercial banks in the sample accounted for 78% of the total assets of commercial banks in Vietnam as of December 31, 2021.

Therefore, the banks in the sample are likely to well represent the Vietnamese commercial banking system. Of the 200 questionnaires collected, 15 were invalid because their reliability was not guaranteed when included in the analysis. Therefore, we discard these 15 tables, leaving 185 tables for analysis. The characteristics of the sample are as follows: Among 185 respondents, females are 91 (49.2%), males are 94 (50.8%); among them, 75 respondents are sales staff (40.5%), 66 respondents are accounting staff (35.7%), and the rest are administrative, computer, and office staff.

### 3.4 Data Processing

Quantitative research methods supported by SPSS software include descriptive statistics, scale reliability analysis through Cronbach's alpha coefficient, and EFA analysis.

## 4. Results

### 4.1 Descriptive Statistics

Table 2 indicates that the respondents agree with the dependent variables of "Evaluation of the social capital of employees in commercial Banks in Hanoi," where five attributes were quite high. All five attributes were rated at an average of 3.86 or higher.

**Table 2:** Descriptive analysis of attributes

Code	N	Minimum	Maximum	Mean	Std. Deviation
<b>Social capital of employees (SC)</b>					
SC1	185	1.00	5.00	3.94	0.832
SC2	185	1.00	5.00	3.97	0.908
SC3	185	1.00	5.00	3.97	0.862
SC4	185	1.00	5.00	3.97	0.929
SC5	185	1.00	5.00	3.86	0.914
Valid N (listwise)	185			3.94	

### 4.2 Cronbach's Alpha

The social capital of employees in commercial Banks in Hanoi has been measured by Cronbach's alpha. The results

of testing Cronbach's alpha for attributes are presented in Table 3 below. The results also show that attributes of the dependent variables have Cronbach's alpha coefficients that are greater than 0.6, and the correlation coefficients of all attributes are greater than 0.3. So, all the attributes of the dependent variables are statistically significant (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) <sup>[13, 10, 11]</sup>.

**Table 3:** Results of Cronbach's alpha testing of attributes and item-total statistics

Cronbach's Alpha			N of Items	
.919			5	
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
SC1	15.78	10.130	0.781	0.903
SC2	15.75	9.756	0.771	0.905
SC3	15.74	9.965	0.780	0.903
SC4	15.74	9.487	0.805	0.898
SC5	15.85	9.488	0.823	0.894

### 4.3 Exploratory Factor Analysis (EFA)

Next, tables 4, 5, and 6 show that exploratory factor analysis (EFA) was conducted through component analysis and variance.

The results of factor analysis in Table 4 show that KMO is 0.883, which is greater than 0.5 but less than 1. Bartlett's testimony shows sig. = 0.000 < 0.05, which means variables in the whole are interrelated (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) <sup>[13, 10, 11]</sup>.

After implementing the rotation matrix, five components of the social capital of employees in commercial banks in Hanoi with a factor load factor greater than 0.5 and eigenvalues greater than 1 were identified, and the variance explained was 75.648% (see tables 5 and 6). These statistics demonstrate that research data analysis for factor discovery is appropriate. Through the quality assurance of the scale and the test of the EFA model, we have identified five components of the social capital of employees in commercial banks in Hanoi (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) <sup>[13, 10, 11]</sup>.

**Table 4:** KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.883
Bartlett's Test of Sphericity	Approx. Chi-Square	640.482
	Df	10
	Sig.	.000

**Table 5:** Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.782	75.648	75.648	3.782	75.648	75.648
2	0.411	8.221	83.870			
3	0.301	6.023	89.893			
4	0.287	5.744	95.636			
5	0.218	4.364	100.000			

**Extraction Method:** Principal Component Analysis

**Table 6:** Component Matrix<sup>a</sup>

SC	Component
	1
SC5	0.892
SC4	0.878
SC1	0.863
SC3	0.862
SC2	0.853

## 5. Discussion and Implications

The banking industry, the lifeblood of the national economy, also recognizes the role and importance of the social capital of its employees.

The social capital of good employees is important for commercial banks in the current context because today's banks operate in a highly competitive environment with geographical barriers. The scale seems to have been shrunk considerably by technology. To be able to survive and develop in a fiercely competitive environment, banks need to invest more in information and communication technology (ICT) and the latest technologies in order to respond quickly to the rapid growth of the market. Changes in financial markets and the digital economy. It is also considered a tool to reduce costs and effectively communicate with people and organizations involved in the banking business. Information technology enables sophisticated product development, better market infrastructure, the implementation of reliable techniques to control risk, and helps financial Intermediaries access diverse markets that are geographically remote.

Commercial banks should focus on investing in, building, and improving infrastructure such as sports areas and common rooms to create favorable conditions to help employees raise awareness of relationships. Create opportunities for employees to meet and exchange ideas to strengthen solidarity among colleagues.

Commercial banks should develop specific evaluation criteria to measure quality and ensure effective work results. This activity aims to improve employees' job performance and help managers make the right human resource decisions, such as training and development, remuneration, promotion, etc.

The evaluation of job performance in commercial banks is currently mainly based on key performance indicators (KPIs), but it is still quite general and purely data-driven. Therefore, the bank needs to develop its own set of evaluation criteria specific to each group of positions as well as focus on the process of employees implementing social capital to complete the assigned work. Including the adjustment of the weighting of the criteria based on the job description, the time allotted to perform the work, and the job analysis of a number of specific positions to give valuable feedback and suggestions built for employees to better apply social capital at work.

Commercial banks should build a fair and transparent salary and bonus regime commensurate with the level of dedication and ability of each employee. Currently, the compensation policies in commercial banks have not been linked to the results of the assessment of the improvement of the social capital of the employees, so to encourage the ability and motivation of the employees. In addition to the salary and bonus regime according to business targets, commercial banks should pay attention to commending and

rewarding employees with outstanding social capital and regularly applying innovative ideas in the working process. Employees at banks should spend more time on relationships, especially with business partners and business managers, which is very important to receive cooperation and loans from firms.

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