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## **The Relationship between People's Motives to Save Money and the Amount of Savings at Vietnam Commercial Banks**

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### **Abstract**

Capital mobilized from customers' savings deposits is the monetary value that banks mobilize from the public through selling products and services to customers, or in other words, this is the main source of capital of commercial banks, meeting most of the needs for credit activities of banks.

Savings deposits are a popular investment channel today because they are safe, convenient and easy to invest compared to other investment channels and are not greatly affected by negative market impacts. Although the profits

are not as high as other forms of investment such as stocks and foreign exchange, the risks to people's savings are not high.

Based on the analysis of the current situation of the relationship between people's motivation to deposit money and the amount of savings deposits at Vietnamese commercial banks, the article proposes a number of solutions to improve deposit mobilization activities. commercial bank savings in the near future.

**Keywords:** People, Savings Deposits, Commercial Banks

### **1. Introduction**

Deposits are an important source of money, accounting for a large proportion of the total cash resources of commercial banks. Attracting customer savings deposits to commercial banks plays a very important role in the financial system. Because customer savings deposits are the main source of capital for commercial banks to make loans, contributing to promoting economic growth, income distribution and hunger eradication and poverty reduction.

In recent times, following people's motivation to deposit money, commercial banks have achieved some remarkable results in mobilizing customer savings deposits. However, there are still some limitations in this activity. Therefore, the article analyzes the relationship between people's motivation to deposit money and the amount of savings deposits at commercial banks, thereby offering solutions to increase the mobilization of savings deposits in the coming time.

### **2. Theoretical basis for commercial bank savings deposits and people's motivation to deposit money**

#### **2.1 Theoretical basis for commercial bank savings deposits**

According to the provisions of Clause 1, Article 4 of Circular No. 49/2018/TT-NHNN, savings deposit is the amount of money deposited by depositors at credit institutions on the principle of full repayment of principal and interest according to agreement. Agreement with credit institutions.

Banks currently have two main savings packages: Demand savings and term savings.

- Demand savings are a form of savings in which the person withdraws money on request without prior notice. This savings deposit has an actual interest rate, usually this interest rate will be lower than the term interest rate. Usually, consumers choose this form of non-term savings to ask the bank to keep the money for a while and withdraw it whenever necessary. Therefore, demand savings have short terms, even calculated by days.
- Avoided have. Classifications include:
  - + By type of deposit: Based on this criterion, savings deposits are divided into 2 types:
    - ◇ Term savings deposit in VND.
    - ◇ Term savings deposits in foreign currencies: Some foreign currencies that banks accept savings deposits are USD, EUR, AUD, GBP.

- + By deposit channel: Deposit savings at the counter, deposit online via mobile banking application.
- + By deposit term: Some popular deposit terms at most banks:
  - ✧ Under 1 month: Usually has a term of 7 days, 14 days.
  - ✧ Terms range from 1 month to 12 months and are also the most popular terms: 1 month, 2 months, 3 months, 6 months, 9 months, 12 months.
  - ✧ Terms over 12 months: 24 months, 36 months, 48 months, 60 months.
- + According to the form of principal and interest payment:
  - ✧ Savings deposit with interest paid later: Is a form of savings deposit that receives interest at the end of the deposit term.
  - ✧ Savings deposit with interest paid in advance: Is a form of savings deposit that pays interest right at the time of deposit.
  - ✧ Savings deposit that pays periodic interest: Is a form of savings deposit where you can receive periodic interest monthly, quarterly, throughout the deposit term. For example, save for 12 months and receive monthly interest.

## 2.2 Theoretical basis for people's motivation to deposit money

According to John Maynard Keynes's theory of money demand <sup>[1]</sup>, there are three main motives why people hold money: Trading, prevention and investment. To cater to these motives, commercial banks offer different types of deposits: Deposits and savings deposits. If deposits are for the purpose of performing daily transactions, savings deposits serve the needs of people who want to save and increase income. People who deposit money in savings accounts also have a precautionary motive.

Thus, there are three main motives why people hold money including: Trading, prevention and investment. To serve these motives, commercial banks offer payment deposits and savings deposits. Savings deposits can be viewed from the perspective of consumers who want income to meet their household expenses.

## 3. Research methods

The article uses qualitative research methods including two basic methods: Data collection, synthesis and analysis and evaluation. Based on the synthesis of data related to the current situation of people's deposits at commercial banks, the article offers some solutions to improve the amount of deposits at commercial banks associated with deposit motives. People's money in the near future.

## 4. Current status of deposits at commercial banks

### 4.1 Some results were achieved

In recent times, deposit interest rates at banks in Vietnam have tended to decrease but the amount of deposits still maintains growth. From the beginning of 2023 until now, the real estate market is declining, with many fluctuations from incidents in the industry or political events, and the world financial crisis. In this context, bank savings is considered the best choice. Bank deposits are still the most chosen investment channel because they are the safest among the 5 channels including: Real estate (slow growth); Stocks and gold (many fluctuations due to the war situation in the Middle East); Foreign currency (limited on business license); Deposits. This is a solution to help commercial

banks ensure optimal capital while investors wait for the economy to improve to seize business opportunities in the near future <sup>[3]</sup>.

Specifically, data in the latest report of the State Bank <sup>[4]</sup>, the amount of people's deposits into the banking system reached more than 6.3 million billion VND as of July 2023. This increased by 8.98% compared to the end of 2022 and reached a record high in terms of savings and financial activity in the economy.

Savings interest rates as of the end of September have decreased significantly compared to the beginning of the year, not many banks are willing to pay interest rate of 6%/year for 12-month deposits. The decline in interest rates has lasted since April, causing interest rates to now bottom, even lower than during the Covid-19 epidemic. However, in September, people's deposits still increased, with an amount of VND 15,935 billion. This increase is significantly improved compared to VND 43,723 billion in the previous August or VND 43,723 billion in July; 35,300 billion VND in June and 14,700 billion VND in May.

The amount of people's savings deposits has increased in recent times, showing positive developments. This result reflects that the bank deposit channel is still the investment channel that brings the best benefits to the people, is safe and effective, continues to reflect people's trust in the banking system, and is regulated by law. Ensure depositors' interests in all cases. Besides, residential savings deposits are the most stable deposit, creating conditions for commercial banks to exploit and use capital effectively.

### 4.2 Challenges of mobilizing savings deposits at commercial banks

Besides some of the above advantages, attracting savings deposits from commercial banks still has some difficulties and limitations. Detail:

*First*, credit is difficult to lend along with loose monetary policy, helping to provide abundant liquidity in the banking system, pulling deposit interest rates to the bottom. The trend of gradually decreasing interest rates promotes part of the cash flow from savings to channels with higher potential returns.

Banks become "overcrowded" in the context of the economy's gloomy capital absorption and slowing export orders and consumption. Production and business activities of many businesses are facing difficulties, reducing orders, leading to a decrease in demand for loans.

In addition, loose credit policies combined with low capital demand cause excess liquidity in the banking system, reflected in overnight lending interest rates among banks even close to 0% per year. In addition, the banking system no longer has to "worry about liquidity provisions" like during the peak period at the end of last year, after the crisis at SCB as well as the collapse of US banks.

Therefore, people's cash flow can partially shift to other investment channels to enjoy higher yields. Because each investor has a different risk appetite, diversifying investment channels and shifting cash flow from areas with low profitability to high profitability is inevitable.

*Second*, the number of transaction points of many joint stock commercial banks is small and coverage is low, especially in rural areas.

*Third*, online savings products are not very diverse and have not many utilities.

*Fourth*, many banks do not have preferential interest rate policies for online savings, safety and security issues are not high, network and technical problems still occur, causing anxiety. For customers when depositing savings. Therefore, the number of customers participating in online savings is still limited.

In the market, the interest rate level is rated the lowest by the State Bank in the past 20 years. Regarding deposit interest rates, banks have continuously decreased since March 2023 until now, the current listed level can be said to have reached the bottom. As at Vietcombank, the highest deposit interest rate is 4.7%/year for a 12-month term. The 1 month term is only 1.7%/year, 3%/year for 6 and 9 month terms.

At other large banks with State shares including BIDV, VietinBank, and Agribank, the highest savings interest rate is only 4.8%/year for long terms of 12 months or more. Shorter terms from 6 to 11 months are listed at 3%/year.

For private banks, deposit interest rates are also close to those of state-owned banks. As at VPBank, the 12-month term pays interest at 5%/year. At MBBank, 6-to-11-month terms have interest rates of 3.9 - 4.2%/year...

### **5. Solutions to increase mobilization of savings deposits at commercial banks**

In the coming time, there will be many adverse impacts on banking operations, especially attracting savings deposits at commercial banks. Therefore, in order for commercial banks to increase the attraction of savings deposits, to provide safe, effective and timely credit capital, with appropriate interest rates, the following solutions need to be implemented:

#### **5.1 With the State Bank**

*First*, the State Bank needs to have measures to encourage the introduction of attractive and flexible interest rates to increase the scale of attracting individual customer savings deposits to commercial banks, thereby reducing lending interest rates in the economy. In addition, the State Bank needs to reduce the mandatory reserve ratio, helping to release loan capital for the economy, reducing lending interest rates.

*Second*, the State Bank needs to direct commercial banks to diversify channels to attract savings deposits from individual customers.

#### **5.2 With commercial banks**

*First*, there needs to be a reasonable interest rate policy.

In the current period, banks should consider reducing lending interest rates, restructuring debt repayment terms and other support measures, based on capacity and financial capacity. Support measures and interest rates must be made public for people and businesses to know.

*Second*, it is necessary to implement policies to attract customers and strengthen bank transaction points.

With the trend of opening international integration in the financial sector, commercial banks not only compete with domestic banks, but also with foreign competitors. However, with an understanding of the market and domestic customer psychology, domestic banks often have many advantages. Customer attraction policies that commercial banks apply to serve capital mobilization include: Marketing, interest rates, service portfolio and other policies related to the relationship between banks and banks. client.

*Third*, strengthen information, propaganda, and deployment of online banking products and services, and implement

solutions to promote non-cash payments; continue to reform and simplify processes and procedures, create conditions for customers not to directly go to banks to transact, contributing to limiting the risk of disease spread; Strengthen inspection and supervision of capital use, customer debt repayment, strictly control cash flow, and comply with regulations on loan disbursement to prevent capital misuse. Fourth, diversify products and preferential policies to attract customers to increase residential deposits. Banks can cooperate with life insurance businesses to launch financial products that are both insurance and a form of accumulated savings.

### **6. Conclusion**

Capital is always one of the basic input factors in the business process of every enterprise. Enterprises cannot realize the State's socio-economic goals in general, as well as their business goals in particular, if they do not have capital. For commercial banks, as an enterprise and an intermediary operating in the monetary sector, volts play a very important role. Therefore, commercial banks need to implement capital mobilization solutions, especially savings deposits, based on people's deposit motives to fully meet their business needs.

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