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Developments of Capital Mobilization Activities at Thanh Xuan Military Joint Stock Commercial Bank in Vietnam Recently

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Abstract

In the current era of industrialization and modernization, banking is a key sector in the field of capital mobilization, playing a key role in channeling capital to the economy. If commercial banks operate well and capital flows properly and continuously, it will create momentum for the economy to develop. Currently, when foreign bank branches are allowed to operate in our country's market, competition between banks is extremely fierce. To survive and stand firm in the market, banks need to have a strong enough capital source because capital is the most important premise in all commercial banking activities. To have a strong enough capital source, commercial banks must carry out many activities to mobilize a large enough capital source to meet the bank's business needs. Vietnamese commercial banks have not been in operation for long, their capital

mobilization methods are still monotonous, inappropriate and do not meet the needs of the economy. Military Commercial Joint Stock Bank (MB) Thanh Xuan is no exception to that trend. The article focuses on studying the evolution of MB Thanh Xuan's capital mobilization activities in terms of currency type: VND or foreign currency, by term, and by mobilized objects: Residents or organizations; From there, we propose solutions to improve mobilization efficiency at MB Thanh Xuan, including expanding capital mobilization forms, implementing attractive flexible interest rate policies, diversifying capital mobilization forms, and building a reasonable customer strategy and regular training and improvement of staff quality.

Keywords: Mobilizing Capital in Local and Foreign Currencies, Term and Non-term Deposits, Economic Organization Deposits, Residential Deposits, MB Thanh Xuan Bank

1. Introduction

Mobilizing capital is an important and vital activity of commercial banks. More than 80% of commercial banks' business capital is formed from mobilized capital, mainly capital mobilized from customer deposits. Therefore, for commercial banks, the scale - efficiency - safety in banking business largely depends on the scale - costs - and stability of mobilized capital and deposit capital. However, due to the similarities in the features of capital mobilization products as well as the inevitable fierce competition between commercial banks, there is a situation where customers can easily transfer their deposit balances. From one bank to another, leading to banks' deposit capital being unsustainable in terms of scale and cost, thereby affecting the business efficiency of banks in the system.

Recognizing the importance of capital mobilization activities has a great impact on the Bank's business activities and payment activities of the social economy. On the other hand, at MB Thanh Xuan Bank, capital mobilization activities still have limitations. Finding common solutions to promote capital mobilization activities at MB Thanh Xuan is a necessary need in the current period, consistent with MB Bank's development strategy.

2. Research methods

Information collection method: The article uses secondary information through statistics from MB Thanh Xuan's financial statements for the period 2021 - 2023, documents related to the bank's capital mobilization activities.

Methods of processing and analyzing information: After collecting information, it is processed using Excel software and using analytical methods such as: Descriptive statistics method, comparison method to evaluate the current state of operations. Mobilize capital at MB Thanh Xuan.

3. Current status of capital mobilization at MB Thanh Xuan bank

3.1 Capital mobilization activities by currency

Mobilizing local currency capital of the Bank:

For joint stock commercial banks in general and MB Thanh Xuan in particular, they are interested in the form of capital mobilization by currency. In this form of mobilization, capital mobilization in local currency accounts for a much larger proportion than with foreign currency capital mobilization. Specific data are as follows:

Table 1: Local currency capital mobilization

Targets	2021	2022	2023	Unit: Million dong	
				Difference (%)	
				2022/2021	2023/2022
1. Deposits of economic organizations	96.297	341.990	161.066	255	- 53
2. Deposits from residents	96.728	188.569	302.994	95	61
3. Issuing valuable papers	4.365	193	50	- 96	- 74
Mobilized capital	197.390	530.752	464.110	169	- 12

Source: Financial statements of MB Thanh Xuan

According to the above data, in general, capital in local currency increases and decreases according to economic fluctuations. The evolution of this mobilized source is as follows:

Deposits from economic organizations: This source of money has the largest scale and structure among the total capital mobilized from outside, the proportion ranges from 34 - 64%. However, deposits of economic organizations in the past 3 years tend to be unstable in structure: In 2021 it will account for 48.79%, in 2022 it will increase by 15.64%, corresponding to 64.43%. As of December 31, 2023, it will decrease by 29.64% to only account for 34.79%. The scale is unstable when in 2022 the growth rate reaches 255% but immediately after that in 2023 it will decrease by 53%.

The current situation shows that in the past 3 years, the amount of large capital at low cost from companies and businesses deposited at MB Thanh Xuan has been unstable and tends to decrease. The reason is because local currency deposits of economic organizations deposited at MB Thanh Xuan are mainly from companies operating in the defense industry and a number of state-owned and non-state enterprises. These deposits are usually money. Deposit for transactions or short terms, enjoy low interest rates because businesses have a fairly fast capital turnover rate.

Moreover, in recent years, except for some names like Viettel, which have been profitable, most other defense enterprises have only done moderate business without profit. A decrease in this capital source for the bank will be very unprofitable because if the bank mobilizes a lot for lending and investment, it will not only prolong the interest rate difference between the two ends but also reduce the average cost of capital, increasing profit.

Deposits from different strata of the population: These are mainly savings deposits, this source has a more stable scale and structure over the years. In general, in recent years, the growth rate of this source has increased rapidly in 2022

compared to 2021, up to 95% and as of December 31, 2023, compared to 2022, it increased by 61%. Deposits of the population also tend to increase, in 2022 compared to 2021, it will decrease by 13.47%, accounting for only 35.53% due to fluctuations in the gold market. However, by 2023, this source structure will increase. Increased to 29.97%, accounting for 65.2%.

Disadvantages of mobilizing savings deposits have high average deposit interest rates. People's nominal deposit term is often short (term less than 12 months) but the average actual term is long and highly stable., is the main source for banks to lend medium and long term and increase capital utilization ratio. Just as the banks in the area with the proportion of people's deposits tend to increase in size and structure such as the Industrial and Commercial Bank, the Bank for Foreign Trade, etc., the source of people's deposits at MB Thanh Xuan has increasing trend in both proportion and absolute number. This has increased the ability to use capital, the ability to change outstanding loan terms, business results and competitiveness of MB Thanh Xuan.

Issuing valuable papers: This source has the smallest scale and structure in the total source. The proportion is only about 0.01 - 2%, the speed is unstable, in general it tends to decline. This loan source is only used by MB Thanh Xuan to meet the need to ensure liquidity, not for investment or lending.

Mobilizing foreign currency capital of the Bank:

Above is the capital mobilized in local currency VND. In MB Thanh Xuan's mobilized capital, in addition to VND, the Bank also mobilizes foreign currency capital (mainly USD and EUR). Compared to domestic currency capital sources, foreign currency sources are smaller with a proportion of 11.7% compared to 88.3% in 2021; 8.15% compared to 91.85% in 2022; and as of December 31, 2023, it is only 7.99% compared to 92.01%. Thus, foreign currency sources have tended to decrease in recent years. The main reason is that the global economy and politics are constantly fluctuating. The current status of MB Thanh Xuan's foreign currency mobilization is as follows.

Table 2: Mobilizing foreign currency capital

Targets	2021	2022	2023	Unit: Million VND in foreign currency conversion	
				Difference (%)	
				2022/2021	2023/2022
1. Deposits of economic organizations	277	842	252	204	- 70
2. Deposits from residents	25.948	46.249	40.088	78	- 13
Mobilized capital	26.225	47.091	40.340	80%	- 14

Source: Financial statements of MB Thanh Xuan

Deposits in foreign currencies of economic organizations: These are mainly payment deposits, short-term deposits usually from 1-3 months. Like local currency deposits, foreign currency deposits of economic organizations have a good but unstable growth rate (in 2022 compared to 2021, it will increase sharply to 204%, but in 2023 compared to 2022, it will decrease by 70%. %).

Deposits in foreign currencies of the population: Mainly savings deposits with terms of less than 12 months account for the largest proportion but the growth rate is erratic (in

2022 it will increase by 78% compared to 2021 but by 2023 decreased to 13%). The reason is that mobilizing capital in foreign currencies is always strongly affected by foreign currency interest rates in the international market and the scarcity of VND. For example, the US Federal Reserve (FED) continuously cuts lending interest rates, thereby causing banks' USD deposit interest rates to always drop sharply, resulting in people switching to using valuable currencies (exchange USD to VND, switch to savings in VND to enjoy higher interest rates). Thus, the bank's capital mobilization structure through VND and foreign currencies is relatively appropriate. The bank is completely proactive in lending for each currency, meeting

the increasing needs of customers.

3.2 Capital mobilization activities by term

Analyzing capital mobilization by currency shows the fluctuations of domestic and foreign currency sources, allowing MB Thanh Xuan to propose strategies to promote mobilization of domestic or foreign currencies depending on market fluctuations. As with the monetary policy of the State Bank, analyzing capital mobilization activities by term and by object allows the Bank to see which sources and objects the Bank can mobilize most effectively according to the analysis down here:

Table 3: Capital mobilization by term

Unit: Million dong

Targets	2021		2022		2023	
	Amount of money	Proportion (%)	Amount of money	Proportion (%)	Amount of money	Proportion (%)
1. Demand deposits	42.942	19,6	118.503	20,56	86.812	17,22
2. Term deposits less than 12 months	168.792	77	442.647	76,77	400.945	79,55
3. Term deposits over 12 months	7.402	3,4	15.402	2,67	16.284	3,23
Total	219.136		576.552		504.041	

Source: Financial statements of MB Thanh Xuan

Demand deposits: These deposits are mobilized mainly from economic organizations, businesses, and residents are mobilized insignificantly, with a proportion of 17 - 20% and tend to increase gradually. Over the years, although the proportion has decreased, the number of customers depositing transaction deposit accounts is increasing in deposit accounts of economic organizations. The increasing number of customers is a big advantage for banks because current depositors will be potential borrowers because of the time mismatch between the amount of money collected and the capital needs for investment. Investment, reserve materials, expand production. Through the expansion of non-cash payments and good implementation of clearing payments under the leadership of the State Bank, payment quality is gradually improved, shortening customers' capital turnover time.

Deposits with a term of less than 12 months: This type of money is very sensitive to interest rates due to the long idle time; customers have planned in advance before deciding to deposit it in the bank for certain terms. Deposits with terms less than 12 months have a high structure (proportion from 76 - 79%) and are on an increasing trend. This is because MB Thanh Xuan initially diversified the types of deposit terms and interest payment methods (pay interest in advance, pay interest later). In this deposit, residents account for the highest proportion and tend to increase continuously,

economic organizations mainly deposit money into demand deposit accounts, while term deposits are deposited in large amounts. Smaller and tends to increase.

Deposits with terms over 12 months: MB Thanh Xuan's long-term deposits have a small scale and structure (proportion ranges from 2.5 - 3.5%) and have stable growth, tending to increase. in terms of structure (2021 accounts for 3.4%, in 2022 accounts for 2.67%, in 2023 accounts for 3.23%). This is due to MB Thanh Xuan initially diversifying deposit terms and interest payment methods. However, deposits with terms over 12 months still account for a modest proportion.

But that does not mean that MB Thanh Xuan's capital mobilization is reasonable. MB Thanh Xuan's mobilized capital in recent years has been large and gradually increasing over the years, but is mainly non-term sources, term sources of less than 12 months. Tends to decrease slightly, long-term sources are still very small. This makes it difficult for banks to plan capital resources. If not done well, it can cause capital stagnation if loans are not exhausted. At the same time, if they lend too much, they will be passive in making payments. Long-term capital accounts for a small proportion, making it difficult for the Bank to change its outstanding debt structure over time.

3.3 Capital mobilization activities by subject

Table 4: Capital mobilization by subject

Unit: Million dong

Targets	2021		2022		2023	
	Amount of money	Proportion (%)	Amount of money	Proportion (%)	Amount of money	Proportion (%)
1. Deposits of economic organizations	96.573	44,05	342.832	58,44	161.318	34,74
2. Deposits from residents	122.675	55,95	243.818	41,56	302.997	65,26
Total	219.248		586.650		464.315	

Source: Financial statements of MB Thanh Xuan

In 2021, compared to the end of 2020, the nature of the Branch's capital resources tends to fluctuate strongly in a quite positive direction, deposits from economic organizations account for 44.05%, Remittances from residents account for a larger proportion of 55.95% and are

also the fastest growing source of the year. The proportion of residential deposits has increased and gradually stabilized. In addition, deposits from economic organizations have also gradually increased, along with deposits from residents, accounting for a fairly dominant

proportion in the Branch's resource structure. Achieving results is due to the efforts of the leadership team, functional departments and all employees of the Branch.

In 2022, deposits from economic organizations will reach 342,832 million VND, an increase of 246,259 million VND compared to 2021, a growth rate of 255%, deposits from residents will reach 243,818 million VND, an increase of 121,143 million VND compared to 2021., accounting for 41.56% of total capital, with a growth rate of 98.75%. Thus, the Branch's capital structure has changed significantly. In general, all capital sources will increase rapidly by 2022.

In 2023, compared to 2022, there will be a slight decrease in deposits from economic organizations, only reaching 161,318 million VND, equivalent to a decrease of 53%, deposits from residents will increase more strongly than deposits from economic organizations. During the year and increased to 59,179 million VND compared to 2022, reaching 302,997 million VND, a growth rate of 24.3%, accounting for 65.26%. 2023 is a year of complex developments in the world and domestic economies with many difficulties. The Bank also faces many challenges due to the impact of unfavorable developments in the domestic and foreign economies, so the results achieved in the past year is also very positive.

Advantages of capital mobilization activities at MB Thanh Xuan

Regarding the scale of capital mobilization from outside: In recent years, MB Thanh Xuan's capital mobilized from outside has gradually increased over the years, creating favorable conditions for the bank to carry out lending and investment operations. Mine. In the source of deposits, demand deposits always account for a high proportion, on the one hand, creating conditions for increasing balances and reducing input costs (demand deposits have the lowest interest rate, almost insignificant), on the other hand, creating conditions for increasing balances and reducing input costs (demand deposits have the lowest interest rate, almost negligible), Others help the bank expand services related to capital mobilization such as card issuance... Deposits from the population account for a high and stable proportion, creating favorable conditions for the bank to conduct business activities. Your business.

Regarding structure: Like other joint stock commercial banks, the main source of mobilization is short-term sources, however this source of MB Thanh Xuan does not fluctuate much. Sources with medium and long terms tend to increase, although not enough to meet demand, but have shown a positive change, showing the bank's focus on medium and long-term capital.

Regarding the staff, the bank has created an attractive and favorable working environment to attract good employees, always encouraging workers to study and improve their qualifications.

Disadvantages of capital mobilization activities at MB Thanh Xuan

Firstly, MB Thanh Xuan has not paid much attention to the channel of mobilizing capital for loans from economic organizations and individuals through the issuance of valuable papers such as promissory notes and bonds.

Second, capital mobilization is not really linked to the use of capital. In recent years, MB Thanh Xuan's capital mobilization has been unbalanced in term. While there is a

surplus of short-term sources, medium- and long-term mobilized capital still does not meet the bank's medium- and long-term business needs. The transfer of resources for investment and medium and long-term loans is still limited because to do this, banks may have to face interest rate risks and liquidity risks.

Third, deposits from economic organizations account for the highest proportion but tend to decrease in both scale and structure. Companies in the Defense industry as well as other economic organizations have reduced deposit balances in bank accounts.

4. Solutions to improve capital mobilization efficiency at Branches

Expand forms of capital mobilization

Firstly, expand forms of deposits among the people including savings deposits, card deposits, reward savings, cumulative savings, and ladder savings. MB Thanh Xuan needs a solution to automatically convert demand deposits to term deposits for people. For example, people who have had non-term savings deposits at the Bank for 2 months or more can transfer them to enjoy the benefits of term savings deposits. Flexibility in term is also an attraction for deposits. Second, "Securitize" medium and long-term deposits so that owners can flexibly convert when necessary. This is an effective measure to help banks increase the proportion of medium and long-term capital. With this form, banks can issue anonymous savings cards with a deposit term. The bank does not issue them all at once but does so like other normal savings deposits. This tool creates many advantages for both customers and banks.

Third, use deposit tools with a purpose. This is a form of medium and long-term savings. When a customer brings money to the bank in this form, both the bank and the customer know clearly the purpose of the deposit. The main subjects of this form are people with low but stable income who plan to spend in the future and have a need to purchase assets of great value but their savings in the short term cannot meet that demand. can respond.

In addition to considering introducing new forms of mobilization for business, raising capital through the issuance of valuable papers (such as promissory notes and bonds) also needs attention.

Implement attractive flexible interest rate policy

Currently, for MB Thanh Xuan, the determination of this interest rate needs to comply with the principle: Raise interest rates for medium and long-term deposits, and lower interest rates for demand or short-term deposits to ensure ensure that the average interest rate does not increase for all mobilized capital. Raising medium and long-term interest rates must be within the price frame and must be competitive. Banks can rely on the promissory note and bond interest rate frames of large banks to offer attractive and profitable interest rates. competition.

In addition, to implement flexible interest rates, it is also necessary to expand forms of interest payment. In addition to applying the form of interest payment in advance, interest payment later, and monthly interest payment, MB Thanh Xuan can apply the form of progressive interest rate according to the amount of deposit. With the same term, banks can change interest rates for large amounts of money. With such a sensitive interest rate policy, banks can attract large amounts of money.

In the coming years, as banking services develop and payment through banks is modernized, the bank will move toward not paying interest on demand deposit accounts like foreign banks. did now.

Diversify capital mobilization methods:

Currently, at the bank's headquarters there is 1 ATM and 2 machines located in other developed locations in the area while there are almost no transaction offices. Therefore, we will equip more ATMs at all branches and promote the application of information technology, information technology - electronics in banking service activities. In particular, strongly develop non-cash payment services through banks to ensure the best response to liquidity needs with many utilities, high convenience, increased payment speed and convenient procedures. This will be the basis for developing capital mobilization activities, growing and expanding people's deposit sources.

Consulting services: When customers come to the bank, not everyone has a clear understanding of the products and services that the bank can provide. The tellers can help and guide customers to choose for them. We offer the most suitable form for customers to deposit or invest.

Preservation service: Is the bank's confirmation of its responsibility to keep the customer's assets according to the customer's request and ensure safety and confidentiality. Banks rent safes so customers can keep their assets safe at the bank. By performing this service, on the one hand, the bank earns service fees, on the other hand, it exploits information to mobilize customers, placing customers in front of the choice between assets such as gold, silver, foreign currency or depositing money. to get profit.

Providing insurance collection and payment services for a number of property insurance, life insurance... Opportunities to develop new services of Vietnamese banks in general and Joint Stock Commercial Banks The Military part in particular is very large thanks to the expansion of the scope of operations for commercial banks, thanks to the establishment and gradual improvement of the stock market and exchange market.... Therefore, MB needs quickly research and prepare the necessary conditions for application to provide the market with diverse products and services.

Build a reasonable customer strategy:

Step 1: Strengthen market research and marketing: To conduct research, this department must approach and survey the market. With a network of branches and transaction offices, information is reported daily to the bank for departments to analyze the situation. Because the socio-economic situation has a profound impact on the production and business of businesses, households and the population that are MB Thanh Xuan's customers, studying the socio-economic situation and developments Market variables are extremely important in determining the scale, structure, term and deposit interest rate for each branch, and at the same time forecasting the future and development trends of the market and customers.

Step 2: Build a customer strategy to meet the diverse needs of depositors: Customers deposit money into banks for many reasons, including the basic reasons of ensuring asset safety, increasing value equal to interest while there is no other need and comply with regulations in transactions with banks including future loan needs. To choose the form, quantity and term of deposit, customers consider through

researching policies, information on capital mobilization or the ability and quality of services that the bank will provide. Therefore, based on the collected data, the capital department researches each target group or customer about their motivations, habits, business activities, and consumption habits to best meet their requirements. bridge.

Regularly train and improve the quality of staff

The Bank will regularly test employee qualifications to conduct the following 3 forms of training:

Advanced training: To supplement market knowledge, scientific - socio-economic fields, research methods, financial analysis of projects, business activities of a number of related economic sectors from That raises awareness to be able to plan business strategies for each period, and at the same time have the ability to advise customers.

In-depth training in technology and banking operations: So that each officer can specialize in different professions and operational techniques. Staff are trained on the service delivery business process and its relationship with other operations.

Equipping members with Marketing knowledge and theory, creating conditions for them to become links in information collection and timely information processing to contribute to meeting customer needs and improving skills Communicating, propagating banking products, and applying this knowledge to the market is extremely important, especially the market for individual individuals because the motivations of these customers are very diverse. Therefore, we must analyze the factors that influence customers and the characteristics of their decision-making to purchase bank products and services, from which we have an effective approach and persuasion method.

5. Conclusion

A bank's capital mobilization policies are specific tools, methods, methods and programs to attract the attention of individuals and organizations and thereby deposit money into the bank. Each bank has its own capital mobilization policy depending on the needs and purposes of business operations. However, banks cannot always comply with the requirements, because banking activities also depend on the "health" of the economy and any fluctuations in the situation. Socio-economic... Therefore, capital mobilization policies are also regularly adjusted by commercial banks to suit each period. To perform well in capital mobilization in the current context of fierce competition, MB Thanh Xuan needs to focus on specific limitations such as the effectiveness of capital mobilization strategies and diversifying forms. Capital mobilization, the effectiveness of marketing strategies and enhancing professional training for banking ministries.

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