

# Unsolved Problem in Human Resources Qualities of Vietnamese Banking Industry in Integration

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**Abstract:** Economic integration become the inevitable trend of all countries around the world brings not only opportunities but also challenges for all aspects of society, especially the banking sector. Meanwhile, workforce in Vietnamese banking sector has been not only insufficient but also leftovers, which creates unsolvable problems for unemployment in the current period and for the competitiveness of the sector in near future. After conducting research in many different aspects, this paper finds out the main reasons why banker resources have not met the requirements of society, which can be summarized as follows: management methods of State agencies have only been implemented for form's sake and their development planning is not appropriate for economic environment; most of training facilities focus on scale rather than the quality; the way of doing business of some banks creates a lot of potential risk but they have no appropriate management mechanism; and students majoring in banking sector have negligent learning attitude and deviant thinking of their career in future.

**Key words:** banker resources, economic integration, AEC, moral hazard, bank training

**JEL codes:** A220

## 1. Introduction

Economic integration have created not only many opportunities but also challenges for businesses; particularly, the challenges of risk management, increasing productivity, etc. Therefore, the banking system, which is essentially the lifeblood of the economy, is not out of the way. However, in recent years, the Vietnamese banking system has faced many difficulties, such as: high bad debt ratio making the State Bank restructure the entire banking system, and many serious cases caused by bankers like false records, forge signatures... happened to trick customers or bank itself out of billions Vietnam dong.

“Talent is the life-sustaining element of the nation” so how is the quality of the banking sector that led to situations mentioned above? Are the current curricula and teaching styles at universities, professional training centers and banks appropriate for training human resources in order to meet the requirements of the integration phase? By analyzing the current state of banking human resources from various perspectives, the paper will in turn address these questions. Then, based on the results achieved, some solutions and recommendations will be boldly proposed.

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## 2. Overview of Banking Human Resources in Current Period

According to the master plan on the development of human resources in banking sector during 2011-2020 dated February 9, 2012 by the Governor of the Vietnamese State Bank: By 2020, the total workforce in banking industry is about 300 thousand people; the percentage of trained workers is about 87% (in which: middle level is about 13%, college and university level is about 83% and postgraduate level is about 4%); the percentage of human resources who will be trained to increase the level and skill in the total trained workforce of the banking sector is about 5%-10% in the period 2016-2020. This plan shows that the State Bank pays much attention to banking human resources training in the coming time. In addition, this master plan is in line with the International Labor Organization forecasts and other employment organizations.

However, according to survey data collection of Hay Group and Institute of Manpower-Banking & Finance, the number of graduated banking-finance students are increasing: About 29,000 in 2012, 32,000 in 2013 and 61,000 in 2016, but only about 15,000 to 20,000 people were employed by banks. In fact, human resourced in the banking industry has been both surplus and shortage. Specifically, while the number of tellers and sales specialists in this industry is huge, the contingent of experts, middle and senior managers are very rare. Meanwhile, Vietnam's banking and finance sector has not kept pace with developments in the world as there is a lack of international expertise, especially practical skills, which is one of the great challenges in training and improving the quality of human resources in finance and banking.

### 2.1 Bankers — Who Are They?

According to statistics of the Vietnamese State Bank: By the end of 2010, the total number of people in banking industry was 175,247. Their training level's percentage is shown in Table 1.

**Table 1 Level of Human Resources Training in Banking Sector in 2010**

Level	Summary		Banking sector		Others	
	No. of people	Percentage	No. of people	Percentage	No. of people	Percentage
Not yet trained	23,053	13.15	-	-	-	-
Intermediate	19,553	11.16	1,106	4.05	12,447	7.1
College	13,205	7.54	5,470	3.12	7,735	4.41
University	114,006	65.05	53,735	30.66	60,271	34.39
Postgraduate	5,433	3.1	2,364	1.35	3,069	1.75

Source: Plan on the development of human resources in banking sector 2011-2020 period.

The data in Table 1 shows that most of bank employees were trained (accounting for 86.85%), in which 68.15% are college educated or higher. However, the rate of bank employees whose majors are from sectors except banking were higher at all levels of education, which implies that banking sector is very competitive, not only with the people in the same sector but also in others. The reason is the expertise, skills and experience which are required for bankers are nearly the same for business people. Therefore, graduated students whose majors are finance, accounting, business administration, marketing, etc. can possibly apply to a bank position. This fact is not only true in Vietnam, but also in other countries around the world (Morris and Vines, 2014).

### 2.2 Current Situation of Training Finance-Banking in Universities

Currently, there are about 265 universities, colleges and institutes in Vietnam, of which 163 organizations training finance and banking (accounting for 61.5%). Moreover, while the 2016 benchmark for finance and

banking sector was relatively high for some prestigious universities which was from 17 points to 26 points<sup>1</sup>; the benchmark of other 55 universities and colleges was just around the minimum requirement point (exactly 15 points). These facts illustrate that the quality of banking and finance students is very diverse. In addition, many training organizations just focus on quantity instead of quality. Specifically, class sizes are too large (sometimes up to hundreds of students per class) while facilities, teaching equipment, or even lecturers... are not commensurate, or even not meet the rules set by the ministry of education; soft skills have not been emphasized; curricula are heavily theoretic academic and not updated to the economic developments. Besides, graduate internship which is the rare opportunity for students to be confronted with reality is not really effective.

Last but not least, many students have misconception that knowledge from classrooms is not useful at workplaces. Therefore, their purpose when participating in training organizations is obtaining necessary degrees for job search process. This misunderstanding makes students neither focus on improving their knowledge nor practice the necessary skills during their four years of schooling. That is the main reason why the amount of necessary knowledge, experience and skills (especially the self-learning skill) that graduated students accumulate are not significant. Meanwhile, the economy is constantly changing, if employees cannot update knowledge by themselves, sooner or later they will be eliminated.

All the factors concerned above make the students' output quality meet neither the quality commitment of training organizations nor requirements of employers.

### **2.3 Business Ethics in Banking**

According to Edelman (2013), finance is the most unreliable sector in the world (quoted by Morris and Vines, 2014). At the same time, a series of cases involving credit officers, branch leaders and even senior executives of some banks took banks' money then escaped, or illegally appropriated the client's property... have been exposed. These instances have prompted the society to question the ethics of bankers. Thereby, moral hazard is one of the risks that need careful attention and supervision. There are various reasons: (1) Ethical issues in banking sector are often unclear and only recognizable after careful scrutiny (Morris & Vines, 2014); (2) The risk of moral hazard in banking sector is higher than in some other industries, as some parts of the bank directly contact with money or high value assets; (3) Bank business is based on trust, once the people no longer believe in the bank (possibly due to the moral hazard that some bankers cause), the bank cannot continue to operate.

However, some of the moral risks arise from the way banks operates. Typically, some banks assign credit targets and raising capital targets for each employee, employees who fail to meet these targets will be cut salary and awards... This banks' policy inadvertently forces their credit bankers to illegally cooperate with businesses, creating false records or cooking data to give businesses loans in order to meet their targets. Other illustration is that some banks do not provide medium and long-term credit to working capital loans, which is totally wrong because part of the working capital is always used in the business and the granting unreasonable credit terms make it difficult for banks to control customers' cash flow. In addition, when the loans are due, the enterprises must temporarily borrow money outside while waiting for the bank to re-approve their loans, which can lead bankers to connect with external loan-sharks and prolong the approval process, or even refuse to re-lend, making

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<sup>1</sup> The list of prestigious schools is excerpted from the "Master Plan on the development of human resources in banking sector 2011-2020 period" and the 2016 benchmark is compiled from <http://diemthi.tuyensinh247.com>. Specifically, Foreign Trade University in the North and South Vietnam (from 24 to 26 points), National Economics University (24 points), University of Economics and Law (from 22.25 to 23.25 points), Banking Academy (21.36 points), University of Economics Ho Chi Minh City (21 points), Banking University of Ho Chi Minh City (20 points), Academy of Finance (from 17 to 19 points) and Danang University of Economics (18 points).

disadvantages for both enterprises and banks.

### 3. Impact of Integration on Banking Human Resources

Banks around the world are facing various difficulties and risks. Typically, to foster economic growth, the Bank of Japan will continue to maintain low interest rates, even below zero, which severely affects net interest income of Japanese commercial banks. In addition, the future of the European and United States banking system remains unclear due to the British withdrawal from the European Union and the unforeseeable policies of the new elected United States president. Moreover, banks in many developing countries (including Vietnam) are facing difficulties in dealing with bad debts leading to slowdown in credit growth. Due to different operational conditions, the return on equity (ROE) of banks around the world is quite large difference. Specifically, in 2015, ROE in developed countries only ranged from 4.4% to 10%, which was much lower than developing countries (from 11.4% to 22.6%) (Table 2).

**Table 2 ROE by Region 2015 (Percent - %)**

Developed		Emerging		Developed		Emerging	
North America	9.6	China	16.1	Japan	6.5	Latin America	22.6
Western Europe	4.4	Emerging Asia	12.5	Other developed	10.0	EEMEA	11.4

Nguồn: Bloomberg, Compustat, Datastream, OECD, SNL, ThomsonReuters, McKinsey Panorama – Global Banking Pools

Different ROE makes the banking sector in developing countries become a potential market for developed countries to expand their operations, which is not only improving profitability but also spreading the risk system. This implies a fiercer competition in Vietnamese banking sector.

Moreover, the progressive development of Financial Technology Companies (Fintech)<sup>2</sup> in recent time has also created new challenges for banking sector. If banks do not upgrade technology in order to improve their service delivery channels in the direction of more modern and more convenient for customers, Fintech companies, especially foreign ones, will gain market share of domestic banks in near future.

In addition, accounting has become one of the eight career in which labors can move perfectly freely around 10 Asean countries<sup>3</sup> due to commitments in the AEC Blueprint<sup>4</sup>. Free movement of Asean labors has been a challenge not only for accounting career, but also for banking human resources. There are a variety of reasons: (1) People whose majors in accounting can take most positions in banks, which is illustrated in section 2.1; (2) The demand for skilled labors in Asean countries will increase, requiring more appropriate education and training policies; (3) Recognition of labor skills from different countries has been becoming an extremely difficult issue; (4) The economic level as well as risk management, development planning of Vietnam... compared with most of Asean countries still far behind, making it hard for Vietnamese workers to be accepted by others while foreign workers may easily find a job in Vietnam, which implies the high possibility of losing jobs or just doing low-value jobs in our own home.

<sup>2</sup> Fintech takes advantage of technological innovation in the financial sector in order to provide intermediation services which are provided by traditional banks (namely: payment, lending, data collection and even asset management), but in a more convenient and faster ways.

<sup>3</sup> 10 Asean countries are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

<sup>4</sup> The AEC (Asean Economic Community) is the realization of the region's end goal of economic integration. Once AEC is realized, ASEAN will be characterized by free movement of goods, services, and investments as well as freer flow of capital and skills. AEC came into effect at the end of 2015.

Besides, education field where banking human resources are trained will face many challenges. Specifically, these training institutions will have to raise the standard of output, change the curricula and teaching methods to provide learners with the necessary knowledge, skills and qualifications in order to compete in the area. The link between domestic and foreign training institutions as well as online learning are increasing, which is an opportunity for our country to learn how to teach, how to study and update knowledge quickly without spending a lot of money as study abroad. This modern trend also increases competitive pressure and requires lecturers to improve their professional competence, enhance their foreign language skills, inspire students to learn harder and set a good example for their students to follow... Lecturers or training institutions that do not meet the above requirements will soon be eliminated.

#### **4. Recommendations and Solutions to Improve the Quality of Banking Human Resources**

##### **4.1 Training Institutions**

- Training institutions should hold face-to-face meetings with experts or with successful graduated students to impart experiences, share opportunities and challenges in the current period, which help students orient their career, feel proud and love the way they have chosen. Therefore, students will try their best to study and achieve better results;
- In order for the training programs to meet the social requirements and workers' qualifications be easily accepted by the Asean countries, domestic training institutions should actively cooperate with abroad ones; especially with prestigious institutions in Singapore;
- Integration will create favorable conditions for joint programs and prestigious universities in the world to enter Vietnam, which requires domestic training institutions to change their strategies, paying more attention to quality rather than quantity. Besides, in order to improve level of foreign language for students, some subjects should be taught in English to help students become aware of the importance of language earlier and will strive to learn for meeting a small part of quality in the integration phase.

##### **4.2 Business Organizations**

- Employers, especially banks, should actively cooperate with universities, exchange what they need and help training institutions tailor their curricula in order to meet practical requirements. Cooperation of employers and training organizations will help employers recruit loyal human resources who meet the needs of their organizations;
- Employers should organize training sessions to review or update their staff knowledge. Those sessions should be integrated with some recreational activities (such as: small games, contests...) to help employees instill organizational culture, nurture enthusiasm for their own jobs and their workplaces, which will increase labor productivity and reduce moral hazard. In addition, the business targets set by the organizations should be appropriate to labor capacity and organizations have reasonable control mechanisms to limit risks;
- Organizations, especially banks, should invest in modern technological innovation and diversify their service delivery channels, such as: mobile, tablet, Internet, etc. If it is difficult for the banks to do it by themselves, banks can actively cooperate, capitalize, outsource, or even acquire Fintech companies to rapidly improve their technology and take advantage of these companies' strengths.

#### 4.3 The Vietnamese Government

- It is necessary for the Government to examine all banking and financial training institutions and only authorize qualified ones to recruit new students in order to ensure the quality of training, which avoid the situation that most graduates are unemployed or have to work in completely different industries;
- Government should also invest and equip additional support systems for learning and teaching in public training institutions, especially simulated banking, core-banking software, virtual stock market, etc.
- Raise salaries for lecturers working in public universities as the current salary which ranges from about 3 to 5 million Vietnam dong is too low compared with other private training institutions. This payment cannot attract or keep talented people, so it is impossible to create a competitive educational environment in public training institutions.

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