

**HO CHI MINH NATIONAL ACADEMY OF POLITICS**



**HOANG NGOC PHUONG**

**FACTORS AFFECTING THE COMPETITIVENESS IN  
RETAIL BANKING SERVICES OF VIETNAM JOINT STOCK  
COMMERCIAL BANK FOR INDUSTRY AND TRADE**

**Major: ECONOMIC MANAGEMENT**

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**SUMMARY OF DOCTORAL THESIS**

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- National Library of Vietnam**
- Ho Chi Minh National Academy of Politics**

## PREFACE

### 1. Rationale

Retail banking services is a core activity and the current development trend of the banks in Vietnam and around the world. In the context of integration and the increasing competition in retail services among banks and financial technology companies (Fintech), for banks to withstand and develop, must improve their competitiveness, especially in the retail banking segment. In previous studies, theories that serve as the basis for determining factors that constitute the competitiveness of banks in general and retail banking services in particular have different approaches and perspectives; similarly, study models on factors affecting the competitiveness in retail banking services are also significantly diverse, each model could also result in different answers when tested in practice. Therefore, continuously studying factors affecting the competitiveness in retail banking services is remains meaningful in theory and in practice.

In Vietnam, VietinBank is one of the state-owned banks to be considered as a systematically important bank in the entire commercial banking system; However, VietinBank's business is currently facing intense competition from other commercial banks in the market, while VietinBank has several advantages in size of operation as well as leading banking network, the bank's profitability rate growth (ROA, ROE) of the retail segment together with the usage rate of retail banking services is currently lower and falling behind other banks, namely VCB, MB, VPB, TCB,.... Therefore, it is critical to study factors affecting the competitiveness of Vietnam Joint Stock Commercial Bank for Industry and Trade in retail banking services.

Stemming from the urgency of developing a theoretical basis, study model and awareness regarding the importance of retail banking segment of commercial banks in general and VietinBank in particular as well as finding appropriate solutions to improve the competitiveness in the retail segment for commercial banks, the PhD student chose to study the topic "*Factors affecting the competitiveness in retail banking services at Vietnam Joint Stock Commercial Bank for Industry and Trade*".

## **2. Research objectives and topics**

### ***2.1. Research objectives:***

Through analyzing factors affecting the competitiveness of VietinBank's retail banking services, the thesis provides suggestions and recommendations to improve the competitiveness in retail banking services for the commercial banks in general and VietinBank in particular.

### ***2.2. Research topics:***

- Overview of domestic and foreign studies on constituents affecting the competitiveness in enterprises and banks, factors affecting competitiveness in retail banking services, thereby finding the gaps; Study the theoretical basis and assessment methods of factors affecting the competitiveness in retail banking services; Build and identify the indicators representing the competitiveness in retail banking services.

- Assess the current state of the competitiveness of VietinBank's retail banking services through secondary data from 2018 to 2022; collect primary data through survey; collect information to assess the importance of factors affecting the competitiveness in retail banking services; evaluate the current state of factors affecting the competitiveness in retail banking services and analyze the impact of factors affecting the competitiveness in retail banking services .

- Develop solutions and provide recommendations for state agencies to improve VietinBank's competitiveness in retail banking services and commercial banks in general in Vietnam in the period of 2024 - 2030.

## **3. Research object and scope**

### ***3.1. Research object***

The research object of the thesis is the factors affecting VietinBank's competitiveness in retail banking services.

### ***3.2. Research scope***

The research scope encompasses content, geographical location and time period:

- For the scope of content: (i) The thesis focuses on analyzing and evaluating retail banking services which serve individual customers, including: fund mobilization, retail credit and other services such as: checking account, payments between individuals-to-individual and individual-to-organization, bill

payments, bank transfers, credit card services, remittance, cash collections and payments, financial advisory, securities investment advisory, insurance services, asset management and investment trust, valuable papers discounting, and other retail activities; (ii) There are several factors affecting the competitiveness in retail banking services, however, the thesis focuses on in-depth analysis of the following group of factors: ability to diversify the products, service quality, banking distribution network, brand reputation, financial capacity, marketing capacity, technology capacity, risk management ability, corporate culture, corporate social responsibility, response to competitors and response to the business environment;

- For the scope of geographical location: The thesis studies the current state of VietinBank's competitiveness in retail banking services, including VietinBank branches situated in 18 provinces and municipalities;

- For the scope of time period: The thesis analyzes the current state of VietinBank's competitiveness in retail banking services through secondary data collected in the last 5 years (2018-2022); While primary data for the thesis was collected in 2023. Thus, the solutions and recommendations will be applied for the period of 2024 - 2030.

#### **4. New contributions of the thesis**

- Theoretical contribution: By combining existing theories, studies, the thesis has been screened, supplemented with expert interviews that enables the development of a synthetic model by integrating analysis of various deciding factors relating to the competitiveness in retail banking services in the case of VietinBank and carry implications for other commercial banks in Vietnam. The thesis identifies factors that affect the competitiveness of retail banking services in the case of VietinBank, including: brand reputation, financial capacity, service quality, ability to diversify products, technology capacity and marketing capacity.

- Methodological contribution: the thesis uses both qualitative and quantitative research to propose a new study model to further analyze and evaluate factors affecting the competitiveness in retail banking services.

- Data contribution: the thesis uses both primary and secondary data to evaluate the factors affecting the competitiveness of VietinBank's retail banking

services. In particular, the primary data comprises 3211 observations collected from 24 branches of VietinBank in 18 different provinces.

- Practical contribution: The thesis evaluates the current state of the competitiveness in retail banking services of VietinBank from 2018-2022 through annual financial statements of VietinBank and other commercial bank as secondary data, whereas the primary data is collected from a survey of VietinBank bank employees in 18 distinct provinces/cities across the country and in-depth interviews with a number of experts working in the field of banking and banking management, from which to provide the solutions to improve the competitiveness in retail services of VietinBank in particular and of commercial banks in general in Vietnam.

## **5. Structure of the thesis**

Besides preface, conclusion, list of tables, references and appendices, the thesis content includes 5 chapters:

Chapter 1: Research overview on the competitiveness and factors affecting the competitiveness in retail banking services

Chapter 2: Theoretical basis for factors affecting the competitiveness in retail banking services

Chapter 3: Research methods to evaluate factors affecting the competitiveness in retail banking services

Chapter 4: Current state of competitiveness and factors affecting the competitiveness in retail banking services at Vietnam Joint Stock Commercial Bank for Industry and Trade

Chapter 5: Solutions to improve the competitiveness in retail banking services at Vietnam Joint Stock Commercial Bank for Industry and Trade.

# CHAPTER 1

## RESEARCH OVERVIEW ON COMPETITIVENESS AND FACTORS AFFECTING THE COMPETITIVENESS IN RETAIL BANKING SERVICES

### **1.1. Research papers on the competitiveness of banks and retail banking services**

Research papers on the competitiveness emphasizes that the ability to create competitive advantages in terms of productivity and superior quality compared to other competitors which demonstrates the competitiveness of the enterprise, helping the enterprise increase its market share, bringing higher income to the employees and shareholders, contributing to the development of the business.

Many diverse perspectives on what constitutes a bank's competitiveness have been presented in studies and concepts. The most evident and comprehensible indicators of a bank's superior competitiveness over others are its revenue, performance, profitability. The evaluation of a commercial bank's competitiveness may also be predicated on its competitive advantage and the capacity to sustain that advantage or its market share. Thus, a bank's performance or market share are factors that can constitute the competitiveness of a commercial bank.

Regarding the concept of retail banking services, contemporary research has introduced a wide range of definitions and conceptions, however, in general, the majority have agreed that: *All of the services that a commercial bank offers to its customers who are individuals or households in the economy are categorized as retail banking services.*

### **1.2. Research studies on factors affecting the competitiveness of commercial banks and the competitiveness in retail banking services**

In general, research studies on factors affecting the competitiveness of banks in general and the competitiveness in retail banking services in particular indicate to the main groupings of contributing factors which include: *human resources, ability to diversify products, capacity to ensure the service quality, distribution network, brand reputation, financial capacity, marketing capacity, technology capacity, risk management ability, corporate culture and corporate social responsibility.*

### **1.3. Assessment of previous studies and study gaps**

Numerous and in-depth research on the factors influencing retail banking services' competitiveness has been conducted; Many studies had presented contents adhering to practice and specific banks. The research has essentially demonstrated significant contributing factors such: human resources, technology, service quality, financial capacity, etc. are factors that have a clear impact on the operation and business performance of commercial banks in the current context.

#### **Study gaps:**

- Regarding the theoretical basis and study model, most previous research studies focused on internal factors affecting the competitiveness of banks without mentioning external macro environmental factors as well as the bank's response to external factors.

- Regarding the scope of research, the previous research studies in Vietnam, if analyzing the factors affecting the competitiveness in retail banking services, only focused on investigating, surveying and collecting the analysis data mainly from few large cities in Vietnam.

- In practice, few research studies evaluate the current state of competitiveness of Vietnam Joint Stock Commercial Bank for Industry and Trade based on both primary and secondary data.

#### **Thus, the thesis set forth the following research questions:**

(i) What is the current state of banks' competitiveness in retail banking services at VietinBank in the period of 2018 - 2022?

(ii) What are the critical factors affecting VietinBank's competitiveness in retail banking services?

(iii) What is the current state of factors affecting VietinBank's competitiveness in retail banking services?

(iv) What actions need to be done to improve the competitiveness in retail banking services of commercial banks in general and VietinBank in particular?



## CHAPTER 2

### THEORETICAL BASIS FOR FACTORS AFFECTING THE COMPETITIVENESS IN RETAIL BANKING SERVICES

#### **2.1. Retail banking services and competitiveness in retail banking services**

##### ***2.1.1. Retail banking services***

*Concept of retail banking services:* From analyzing and synthesizing existing research studies, this research determines that retail banking services includes all services that a commercial bank provides to its customers who are individuals or households in the economy.

*Role of retail banking services:* Retail banking services are crucial to the banks, customers and the economy.

*Characteristics of retail banking services:* large number of customers, diverse products, large transactions volume with small transaction value, widespread distribution network, and modern technical infrastructure required, having risks described as timely, highly standardized with high level of dispersion.

*Fundamental retail banking services:* (1) Attracts funding from retail customers, (2) Retail credit, (3) Payment services, (4) Cross-selling products, (5) Electronic banking services, (6) Card services, (7) ATM services, (8) EDC/POS and a number of other retail services such as financial advisory, foreign exchange, financial management...

##### ***2.1.2. Competitiveness in retail banking services***

*Concept of competitiveness of banks:* Based on the synthesis of different views and approaches, this thesis conceives: commercial bank's competitiveness is understood as the ability of the bank to hold, use and maintain resource advantages in market conditions to achieve their sustainable development goals. Specifically, according to the definition of commercial bank's competitiveness, *the factors that constructs a bank's competitiveness* are: (i) market position, market share and business performance; (ii) resources and adaptability under competitive environment and (iii) customer satisfaction when using the services.

*Concept of competitiveness in retail banking services:* competitiveness in retail banking services is the increase in quantity and quality of retail banking

services, which are reflected in the market share, quantity of services provided, operational network and product utility; Customer satisfaction and the constant increase in number of customers acknowledging and using retail banking services.

## **2.2. Criteria for evaluating competitiveness and factors affecting the competitiveness in retail banking services**

### ***2.2.1. Analysis models of competitiveness and factors affecting competitiveness***

In the thesis, a number of models used and analyzed by the PhD student including (1) Value Disciplines Model of Treacy and Wiersema (1997); (2) Composite index model; (3) Porter's five forces model (1985); (4) SWOT model; (5) 7P Mix Marketing Model; (6) Competitive Profile Matrix model.

### ***2.2.2. Criteria for evaluating the competitiveness in retail banking services***

*Financial criteria:* (1) Increase in the scale of services provided; (2) Increase in operating market share; (3) Profit growth rate; (4) Increasing rate of retail bank loan balance; (5) Increase in retail banking mobilization scale; (6) Increase in retail banking service distribution channel system; (7) Increase in operational efficiency of retail banking services.

*Non-financial criteria:* (8) Increase in the number of new services, the level of diversification of retail banking services; (9) Growth in retail banking service quality; (10) Increasing level of convenience of retail banking services; (11) Customer satisfaction with retail banking services.

### ***2.2.3. Identifying factors affecting the competitiveness in retail banking services***

*External factors:* (1) Business environment; (2) Socio-cultural environment; (3) Science and technology environment; (4) Competitors.

*Internal factors:* (1) Human resources; (2) Ability to diversify products; (3) Capacity to ensure service quality; (4) Banking distribution network; (5) Brand reputation; (6) Financial capacity; (7) Marketing capacity; (8) Technology capacity; (9) Risk management ability; (10) Corporate culture; (11) Corporate social responsibility; (12) Customer policy.

## CHAPTER 3

### RESEARCH METHODS TO EVALUATE FACTORS AFFECTING THE COMPETITIVENESS IN RETAIL BANKING SERVICES

#### 3.1. Research process

The thesis uses qualitative and quantitative research methods combining modeling with descriptive statistics and comparative analysis to further analyze and evaluate factors affecting the competitiveness in retail banking services at VietinBank, specifically:

Step 1: PhD student studies and synthesizes the theories and factors affecting competitiveness. From there, finding new factors and new study models.

Step 2: PhD student develops a questionnaire and preliminary measurement scale; consults experts through interviews

Step 3: PhD student conducts a preliminary quantification (sample of 100 survey forms), thereby completing the measurement scale and set of questions before conducting the official survey.

Step 4: PhD student implements official quantitative study (survey of 3,454 employees using VietinBank's retail banking services in the North, Central, and South of Vietnam)

Step 5: PhD student tests the model, identifies factors affecting the competitiveness in VietinBank's retail banking services and proposes the solutions.

**Analytical framework of the thesis:** The thesis identifies and classifies factors affecting the competitiveness of VietinBank's retail banking services into three groups: (1)- Group of theoretical factors: All impact factors, including internal and external factors, are identified through a systematic review of existing theories, studies; (2)- Group of fundamental factors: are internal factors that are screened, supplemented from the overall group of impact factors through comprehensive review and in-depth interviews with the experts and executives. These are the factors chosen to include in the analytical model for the specific case of VietinBank; (3) - Group of decisive factors: are statistically significant factors in the econometric model. This group contains a set of factors that both show distinctive characteristics of VietinBank and carry implications for the commercial banking system in general as such factors are determined based on testing and systematization of survey data.

### **3.2. Methods to determine the constituent elements and factors affecting the competitiveness in retail banking services**

Based on the synthesis from the research overview, PhD student conducts in-depth interviews with branch directors at VietinBank and executives from the State Bank of Vietnam to collect the study data, thereby synthesizing and delivering qualitative study results.

Firstly, the factors that constitute the competitiveness in retail banking services include: (1) A bank's high ranking when compared to other banks in the market; (2) Desired profit achievement; (3) Increase in market share; (4) Regular improvement regarding business performance of retail services; (5) Success in achieving customer satisfaction;

Secondly, the factors affecting the competitiveness in retail banking services include 12 factors: (1) Ability to diversify products; (2) Capacity to ensure service quality; (3) Distribution network; (4) Brand reputation; (5) Financial capacity; (6) Marketing capacity; (7) Technology capacity; (8) Risk management ability; (9) Corporate culture; (10) Social responsibility; (11) Response to competitors and (12) Response to the business environment; in which the first 10 factors are agreed by experts to have an impact on the competitiveness in retail banking services, the following two factors (No. 11, 12) are proposed by the experts to be added on, and an indicator for the Response to business environment factor also needs to be complemented

Most experts view the survey factors as important to the competitiveness in retail banking services, of which 8 factors include (1) Ability to ensure service quality, (2) Technology capacity, (3) Financial capacity, (4) Marketing capacity, (5) Ability to diversify products, (6) Brand reputation, (7) Risk management ability and (8) Corporate culture are rated as important by over 70% of experts.

### **3.3. Quantitative research**

#### ***Proposed study model:***

$$NLCT = a_1 * SP + a_2 * CLDV + a_3 * PP + a_4 * TH + a_5 * TC + a_6 * XT + a_7 * CN + a_8 * QTRR + a_9 * VHDN + a_{10} * TNXH + a_{11} * CT + a_{12} * MT + \beta$$

#### ***Study hypotheses:***

- H1: Ability to diversify products has a positive relationship with the competitiveness in retail banking services (NLCT).

- H2: Ability to ensure service quality (CLDV) has a positive relationship with the competitiveness in retail banking services (NLCT)
- H3: Distribution network (PP) has a positive relationship with the competitiveness in retail banking services (NLCT)
- H4: Brand reputation (TH) has a positive relationship with the competitiveness in retail banking services (NLCT)
- H5: Financial capacity (TC) has a positive relationship with the competitiveness in retail banking services (NLCT)
- H6: Marketing capacity (XT) has a positive relationship with the competitiveness in retail banking services (NLCT)
- H7: Technology capacity (CN) has a positive relationship with the competitiveness in retail banking services (NLCT)
- H8: Risk management ability has a positive relationship with the competitiveness in retail banking services (NLCT)
- H9: Corporate culture (VHDN) has a positive relationship with the competitiveness in retail banking services (NLCT)
- H10: Social responsibility has a positive relationship with the competitiveness in retail banking services (NLCT)
- H11: Response to competitors (CT) has a positive relationship with the competitiveness in retail banking services (NLCT).
- H12: Response to business environment (MT) has a positive relationship with the competitiveness in retail banking services (NLCT).

***Study sample size:*** According to Hair et al. (1998): the minimum sample size of this study is  $62 \times 5 + 50 = 360$ ; According to Janssens et al. (2008): the minimum sample size of this study is 385. The number of samples in this study is 3454, equivalent to 3454 forms issued/received.

***Survey subjects, data collection and processing methods:*** Survey subjects are VietinBank employees. The investigation process was carried out in 18 provinces and cities representing the North, Central and South, including: Bac Giang, Hung Yen, Vinh Phuc, Thai Binh, Nam Dinh, Hanoi, Quang Ninh, Thanh Hoa, Gia Lai, Lam Dong, Hue, Quang Binh, Da Nang, Phu Yen, Khanh Hoa, Dong Thap, Soc Trang and Ho Chi Minh City. The actual number of forms issued/received is 3454 forms, the number of valid forms is 3211 forms, and the

number of invalid forms was 243 forms. Collected data was processed using Excel software and hypotheses tested using SPSS and AMOS software.

### **3.4. Preparation and development of measurement scales**

The PhD student has built and developed a scale for one factor as the dependent variable and 12 factors as the independent variables. Employee responses are measured following a 5-point Likert scale questionnaire, specifically: Strongly disagree =1; Disagree=2; No comment =3; Agree =4 and Strongly Agree =5. Specific measuring scales are as follow:

(1) Diversification capacity of retail banking services rating scale. Source: According to OECD and Eurostat (2005) and Nguyen Chi Long (2021)

(2) Ability to ensure retail banking service quality rating scale. Source: Parasuraman et al. (1988); Tazreen (2012).

(3) Retail banking service distribution network rating scale. Source: Thrassou and Philip (2008); Luu Thi Thuy Duong and Nguyen Hoang Long (2019).

(4) Brand reputation of retail banking services rating scale. Source: Hernandez-Fernandez and Lewis (2019), Pham Viet Hung et al. (2017).

(5) Financial capacity of retail banking services rating scale. Source: Padachi and Howorth (2012).

(6) Marketing capacity of retail banking services rating scale. Source: Turki (2017) and Phung Thi Thuy (2012).

(7) Technology capacity of retail banking services rating scale. Source: Karatepea et al. (2005).

(8) Risk management ability in retail banking services rating scale. Source: Dellana et al. (2021).

(9) Banking corporate culture rating scale. Source: Carmeli and Tishler (2004).

(10) Bank's corporate social responsibility rating scale. Source: Amezaga et al. (2017), Pham Viet Hung et al. (2017).

(11) Scale for measuring the development of response to competitors. Vorhies and Harker (2000).

(12) Scale for measuring the development of response to the business environment capability. Source: expert opinion.

(13) Scale for developing a scale of the competitiveness in retail banking services. Source: Ho Xuan Tien (2020), Xia Bin et al. (2008) and Expert opinion.

**CHAPTER 4**

**CURRENT STATE OF THE COMPETITIVENESS  
AND FACTORS AFFECTING THE COMPETITIVENESS IN RETAIL  
BANKING SERVICES AT VIETNAM JOINT STOCK COMMERCIAL  
BANK FOR INDUSTRY AND TRADE (VIETINBANK)**

**4.1. Current state of competitiveness in Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank)**

*Current state of VietinBank's competitiveness through financial indicators:*

(1) *Capital capacity:* VietinBank's equity from the top position in 2018, decreased to 2nd position (2019 - 2021) and decreased to 3rd position (2022 – amounting to 108 trillion VND)

(2) *Asset size and quality:* VietinBank's total assets reached 1.8 million billion VND, ranking 4th in the entire banking system; *Loans to customers:* Reached 1,300,000 billion VND, ranked 3rd in the whole system, after Agribank and BIDV; *Capital mobilization:* Reached 1,300,000 billion VND, ranked 3rd in the whole system, behind AgriBank and BIDV; *Non-performing loan ratio:* is well-controlled (1.08%) and always kept lower than the industry average. However, it remains higher than some banks in the comparison group (BIDV, STB, TPB, ACB, TCB, VCB)

(3) *Management and Administration indicators: CIR ratio:* A bright spot of VietinBank, decreasing from 48.5% (2020) to 28.7% (2022), from the highest level to the lowest level in the entire industry;

(4) *Profitability and Performance:* ROA, ROE have grown, but are still lower than some banks (VCB, MB, TCB,...)

(5) *Liquidity: Loan-to-Deposit ratio (LDR):* decreased from 98% to 94.4%, but remains higher than some banks (VCB, AGR, MB,...)

*Current state of VietinBank's competitiveness through non-financial indicators*

(6) *Level of brand awareness:* VietinBank is in the top 5 banks with the highest level of recognition following VCB and BIDV.

(7) *Level of transaction points expansion:* VietinBank ranks 2nd in the number of transaction points in the whole banking system, after Agribank.

(8) *Level of reputation:* VietinBank is continuously in the highest ranking group in the Vietnamese market according to Moody's, S&P, and Fitch credit rating agency. According to the Fitch Ratings in 2022, VietinBank's credit rating was upgraded from "BB-" to "BB" with a positive outlook.

(9) *Increase in new services and diverse products:* VietinBank is among the banks that focus on implementing various solutions to further strengthen the bank's service quality as well as to better respond to the customers' needs: "Customer-centric" business model, Investment in technology, Regular improvement of formalities and procedures.

(10) *Customer satisfaction:* VietinBank's Net Promoter Score (NPS) measuring the willingness of customers to recommend the products to others remains moderate, ranking 10th among 10 banks according to Vietnam Retail Banking report (Cimigo, 2022).

#### 4.2. Current state of VietinBank's competitiveness in retail banking services

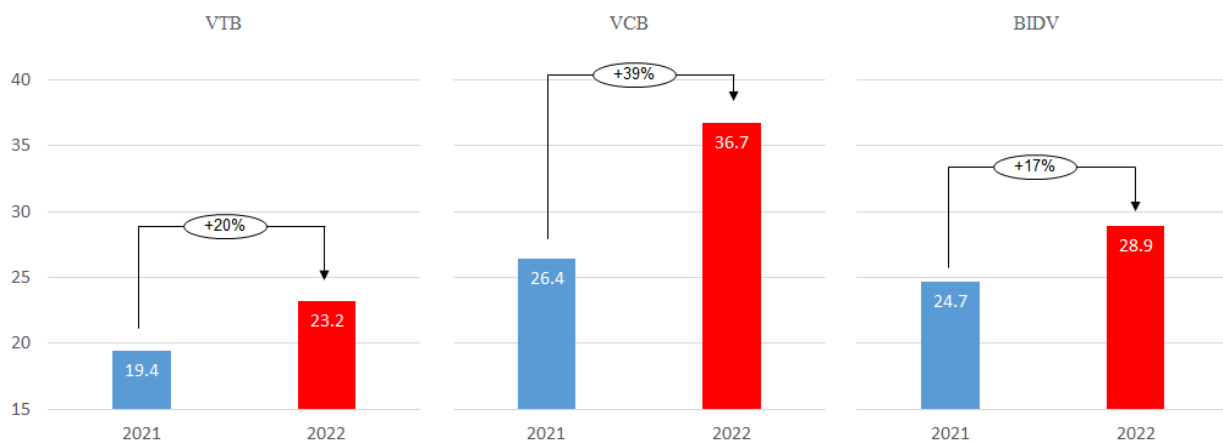
##### (1) *Expansion of core retail banking services:*

+ VietinBank's outstanding retail loan has grown over the years, amounted to 468 trillion VND as of December 31, 2022 with an average growth rate of 19%/year. Regarding outstanding loan market share: VietinBank's outstanding loan market share in 2022 reached 8.02%, an increase of 0.26% compared to that of 2018 but at a slower pace compared to other state-owned commercial banks such as VCB and BIDV.

+ VietinBank's retail capital mobilization in 2022 increased by 10% compared to that of 2021, however, it reached 621 trillion VND in absolute terms as of December 31, 2022 which was lower than other state-owned banks such as Agribank, BIDV and VCB. Regarding retail capital mobilization market share, VietinBank has witnessed an improvement in market share from 10% to 11% in 2022 following Agribank and BIDV.

##### (2) *Retail services profit growth rate:*

(unit: trillion VND)



**Figure 4.1: Profits before tax and retail risk provisioning of VietinBank, Vietcombank and BIDV in 2021, 2022**

*Source: Financial statements in 2021, 2022 of the banks*



In 2022, VietinBank's retail banking segment has recorded 23.2 trillion VND in profit before tax and retail risk provisioning, an increase of 20% compared to that of 2021, but much lower than Vietcombank (36.7 trillion VND) and BIDV (28.9 trillion VND).

(3) *Increase in new services and diverse products*: VietinBank has made many flexible changes in the development and diversification of services. The bank's digital banking products are quite diverse, however the bank's mobile application and website interface remains inconvenient and not user-friendly. Too many product offerings has caused customers to encounter many difficulties and confusion when using them for the first time, and easily be "overwhelmed" by the huge number of products, incentive programs with different terms and conditions.

(4) *Level of retail banking services utilization*: The bank has focused on digital transformation of traditional products together with delivering added value and new service channels to further innovate VietinBank's customers experience, however, the bank has not been focusing on offering bundle products to retail customers of partners having large distribution channels and customer base, which is profitable but yet to be capitalized by the bank. Increasing bundle offerings to these customers will help the bank acquire new customers, unlock business opportunities, and take full advantage of the potential profitability brought by the chains.

(5) *Customer satisfaction towards retail banking services*: Customer satisfaction (CSAT) from 2020 to 2022 shows that the customers have been increasing their satisfaction with VietinBank's retail services. However, when comparing the Net Promoter Score (NPS) among banks in 2022, VietinBank only ranked 10th out of the top 10 banks having a high NPS.

#### **4.3. Current state of factors affecting the competitiveness in retail banking services of VietinBank**

(1) *Human resources*: By the end of 2022, the average number of employee in retail credit operations reached 4,738 people, accounting for 24.54% of total employees from VietinBank branches. According to survey results of VietinBank's Human Resources Department, retail credit personnel was on the trend of ageing, in which only 50% of employees are able to fulfill their current job, and lack intention to attend further trainings or seek for promotion opportunities.

(2) *Ability to diversify retail services*: From 2018 - 2022, the number of retail banking services of VietinBank has increased from 42 to 60 products, with a strong focus on digital banking products.

(3) *Capacity to ensure service quality*: With improving service quality, VietinBank has risen to the TOP 5 position in 2022. In which: Tellers at VietinBank are highly appreciated, ranked 2/7, just behind Techcombank; Transaction space and security team are not strong points compared to other banks, only ranked 5/7 and 6/7 respectively. VietinBank has not yet built a customer journey for each retail product.

(4) *Retail distribution channel network*: VietinBank ranks 2nd in the Vietnamese market with 1,112 transaction points, just behind Agribank, which ranks first with 2,245 transaction points. Regarding number of ATMs and POS machines: VietinBank ranks 2nd in the market, equivalent to 21.0% market share, only after VietcomBank. However, in terms of modernizing sales distribution, most of VietinBank's transaction points are not equipped with multi-function ATMs with automatic cash withdrawal and deposit functions, or biometric identity verification as well as vending kiosks are yet to be available.

(5) *Brand reputation*: According to Brand Finance's report on ranking the top 500 largest bank brand value in the world in 2023, there are 12 Vietnamese banks was listed, in which VietinBank ranked 171<sup>st</sup> in the world, ranked 5<sup>th</sup> in the country in terms of brand value (after Vietcombank, Agribank, BIDV, Techcombank); According to Vietnam Retail Banking report (Cimigo, 2022), VietinBank has a brand potential index (BPI) of 31.2 points, ranking 5<sup>th</sup> out of 10 comparable banks (VCB, MB, BIDV, Agribank, TCB, Sacombank, ACB, VPBank, TPBank).

(6) *Financial capacity*: During the period of 2018 - 2022, VietinBank's CAR has always met the requirement of above 9%, similar to other state-owned banks (AGR, VCB, BIDV) and at a lower level compared to banks in the comparison group (TCB, VPB, ACB, TPB, MB, STB) due to difficulties in the capital raising process.

(7) *Marketing capacity*: VietinBank's communication activities target all regions across the country through traditional communication methods combined with digital communication channels. However, VietinBank's marketing costs for retail banking services are still kept modest, only accounting for about 20% of the bank's total costs for advertising and marketing activities and is not commensurate with the profits of the retail segment, which accounts for about 51% of the bank's total profits.

(8) *Technology capacity*: Based on the new core banking system executed since 2017, the operation digitalization has been initiated by VietinBank since 2018 by constantly applying modern technology to business activities as well as

developing dedicated digital distribution channels such as Efast for corporate customers and iPay for retail customers. However, VietinBank's IT human resources currently include 427 people, only equivalent to 27% of the IT human resources of other banks and VietinBank is struggling to retain high-skilled IT personnel.

(9) *Risk management ability*: Although VietinBank's retail banking proportion has been growing and retail customer quality is continuously improved, the non-performing loan ratio tends to decrease overtime (reaching 0.49% in 2022). However, regarding bad debt recovery process, VietinBank's bad debt recovery processing time remains relatively slow due to several barriers related to policy mechanisms. Moreover, VietinBank currently devoids of effective and automatic controlling tools to control the risk threshold of retail products across the bank.

(10) *Corporate culture*: The bank has fully standardized its corporate culture incorporating core values of customer orientation, professional dynamism, creativity, and sustainable development. However, in retail activities, cultural behavior to serve customers remains inconsistent and standardized.

(11) *Social responsibility*: VietinBank is a leading bank in charity and social security activities with a total budget for social security thus far of approximately 8,500 billion VND. However, VietinBank's loan data has shown that the Bank has not paid attention to designing specific green credit products dedicated to environmental protection and sustainable development purposes, for example: renewable energy loans, rural agricultural loans.

(12) *Response to competitors*: In order to be competitive, VietinBank has increased its investment in new products that incorporates modern technology. Moreover, VietinBank has made efforts to respond to its market rivals, but the level of flexibility and speed of response remains slow.

(13) *Response to the business environment*: VietinBank's response to changes in business environment is for short term only. The bank lacks long-term strategies as well as a group of top specialists who can derive macroeconomic projections and provide recommendations for the bank.

#### **4.4. Experimental results of factors affecting the competitiveness in retail banking services of VietinBank from a quantitative study model**

##### *Descriptive statistics of employee survey data*

*For gender*: the ratio of men and women is 35.5% and 64.5% respectively, and this is consistent with the characteristics of the banking industry.

*For age:* Among the total number of employees participating in the survey, the age group from 30 to under 40 years old accounts for the highest proportion (48.6%), followed by the age group from 20 to under 30 years old (21.7%) and age group from 40 to under 50 years old (21.2%).

*For education level:* there are 2,203 people with graduate degrees, accounting for the highest proportion (68.6%), next, the number of people with postgraduate degrees is 906 people (28.2%), finally, people with intermediate/college education or less, accounting for 3.3%.

*For monthly income:* about 80% of surveyed participants have income from 10 to 30 million VND in which 59% of the surveyed participants earn between 10 and less than 20 million VND/month, , whereas surveyed employees making from 20 to under 30 million VND/month accounts for 25.8%.

*For years of service at VietinBank:* The proportion of employees working for more than 5 years is 83.4%, followed by employees working for 3 to less than 5 years (10.8%) and relatively few employees surveyed to have worked for less than 3 years (5.8%).

*For the services usage rate at VietinBank:* Among employees participating in the survey, there are 8 services that are used by the most people with over 50% of users such as bank transfer (96%), savings account (93.3%), credit card services (88.7%), bill payments (86%), checking account (85%), consumer loans (76.2%), and insurance services (52.4%). These services are considered basic, traditional banking services and are known to have largest consumption demand.

### ***Results of survey of factors according to survey data***

The results have shown that 11/12 factors include the ability to diversify products, ability to ensure service quality, distribution network, brand reputation, financial capacity, technology capacity, and risk management ability, corporate culture, corporate social responsibility, response to competitors and response to the business environment have an average score of over 4 points according to the assessment of bank employees with the majority of survey respondents agree (level 4) and strongly agree (level 5). Bank employees rated the bank's corporate social responsibility at the highest score (4.32), followed by brand reputation (4.29) and financial capacity (4.22). The marketing capacity (promotion) factor has the lowest average score (less than 4 points) according to bank employees' assessment. Thus, from surveyed employee's perspectives, the bank need to focus on trade promotion activities such as: advertising, promotions, personal sales, public relations and direct marketing for retail banking services to improve its competitiveness.

Regarding the constituent elements according to the investigation results:

**Table 4.1: Results of constituents of competitiveness in retail banking services according to survey results**

<b>Constituents of competitiveness</b>	<b>Average score</b>
High ranking compared to other banks in the market	3.98
Desired profit achieved	3.98
The bank opens several new transaction points	3.85
The bank regularly improves the performance of retail services	3.99
Customer satisfaction achieved	4.10

*Source: Data collected from the survey*

The results have shown that the employees evaluate the criteria that constitute the competitiveness in retail banking services as relatively well and give the highest rating to the criteria of achieving customer satisfaction in addition to the position of VietinBank compared to other banks in the market. The survey has shown similar results for constituents: achieving the desired profit, opening more transaction points, improving the performance of retail services.

#### ***Scale testing and exploratory factor analysis***

The results of reliability test for the rating scale with Cronbach's Alpha coefficient showed that all 13 factors achieved scale reliability as Cronbach's Alpha coefficient of all factors from 0.7 and above and the correlation between each observed variable with the remaining variables on a scale from 0.3. When conducting exploratory factor analysis (EFA) with factor loading coefficients of observed variables were higher than 0.5, the results showed that 7 factors were retained, including: Ability to ensure service quality, Technology capacity, Financial capacity, Marketing capacity, Ability to diversify products, Brand reputation, Risk management ability. These factors are similar to the results of expert interviews.

#### ***CFA confirmatory factor analysis, testing for convergence and discrimination***

When making CFA confirmatory factor analysis, all observed factors are significant in the model. By continuing to test convergence and discrimination, the results showed that convergence and discrimination are both guaranteed.

#### ***Regression results from structural equation modeling (SEM)***

The regression results from the SEM structural model showed that with 95% confidence, 6 hypotheses are recognized: brand reputation, financial capacity, ability to ensure service quality, and ability to diversify products, technology capacity and marketing capacity to have a positive impact on VietinBank's competitiveness in retail banking services. Brand reputation is the factor that has the greatest impact on competitiveness, while there is no evidence suggests corporate culture factor to have an impact on the competitiveness in retail banking services of VietinBank.

## **CHAPTER 5**

### **SOLUTIONS TO IMPROVE THE COMPETITIVENESS IN RETAIL BANKING SERVICES AT VIETINBANK**

#### **5.1. Context affects the factors influencing the competitiveness in retail banking services in the coming time**

In the context of the business environment worldwide and in Vietnam having just gone through a period of instability with the Covid pandemic and geopolitical conflicts, the Communist Party and the Government of Vietnam promptly introduced strategies and orientations for strong socio-economic development, therefore the bank need to have quick responses, focusing resources on state-prioritized sectors such as public investment, consumption and export, besides that, VietinBank needs to further engage in the retail banking segment, banking transactions and asset management by staying up-to-date with the current market trends by promoting the development of new products and services, actively investing in digital transformation, digitalizing banking activities, improving financial capacity to comply with regulations and align with international practices, building appropriate marketing strategies, and ensuring information transparency with stakeholders.

#### **5.2. Orientation to improve competitiveness in retail banking services at VietinBank**

(1) Shifting the growth structure to focus on the retail segment, increasing retail products and services

(2) Proactively improving service quality

(3) Evaluating and revising the distribution network plan and develop specific policies for each key operating area.

(4) Enhancing brand reputation with the goal of being ranked among the top 20 strongest banks in the Asia-Pacific region by 2030, and becoming top 1 bank in Vietnam by 2045.

(5) Improving financial capacity, profitability along with effectively managing asset and liability, ensuring safety ratios in compliance with practices and regulations enacted by the State Bank of Vietnam

(6) Promoting marketing on digital channels, delivering contents aligned with customer persona.

(7) Focusing on digital transformation and digitizing the customer journey

(8) Strengthening risk management activities

(9) Developing and implementing VietinBank's core values

(10) Bolstering social security, State policy and programs

(11) Closely monitoring macroenvironment developments and competitors to promptly develop appropriate policies.

*Based on the analysis of (i) the retail banking service context, (ii) VietinBank's orientation with professional opinions, the PhD student proposes a number of solutions and recommendations to improve the competitiveness in retail banking services for VietinBank and commercial banks as follows:*

### **5.3. Solutions towards influencing factors to improve the competitiveness of VietinBank's retail banking services**

***Solutions to improve the quality of retail workforce:*** The bank needs to evaluate overall manpower allocation, streamline and minimize intermediary departments, and employ more personnel for the retail segment; Build a professional capacity framework for retail operations by further increase training, rejuvenate the workforce, and provide adequate remuneration.

***Solutions to develop and diversify products and services:*** The bank needs to evaluate the effectiveness of existing products, standardize key products that meet customers' needs, and develop bundle product policies, online products and online sales channels; actively shift to the "customer-centric" business model, build products that adheres to the "customer journey".

***Solutions to improve service quality:*** The bank needs to develop and implement service quality standards, derive a set of customer satisfaction assessment indicators, actively improve and apply digital technology to reduce customers' waiting time at counter, enhance customer experience on the bank's digital channels; Training "service quality" thinking for retail leaders and staffs.

***Solutions to develop the distribution network:*** The bank needs to reconsider planning of transaction office network by gradually reducing the number of transaction office in light of the development of digital channels, moving transaction offices to high-potential areas, and heading towards automation transaction point.

***Solution to improve brand reputation:*** The bank needs to convey a consistent brand message, promote multi-channel communication (traditional channels/digital channels), actively associate brand communication with business activities.

***Solutions to improve financial capacity:*** The bank needs to continue to increase charter capital, improve the demand deposits proportion in the bank's capital mobilization, effectively manage assets and liabilities, utilize term

deposits, concentrate on non-interest income (revenue from fees and commission, foreign currency trading...), improve credit portfolio quality overtime.

***Solutions to improve marketing capacity:*** The bank needs to allocates more resources into marketing in line with business goals, deploy services following customer personas, enhance brand awareness and provide privileges for priority customers, maintain consistent brand messages across media publications, enhance marketing on electronic platforms and digital channels.

***Solutions to improve technology capacity:*** The bank needs to proactively invest in modern technology, promote digital applications in all aspects of retail banking services, and apply digitalization to internal procedures, retail credit process; Utilize Big data, artificial intelligence (AI), cloud technology to analyze customer behavior data for business, enhance IT security.

***Solutions to improve risk management capacity:*** The bank needs to complete the risk management by risk portfolio, branch and customer segment; Focus on risk management in the digital banking sector, establishing risk control policies for retail banking services and payment service.

***Solutions to improve the development of corporate culture:*** The bank needs to establish and implement a set of behavioral standards and codes of conduct, create a professional working environment, promote new culture and ways of working.

***Solutions to enhance social responsibility:*** The bank needs to promote social security activities; green loans to fund sustainable business projects, and serve environmental protection purposes.

***Solutions to enhance response to competitors:*** The bank needs to identify and continuously analyze its competitors by determining their strengths and weaknesses, promptly amend product policies to launch appropriate new business plans with reasonable fee along with flexible terms and conditions.

***Solutions related to enhance response to the business environment:*** The bank needs to regularly keep up with macro environment, flexibly run the business, closely follow macro developments and the business circumstances of locations in which the bank's branches reside to derive policies to provide prompt assistance to branches and business units when needed.

#### **5.4. Recommendations**

***Recommendations to the National Assembly, the Government shall consider*** to (1) Strengthen the capital capacity for VietinBank and other state-owned



commercial banks to further bolster retail lending; (2) Allow foreign investors to increase their shareholding ratio in VietinBank as well as other state-owned commercial banks; (3) Provide support to the process digital transformation among banks and (4) Provide commercial banks timely assistance to raise their risk management capacity, debt recovery process and settlement for retail activities.

***Recommendations to the State Bank of Vietnam shall*** (1) Complete the legal framework regarding regulations on technology application, namely online transactions, non-cash payments, and online lending in banking activities; (2) Flexibly consider applying easier conditions when granting operating license to VietinBank's operating network; (3) Develop and complete the legal framework on green financing, provide thorough guidance on assessing social and environmental risks in banking activities; (4) Amend and supplement guiding documents on lending regulations, ensure consistency among other relevant regulations, and consider revising contents that are difficult to apply in practice.

## **CONCLUSION**

Firstly, according to the results of interviews with experts who are executives from the State Bank of Vietnam, a bank's competitiveness can be based on reputation in the market as assessed by credit rating agencies.

Secondly, the results of interviews with experts who are leaders at VietinBank showed that factors affecting the competitiveness in retail banking services include the bank's internal factors along with industry and macro environment factors. The experts believe that the external environment can contribute to promoting a bank's competitiveness and only if the bank is in good health and is able to take advantage of external opportunities. Interviewed experts have added two additional factors which response to competitors and the response to the business environment, and proposed indicators for these two factors.

Thirdly, regarding the significance of the factors, experts assess that the survey factors are equally important to the competitiveness in retail banking services, of which 8 factors include Ability to ensure service quality, technology capacity, financial capacity, marketing capacity, ability to diversify products, brand reputation, risk management ability and corporate culture are over 70% experts' assessment as highly important.

Fourthly, the quantitative research results recognized 6 hypotheses: brand reputation, financial capacity, ability to ensure service quality, ability to diversify products, technology capacity and marketing capacity positively affects the competitiveness in retail banking services of VietinBank. Among them, the factor with the strongest impact is brand reputation, followed by financial capacity and the ability to ensure service quality. The next factors are product diversification and technology capacity whereby marketing factors have the weakest impact. The only factor that was not found to have an impact on the competitiveness in retail banking services of VietinBank is the corporate culture factor.

*Limitations of the study:* (1) The study data only focuses on VietinBank employees and may lack generalizability; (2) the thesis only investigates VietinBank branches in 18 provinces and cities across the country, hence, the data may lack representativeness; (3) The thesis uses both qualitative and quantitative research methods, in which quantitative research methods are mainly used while qualitative research methods are only used to build and consolidate the rating scale; (4) With the primary data collected, the thesis only uses cross-sectional data to evaluate the impact of factors on the competitiveness in retail banking services of VietinBank without using time series data and array metrics; (5) The new thesis points out a number of representative internal and external factors affecting the competitiveness of VietinBank's retail banking services. The external factors are solely based on the bank's response capacity without representative macro data.

*Future research directions:* (1) Design additional questionnaires to survey the customers in addition to investigating data from employees. From there, we can compare and find commonalities and differences in influencing factors; (2) Use additional qualitative research methods such as group discussions, case studies combined with specialized qualitative analysis software such as NVIVO10 and expand the scale of the survey to make the data become highly representative; (3) Add other internal/external factors and time-based data, array data to fully evaluate, thereby proposing more suitable solutions.

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