

SOME SOLUTIONS TO ENHANCE THE OPERATIONS OF AN BINH COMMERCIAL JOINT STOCK BANK (ABBANK) IN VIETNAM**Le Thi Thu Phuong, Pham Thanh Ha**

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Abstract

The An Binh Commercial Joint Stock Bank (ABBANK) is one of the reputable and prominent banks in the Vietnamese financial market. In the context where the banking industry is facing fierce competition and rapid technological changes, seeking solutions to improve efficiency and enhance competitiveness is an undeniable factor. In this context, ABBANK faces both challenges and opportunities in its development and expansion. This article analyzes the current situation and proposes specific solutions to strengthen ABBANK's operations in the future.

Keywords:

Enhance, operations, bank, ABBANK.

1. INTRODUCTION

In the context where the banking industry is undergoing rapid changes due to the development of technology and increasingly fierce competition, seeking solutions to improve efficiency and enhance competitiveness has become a top priority. In this scenario, An Binh Commercial Joint Stock Bank (ABBANK) – one of the leading banks in Vietnam, is not exempt from the laws of industry development. With a history of stable operation and established reputation in the market, ABBANK has been facing both challenges and opportunities in expanding and consolidating its position. With the desire to continue sustainable development and best meet the needs of customers, considering and proposing effective solutions has become an important task for ABBANK.

In the rapidly developing banking market, competition among banks is fiercer than ever. Maintaining and expanding market share requires ABBANK to continuously improve service quality, enhance product diversification, and innovate in developing financial solutions. Customers are becoming increasingly savvy and demand convenience, flexibility, and security in banking transactions. Meeting these requirements is not only necessary to retain existing customers but also to attract and establish new relationships. The technological revolution is changing how consumers use and demand banking services. Strengthening online presence, developing mobile applications, and adopting other advanced technologies have become indispensable steps for ABBANK to maintain and expand its competitiveness. In the context of an increasingly globalized economy, expanding operations into new areas is an essential part of ABBANK's development strategy. Enhancing operations helps ABBANK reach and serve a large number of potential customers in new areas, thereby increasing revenue and expanding the network. The urgency of enhancing ABBANK's operations stems not only from fierce competition but also from the increasing demands of customers for convenience, safety, and diversity in financial services. This is a decisive factor for the bank's existence and development in the era of digital banking and digital economy.

2. OVERVIEW OF AN BINH COMMERCIAL JOINT STOCK BANK (ABBANK)

Established in 1993, An Binh Commercial Joint Stock Bank (ABBANK) has been contributing to the Vietnamese financial market with a friendly, reputable, and efficient retail banking brand. Alongside the development of its brand reputation, the quality of the working environment at ABBANK has also been consistently praised by reputable organizations both domestically and internationally in recent years. In 2021, ABBANK was listed among the top 25 Leading Financial Brands in Vietnam according to Forbes Vietnam magazine, with a brand value estimated at 39.4 million USD. ABBANK is one of the 10 non-state-owned banks with the best brand index and ranks among the top 13 banks with the best brand index according to the Mibrand ranking report in 2021. Moreover, ABBANK has been certified by HR Asia magazine as one of the Best Places to Work in Asia since 2020.

With strong financial resources and strategic partnerships with major financial institutions and reputable corporations globally and in Vietnam, such as the International Finance Corporation (IFC), Maybank Malaysia, and Geleximco Corporation, ABBANK continues to enhance its system and improve the quality of

management and operation in accordance with international standards. Pursuing the goal of joining the group of leading banks providing digital banking products and services in the Vietnamese market, ABBANK is currently expanding its investment in digital transformation to provide the best possible experiences for customers.

3. CURRENT STATE OF OPERATIONS AT AN BINH COMMERCIAL JOINT STOCK BANK (ABBANK)

In 2023, An Binh Commercial Joint Stock Bank (ABBANK) achieved positive results in expanding its overall scale, with all safety ratios being well controlled according to the regulations of the State Bank of Vietnam. However, amidst the general difficulties of the Vietnamese economy, pre-tax profits fell short of the set targets. With a strategic focus on retail banking, ABBANK prioritized action plans to serve the needs of individual customers (IC) and small and medium-sized enterprise (SME) customers from the beginning of 2023. ABBANK observed growth in the number of customers in both IC and SME customer segments, with transaction volumes on digital channels also experiencing appropriate growth in line with the digital transformation trend in the market.

Mobilizing non-term deposits showed growth compared to 2022, reaching 3,830 billion VND (equivalent to 136% compared to 2022) from attracting over 380,000 new customers along with user-friendly changes. Non-term deposits from individual customers in 2023 also witnessed growth through a series of deposit promotion programs throughout the year, diversifying online savings products with attractive incentives, and customer care policies for long-standing and priority customers. By the end of 2023, the proportion of customers using online savings had increased from 5% at the beginning of 2023 to 20% by December 31, 2023.

Regarding life insurance products, 2023 marked the comeback of ABBANK along with its partner Dai-ichi in providing flexible and superior financial protection and accumulation solutions to meet diverse financial needs and enhance optimal customer experiences. In the first year of redeployment, ABBANK achieved some achievements, laying the foundation for ABBANK and Dai-ichi to continue designing new solutions tailored to higher-end needs, more suitable for customer demands.

Table 1: Report on business performance in 2023 of ABBANK

Unit: billion dong, %

Items	Actual		Plan	2023 vs 2022	Actual vs Plan	
	2023	2022	2023	%	%	
Scale	Total assets	161,977	130,065	136,816	125%	118%
	Credit loan	102,448	88,529	97,382	116%	105%
	Customer deposits and valuable papers	115,654	91,837	102,508	126%	113%
Efficiency	Profit before tax	513	1,686	2.826	30%	18%
	% NFI & Guarantee fee	20.35%	5.49%	18.36%	+14.9%	+2.0%
Quality	NPL ratio	2.17%	2.18%	<3%	-0.01%	
	NPL coverage ratio	46.2%	45.4%		+0.8%	
	CAR	11.07%	11.63%	>8%	-0.56%	
	LDR	68.39%	72.26%	<85%	-3.87%	
Customer	Number of RB customers and SMEs	2,117,097	1,730,951		122%	
	Number of transactions on digital channels	33,275,644	20,394,600		163%	

(Source: ABBANK, 2024)

In 2023, An Binh Commercial Joint Stock Bank (ABBANK) witnessed a robust shift in its SME segment activities towards a customer-centric business approach across service solutions, payment methods, mobilization, and credit. Amidst the market's continuous adjustments to stabilize interest rate levels under the State Bank of Vietnam's guidance, ABBANK timely adjusted its strategies in different periods, stabilizing customer portfolios and input capital mobilization sources. Concurrently, to support SME enterprises, ABBANK implemented a series of fee waiver programs, including free Internet Banking transfers, free selection of attractive account numbers up to 10 million VND, and waiver of up to 9 transaction fees for account transactions within 6 months, as well as service fees for payroll disbursements.

The customer-centric business approach, coupled with the continued application of efficient working methods, has enhanced customer experiences and contributed to ABBANK's overall performance. Specifically: ABBANK optimized features to serve customers' daily needs, introduced new features such as quick money transfers and improved bill payment flows (user-friendly interface, unpaid bill reminders, and automatic payment registration).

The number of transactions on digital channels increased by 63%, with 87% of individual customer transactions conducted through digital channels. Specifically:

- The total number of transactions on digital channels reached 33 million, a 63% increase compared to 2022.

- Moreover, the total transaction value of individual customers on the AB Ditizen electronic banking application reached 438.5 trillion VND, a 44% increase from 2022, with transaction values of the middle-class and high-end customer segments showing good growth.

- The average number of transactions per customer per month increased by 69%, from 9 transactions/month in January 2023 to 16 transactions/month in December 2023.

In the Government bond market, ABBANK ranked among the top 4 members in terms of trading volume. In 2023, ABBANK successfully issued 9,300 billion VND worth of 2-3-year term bonds at interest rates of 6-7% per year. Additionally, ABBANK continuously reviewed and evaluated the effectiveness of its investment portfolio, contributing capital. In 2023, ABBANK divested its entire capital in the Electricity Financial Company (Stock code: EVF) and recorded profits from this investment.

ABBANK completed its Risk Appetite Framework (RAF) in accordance with Circular 13/2018/TT-NHNN requirements, risk appetite, key risk policies, and regulations were reviewed and updated annually to align with business environment changes and organizational structure adjustments. The bank applied clear principles of independence among protection lines and implemented the Responsibility Assignment Matrix (RACI) model to enhance effectiveness and quality in governance.

Risk appetite management, risk limit enforcement, were rigorously implemented from the first protection line to the second. Remote risk monitoring and identification of issues in digital business, high-tech crime were regularly conducted to provide early warnings to the entire ABBANK system.

ABBANK developed and prioritized the construction of quantitative risk models to make accurate decisions, gradually reducing decisions based on qualitative factors. In 2023, ABBANK implemented an automated approval model for the individual customer segment and continued to develop credit risk forecasting models for the SME and corporate banking segment, expected to be applied from 2024 onwards. Additionally, ABBANK actively implemented components of Basel III to gradually move towards higher levels in RAF.

In 2023, ABBANK focused on reviewing and proposing a restructuring plan for its current distribution network to enhance efficiency. As of December 31, 2023, ABBANK's network comprised a total of 165 transaction points, including 35 branches and 130 transaction offices in 34 provinces/cities nationwide. ABBANK also continued to renovate its infrastructure, installing modern signage at transaction points to enhance brand recognition and provide better experiences for customers.

Results of handling and recovering bad debts and problematic debts as of December 31, 2023, are as follows:

Table 2: Results of handling – recovery of bad debts, problematic debts as of December 31, 2023 of ABBANK*Unit: billion dong*

Cash collection				Converted assets	Other debt collections	Total
Principal collection	Interest collection	Others	Total			
1,495	164	1	1,661	864	465	2,989

(Source: ABBANK, 2024)

4. SOME LIMITATIONS IN THE OPERATIONS OF ABBANK

Despite achieving many successes in recent years, An Binh Commercial Joint Stock Bank (ABBANK) still faces some limitations in its operations that need to be addressed to enhance operational efficiency and competitiveness. Some key limitations include:

Limited operational scale

Compared to large banks in the market, ABBANK's operational scale is still limited, reflected in the number of branches, transaction points, customer base, and total assets. This makes it difficult for ABBANK to access the market, attract customers, and compete with other large banks.

Inconsistent customer service quality

The quality of customer service at ABBANK varies among branches and transaction points. While some branches and transaction points provide good service, others do not, leading to lower customer satisfaction.

Low operational efficiency

ABBANK's operational efficiency is lower than that of large banks in the market, as reflected in metrics such as return on equity (ROE), return on assets (ROA), cost-to-income ratio (CIR)... This is due to factors such as limited operational scale, inconsistent customer service quality, poor risk management...

High risk exposure

ABBANK faces high risks such as credit risk, liquidity risk, market risk, operational risk... High risk exposure can affect ABBANK's business operations and profitability.

Incomplete risk management system

ABBANK's risk management system is incomplete, lacks synchronization, and does not meet the requirements of modern banking operations. This makes it difficult for ABBANK to control risks and may lead to hidden risks.

An Binh Commercial Joint Stock Bank (ABBANK) needs to address these limitations to enhance operational efficiency, strengthen competitiveness, and affirm its position in the Vietnamese banking market. ABBANK should continue to invest in development, innovation, and quality improvement to meet the increasing demands of customers and contribute to the socio-economic development.

5. SOME SOLUTIONS TO ENHANCE THE OPERATIONS OF AN BINH COMMERCIAL JOINT STOCK BANK (ABBANK)

To strengthen the operations of An Binh Commercial Joint Stock Bank (ABBANK) and meet the diverse and complex demands of the current banking market, a series of comprehensive and effective solutions are needed. Below are some solutions that the bank should focus on:

Enhancing the risk management system and information security

ABBANK needs to invest in building and reinforcing a comprehensive risk management system, including credit risk, market risk, and operational risk. This helps the bank assess and manage risks effectively in its business activities, thereby ensuring organizational stability and sustainability. Additionally, enhancing information security helps protect customer data and the bank's critical information from threats arising from the internet and hackers.

Developing modern payment and transaction systems

ABBANK needs to continuously update and develop its payment and transaction systems to meet the increasing demands of customers. This includes developing mobile payment services, e-wallets, QR code payments, as well as fast and secure international transfer services. Having a modern payment and transaction system will help ABBANK attract and retain customers, thereby increasing sales and profitability.

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Cooperation and strategic partnerships

ABBANK should consider and establish strategic partnerships with financial institutions, technology companies, and other partners within and outside the banking industry. Such cooperation may bring benefits in terms of finance, technology, and management to ABBANK, while also opening up opportunities to access new markets and expand the customer network.

Enhancing innovation and creativity in products/services

ABBANK needs to intensify research and development activities to introduce new, unique, and customer-centric products and services. This may include creating attractive personal financial product packages, financial services for small and medium-sized enterprises (SMEs), as well as smart financial solutions based on new technologies such as artificial intelligence and block chain. By doing so, ABBANK can attract and retain customers through innovation and creativity in its products and services.

Strengthening human resource development and management

ABBANK needs to invest in the development and management of its human resources to build a competent and passionate workforce. This includes training and developing skills for existing employees, as well as attracting and recruiting new talented individuals. Moreover, creating a positive working environment and encouraging creativity and collaboration will help ABBANK attract and retain talented employees, thereby creating long-term benefits for the organization.

Enhancing technology and digitizing operational processes

ABBANK needs to accelerate the application of technology and digitization of operational processes to optimize efficiency and minimize operating costs. This may include implementing automated financial management and risk management systems, using artificial intelligence and data analysis to predict trends and make strategic decisions. Additionally, developing mobile applications and smart online banking platforms helps create a better banking experience for customers and enhances ABBANK's competitiveness in the market.

Furthermore, creating automated processes and integrating systems within the bank helps minimize processing time and enhances accuracy in transactions. This not only helps improve the customer experience but also helps the bank save costs and enhance employee productivity.

CONCLUSION

In the face of fierce competition and rapid technological change, enhancing the operations of An Binh Commercial Joint Stock Bank (ABBANK) becomes a decisive factor in ensuring the organization's existence and sustainable development. By intensifying research and development of products/services, expanding branch and transaction point networks, leveraging technology and digitizing operational processes, cooperating with strategic partners, and strengthening human resource management, ABBANK can create a flexible, efficient, and advanced operating environment to meet the increasingly diverse and complex needs of customers and the market. With commitment and continuous effort, ABBANK can emerge as one of the leading banks in Vietnam, while actively contributing to the development of the national economy.

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