



ECONOMIC REGULATION ROLE AND SOME SOLUTIONS TO IMPROVE THE OPERATIONAL EFFICIENCY OF THE STATE BANK OF VIETNAM IN INTERNATIONAL ECONOMIC INTEGRATION

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Abstract

The banking system is one of elements with a great role, in which is headed by the State Bank of Vietnam (SBV) - an agency that is increasingly asserting its importance in organizing, operating and promoting economic growth. The SBV is a ministerial-level agency of the Government of Vietnam, the Central Bank of the Socialist Republic of Vietnam. The SBV performs the function of State management of monetary, banking and foreign exchange activities, performs the function of the Central Bank on the issue of money, banks of credit institutions and the provision of money services to the Government; therefore, the SBV plays a very important role in economic regulation. In this study, the author will analyze the status of the economic regulatory role of the SBV based on the following criteria: for economic growth and price stability, inflation control, the study will point out the successes, limitations, causes of the limitations and then propose some solutions to improve the operational efficiency of the SBV in the period of international economic integration.

Key word: economic regulation role, operational efficiency, state bank of Vietnam



1. Actual Status of The Economic Regulatory Role of the State Bank of Vietnam

1.1. For Economic Growth

In 1986, Vietnam began a “Doi Moi” reform transiting from a centrally-planned economy to a socialist-oriented market economy. With this reform, Vietnam has brought GDP growth continuously from 1986 to 1996 with an average growth of 6.6%/year. One achievement that has always been mentioned when talking about this period is that Vietnam - from a food shortage country has surplus rice to export. During this period, after a period of conducting a test of changing banking activities into socialist business, on March 26, 1988, the Council of Ministers issued the Decree No. 53/HDBT with the basic orientation of “*completely transmitting banking system to do business*”. The organization and apparatus the SBV are consolidated and reorganized to perform the function of State management of monetary and credit, and at the same time act as the banking function of banks; specialized banks carry out the credit business and banking services.

Table 1.1: Vietnam's GDP Growth from 1986 - 2018

Year	GDP Growth (annual %)	Year	GDP Growth (annual %)
1986	2.79	2002	6.32
1987	3.58	2003	6.90
1988	5.14	2004	7.54
1989	7.36	2005	7.55
1990	5.10	2006	6.65
1991	5.96	2007	7.13
1992	8.65	2008	5.66
1993	8.07	2009	5.40
1994	8.84	2010	6.42
1995	9.54	2011	6.24
1996	9.34	2012	5.25
1997	8.15	2013	5.42
1998	5.76	2014	5.98
1999	4.77	2015	6.68
2000	6.79	2016	6.21
2001	6.19	2017	6.81
		2018	7.08

Source: www.databank.worldbank.org

Accordingly, four specialized banks were established based on transfer and separation from the SBV, including Vietnam Joint Stock Commercial Bank for Industry and Trade, Vietnam Bank for Agriculture and Rural Development, Joint Stock Commercial Bank for Investment and Development of Vietnam, and Joint Stock Commercial Bank for Foreign Trade of Vietnam.

In May 1990, the State Council passed 2 Banking Ordinance. The banking system has started a strong, fundamental and comprehensive transition in line with the Party and State's policy of developing a multi-sector commodity economy.



In the period 1986 - 1996, GDP growth tended to increase, the average growth rate was 6.8%/year. In 1986, it was 2.79%, the highest in 1996 was 9.54%. The SBV has implemented a positive interest rate policy, combining the use of indirect instruments with direct control instruments in operating monetary policy; forming money markets; initially modernizing technology and enhancing human resource training for the operation of the new banking system. Credit capital was expanded to all economic sectors and achieved an average growth of 36%/year, contributing to economic restructuring towards industrialization - modernization and promoting economic growth in many years. The mobilizing interest rate in 1993 was 22.0%, however, after that, the SBV adjusted the interest rate down to only 1 figure. During this period, cooperation between Vietnam and international financial and monetary organizations (IMF, WB, and ADB) was restored and opened.

In 1997, the Asian financial crisis broke out, causing the Vietnamese economy to slow down. From 1997 to 2006, the average GDP growth rate was 7.1%, which is still high compared to other countries.

At that time, the National Assembly passed the Law on the State Bank of Vietnam and the Law on Credit Institutions (in 1997), creating a more basic and stronger legal foundation for the banking system to continue innovating its operations following market mechanisms and international integration. The SBV has implemented a flexible monetary policy, the SBV increased mobilizing interest rate, and reduced lending rates to stimulate businesses to borrow money to restore production, promote economic growth again, and contribute mitigating the negative effects of the Asian financial crisis in 1997; continue to improve the monetary management mechanism, especially the interest rate management mechanism.

Looking at the chart 1.1, we can see the flexible changes in the interest rate adjustment of the SBV, the actual interest rates, mobilizing interest rates and lending rates are adjusted smoothly according to the different scenarios of the economy.

In the period from 1993 to 2007, the mobilizing interest rate maintained a single figure, but in 2008-2012, the mobilizing interest rate reached 2 figures, specifically in 2008 was 12.7% and 11.2% in 2010, 2012 was 10.5%, the highest in 2011 was 14.0%, while the lending interest rate was higher than the mobilizing interest rate but it was adjusted specifically in 1997 to 14.4%. In the 1993 - 2007 period, real interest rates were adjusted down on average of 4%, at a peak of 12.6% in 1993 and down to the lowest of 6.6% in 2006.

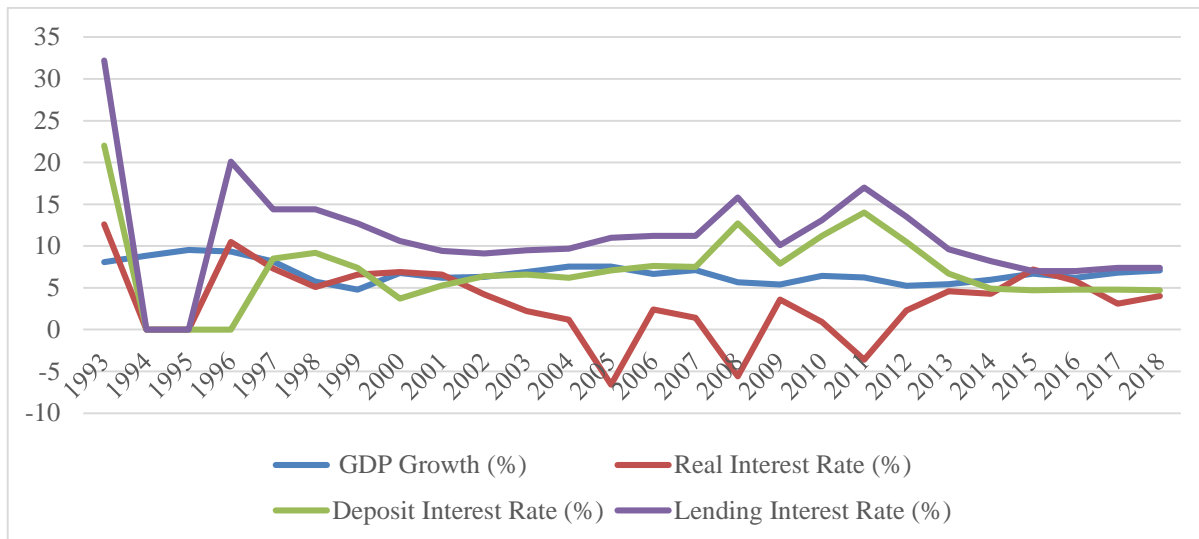


Chart 1.1: Vietnam's GDP Growth Rate, Real Interest Rates, Deposit Rates and Lending Rates from 1993-2018

Source: www.databank.worldbank.org

In the period 2007-2018, the economy was stable, lending and mobilizing interest rates were maintained stably. During this period, Vietnam impressed the international community with outstanding achievements in socio-economic development. GDP growth in 2018 reached 7.08%, the highest in 12 years, exceeding all expectations. The results in many respects have an important direct contribution of the banking system in operating monetary policy, both as a resource and a driving force for the overall socio-economic development of the country. The SBV has operated monetary policy proactively, flexibly and effectively, maintaining the stability of the money market, continuing to control inflation at 3.54%, lower than the set target, creating room for the Government to adjust prices of goods managed by the State, creating favourable conditions for fiscal and other macro policies. With properly managed interest rate policies, the lending interest rate in the past year was reduced by 0.5-1%, reducing businesses' capital costs, thereby maintaining stable growth and economic development.

1.2. For Price Stability, Inflation Control

Vietnam's consumer price index (CPI) from 1995 to 2018 tended to increase. The average CPI is 83.9 points. The lowest in 1995 was 40.2 points, in 2018 it was 161.3 points.

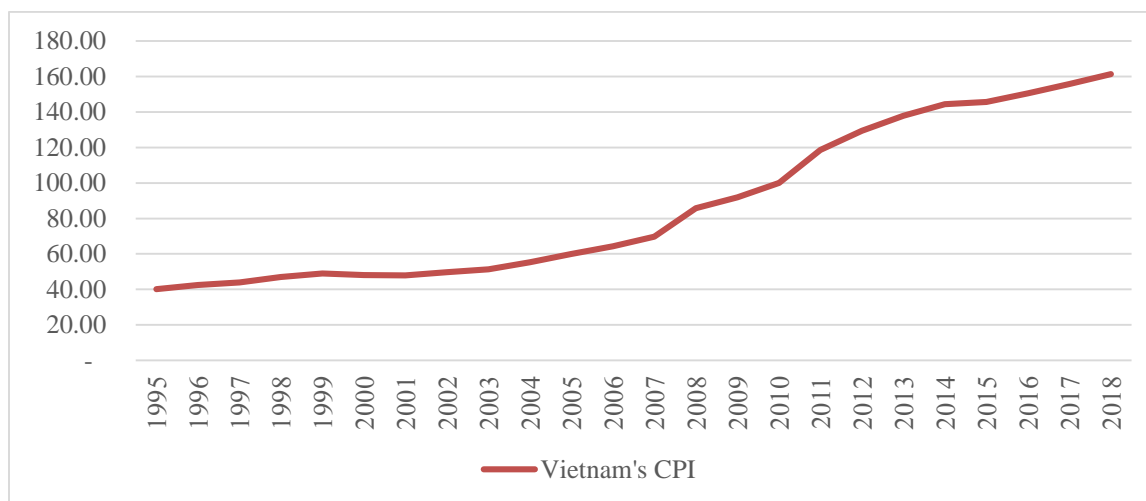


Chart 1.2: Vietnam's Consumer Price Index from 1995 – 2018

Source: www.databank.worldbank.org

In the period from 1986-1988, Vietnam was in a situation of 3-digit inflation, culminating in 1988, the inflation rate reached 411.04%, galloping inflation and prolonged inflation. Underlying inflation has been happening since the late 1970s and early 1980s when the difference between domestic and external prices became bigger and bigger. As the non-market nature becomes more evident when distributing, subsidies in kind, the banks did not follow the principle of borrowing to lend, the budget was not subject to the principle of collecting to spend, so in order to offset the cash deficit, over-budget spending, it was compulsory to print money; also making a mistake when reforming “price-salary-money” in 1985, led to the appearance of hyperinflation. The most positive measure chosen at that time was to increase the savings deposit interest rate to 20%/month (compared to the previous 4-5%), equivalent to 240%/year. The amount of money the SBV collected was huge and fast, equivalent to half of the amount in the market, within only 6 months. Even so, money flows were reduced and were no goods to offer, anti-inflation was unlikely to work. The SBV decided to lend out at the interest rate of only 10%/year. The State made up the difference with the mobilizing interest rate of over 200%/year. People borrowed low-interest bearing loans to raise chickens, pigs, shrimp, coffee, cashew planting, etc., to export, and then sell goods to get dollars to Vietnam, import consumer goods to rebalance.

From 1989 to 1990, thanks to innovation, food production achieved miraculous results, crude oil exploitation and export, ... Vietnam got out of the socio-economic crisis and entered a stable and development stage. Inflation of this period also decreased sharply compared to the period of 1986-1988 (the average annual was 9.5% compared to 180.2%). The unemployment rate has decreased from 2 digits to a single digit; up to 5.88% in 1996. The imbalance of the trade balance gradually decreased and by 1992, it had a slight trade surplus for the first time. GDP per capita in USD in 1997 reached USD 361, nearly 4.2 times higher than in 1988.

In 2000, implementing the task of economic development in the context that the domestic economy in 1999 achieved a low growth rate of 4.8%, the economy showed signs of deflation (inflation in 1999 was 0.1%), operations of the commercial banking system faced many difficulties.



In this context, the SBV set the objective of operating monetary policy in 2000 was to implement a prudent easing monetary policy to ensure the target of stabilizing the value of money and controlling inflation at level 5%, contributing to promoting economic growth, simultaneously implementing the policy of stimulus of the Government, continuing to stabilize the banking system. In general, during this period, the domestic and international economic and monetary happenings were not very complicated, the monetary policy closely followed the above target, so the CPI results were controlled at a low level (inflation in 2000: -0.6%; in 2001: 0.8%; in 2002: 4%; in 2003: 3%), economic growth increased gradually over the years (additional data). The system of credit institutions has been reorganized, consolidated and gradually dealt with outstanding debts and raised the financial capacity. Banking technology has developed strongly; Interbank electronic payment system was officially put into operation in May 2002, e-banking services have appeared (E-Banking, Internet banking, ...). The SBV participated in negotiations to join the WTO and actively implemented commitments on international integration in the banking sector.

In 2004-2005, the monetary policy target set in these 2 years was “monetary stability, inflation controlling, but not affecting the economic growth target”. The SBV has used open market operations (OMO) as the main instrument in operating monetary policy to stabilize interest rates, stabilize currencies, control inflation according to the targetS set by the National Assembly. Simultaneously, the solution of operating monetary policy plays an important role to keep monetary stability in the two years of 2004 and 2005 and achieved high growth rates (7.76% and 8.4%) with the policy of stabilizing VND exchange rate against USD [31].

In 2006-2007, Before the happenings of the surplus available capital of credit institutions due to the large inflow of capital from foreign countries, and especially in 2007, due to inflation tending to return, in the operation of open market operations, the SBV has changed from the predominant form of buying to selling.

The inflation rate from 18.13% in 2011 decreased to 6.81% in 2012; reached 6.04% in 2013. This rate dropped sharply at 1.84% in 2014 and 2015 was controlled at 0.63%. This is one of the important targets achieved when the SBV used a combination of flexible instruments to implement monetary policy.

Table 1.2: Vietnam's Inflation Rate from 1986 - 2018

Year	Inflation rate (annual %)	Year	Inflation rate (annual %)
1986	398.07	2002	4.70
1987	362.56	2003	7.11
1988	411.04	2004	8.43
1989	69.69	2005	18.81
1990	42.10	2006	8.57
1991	72.55	2007	9.63
1992	32.63	2008	22.67
1993	17.41	2009	6.22



1994	16.95	2010	12.07
1995	17.04	2011	21.26
1996	8.70	2012	10.93
1997	6.60	2013	4.76
1998	8.84	2014	3.66
1999	5.73	2015	-0.19
2000	3.41	2016	1.11
2001	2.62	2017	4.12
		2018	3.54

Source: www.databank.worldbank.org

- Strict and prudent monetary policy, especially the interest rate regulation in line with inflation situation in each quarter and each year, has brought positive effects in regulating inflation, from inflation of 18.13% in 2011 decreased to 6.81% in 2012 and was controlled and curbed at 6.3% in 2013, 5.45% in 2014, 1.5% in 2015.

- The Bank strengthened control of interest rates, maintained interest rates at a reasonable level to reduce the lending interest rate level in the market to promote investment in business and production development, thereby increasing the supply of goods and services. On 03/03/2011, the State Bank of Vietnam (SBV) issued Circular No. 02/TT-NHNN stipulating the ceiling interest rate in VND of credit institutions was 14%, to attract cash in circulation contributing to curb inflation. From September 2011 to June 2013, the SBV adjusted the ceiling interest rates Vietnam-dong capital mobilizations for 8 times, thereby making the lending interest rate drop significantly. Lending interest rate decreased rapidly from 18.2% in 2011 to 15.4% in 2012 and 10.5% in 2013, the interest rate was 7-8% in 2014, 7.7 - 9% in 2015.

Between 2006 and 2011, the State Bank of Vietnam (SBV) often passively used interest-rate instruments to affect inflation. When inflation increased sharply in 1-2 months, the SBV adjusted increase interest rates to limit inflation. However, this period was the period when inflation rose sharply and fluctuated sharply. From 2012 up to now, the correlation between inflation and interest rates does not seem to be closely related but inflation has dropped sharply and much more stable. This is the period of implementing overall policies for macroeconomic stability, including prudent monetary policy, tightening public investment, restructuring State-owned enterprises and credit institutions. Prudent monetary policy and stable interest rates ensure important conditions to make inflation not fluctuate sharply. In contrast, stable inflation at a low level is a prerequisite for stabilizing interest rates, thereby reducing uncertainty and costs for businesses. Interest rates have not been actively used to control inflation, but have proved quite effective in curbing inflation.

During the period from 2011 up to now, the SBV has determined and been steadfast in accordance with the goals that are to curb inflation, stabilize macro-economy, ensure the safety of the system of credit institutions, and at the same time implement solutions to remove difficulties for production and business activities to support reasonable economic growth. To achieve the above goal, the SBV sets out key tasks in the direction and administration of monetary policy. Strict control of the total means of payment and credit from 2011 up to now has contributed significantly



to the success of bringing inflation from a high of 21.26% in 2011 to 10.93% in 2012; to 4.76% in 2013; 3.66% in 2014, even deflation in 2015 was (-0.19%); in 2016, it was 1.11%. The SBV's solutions have contributed to supporting economic growth at 6.24% in 2011; 5.25% in 2012; 5.42% in 2013 and reaching 5.98% in 2014 ... From 2012 to 2014, the SBV changed the direction of credit growth control by banking group, in which considering the credit growth for credit institutions with higher growth rate ability but still ensuring operational safety, and vice versa, adjust decrease the growth rate for weak credit institutions to support the restructuring of the credit institutions system.

According to the General Statistics Office of Vietnam, in 2018, the overall inflation reached about 3.54%. This is the 5th consecutive year that inflation remained low below 5% and showed that the foundation of macro stability is well established. In 2018, the management to stabilize interest rates faced difficulties in the context that inflation at the end of 2016, the beginning of 2017 was still high. Recent developments showed that at some period, some commercial banks had increased mobilizing interests for local currency capital, mainly for terms of over 12 months. Before this development, the SBV focused on regulating systematic liquidity to support credit institutions to stabilize interest rates, conduct meetings with commercial banks with large market shares to understand the situation and request commercial banks to perform synchronously solutions to stabilize interest rates, thereby ensuring stable inflation.

2. Assessment

2.1. Achievements

The State Bank of Vietnam has achieved very important achievements, actively contributing to the cause of national economic development:

Firstly, the State Bank of Vietnam has closely followed the Party's guidelines and policies, directed and operated by the Government, and took the initiative and flexibility in operating monetary and banking solutions under the conditions from time to time, contributing to controlling inflation, stabilizing macro-economy, promoting socio-economic development.

Secondly, the system of credit institutions has developed in terms of both the number and types of operations, network sizes and modes of governance; capital mobilization and lending increased rapidly, banking products and services were gradually diversified, contributing positively to economic restructuring and economic development towards industrialization and modernization.

Thirdly, international cooperation in the field of banking has achieved many important results, contributing to attracting foreign investment, promoting access to modern technology, banking services and international banking standards.

In the period of 2010 - 2018, the role of the SBV in economic development is increasingly being improved. Managing monetary policy has been gradually renovated in determining monetary policy objectives, the management and operation of money supply mechanism, and monetary regulation through the choice of synchronous use of monetary policy instruments. The objective of operating monetary policy is to focus on stabilizing monetary, controlling inflation, creating a stable environment, promoting economic development and ensuring system safety. Specifically:



The State Bank of Vietnam has gradually shifted from direct instruments to indirect instruments to improve the effectiveness of the monetary policy. Monetary policy instruments have been established and are gradually improving in accordance with international practices.

The State Bank of Vietnam has made many innovations in the way of operating monetary policy, thereby overcoming the shortcomings in the previous period.

The SBV has pursued multi-goal policy flexibly, in which the goal of maintaining low and stable inflation plays a key role. The SBV has always been consistent to prioritize inflation control, stabilize macro-economy, supporting reasonable economic growth, and at the same time paying attention to ensure the operational safety of the banking system. Interest rates are more focused as an intermediary goal of monetary policy. Before 2011, the SBV set up the total means of payment and the total credit as an intermediary goal in operating monetary policy, however, since 2012, the SBV only considered M2 and credit growth targets as directional indicators, which can be flexibly adjusted, in line with monetary movements and inflation control results. In operation, the SBV has paid more attention to regulate interest rates and exchange rates. Based on clearly defining the goals, the SBV has synchronously implemented solutions to achieve inflation control, macroeconomic stability and support economic growth.

The SBV proactively decided the plan to provide additional money for the circulation and administration of monetary policy instruments.

In recent years, the SBV has operated the money market through orientation and guidance of the market based on flexibly operating monetary policy instruments in line with macroeconomic and monetary developments. In particular, open market operations instruments are implemented daily to provide timely liquidity support for credit institutions, contributing to stabilizing the interbank market. Interbank interest rates have fluctuated around the open market operations rate, the operation of the open market operation has regulated and oriented interbank rates.

2.2. Limitations and Causes

a, Limitations

The position of the SBV is ambiguous; the operational goals have not been clearly defined.

The ultimate goal of the SBV is not clear and there are no priority options: Operation of monetary policy pursues goals such as stabilizing the value of money, curbing inflation, contributing to economic growth. In fact, among the conflicting goals, if the priority is given to controlling inflation, the SBV needs to sacrifice the economic growth goal, it is impossible to implement both goals, without specifying which one is the top goal. Because the non-operational goal is not determined, at some period, it affects the planning and administration of monetary policy of the SBV, monetary policies are sometimes passive and slow to respond to market changes.

The State Bank of Vietnam has not yet clearly defined the mechanism to transmit the effects of monetary policy. The identification of the transmission mechanism is important in the process of operating monetary policy. The clear transmission mechanism allows the SBV to make the right decisions in operating monetary policy instruments to achieve the desired goals. The failure to



identify the transmission mechanism has partly restrained the decisions of the SBV when the market has fluctuations.

Limitations on organizational structure

- Regarding organizational structure and coordination between units: There are still cumbersome, multi-layered, coordination between units, even within the units is still weak, and leading to resource exploitation of available resources is limited and wasteful.
- Regarding the identification of functions and tasks for units: there are still overlaps, duplication, dispersion or vacancy, especially weak coordination. Many units do not know their functions and tasks, so they often fall into short-term affairs and neglect important tasks of long-term meaning.
- Several important fields of the SBV have not been given appropriate attention such as statistical analysis of money, macroeconomic research and forecasts, payment management, payment system development in the economy. These are all important areas of the SBV's role. The Banking supervision's activities have not been in the right direction without attention to macro monitoring carefully, detecting and preventing system risks.
- Regarding the SBV branch network: It is still cumbersome, arranged in all provinces and cities and has the same function, task, structure, although each locality has its specific characteristics.

Regarding staff status

- The number and allocation of staff are not reasonable. Compared to the size of the population, the number of the SBV's staff is still low; however, compared to the existing level of monetary monetization of the economy and the scale of development of financial services, it is redundant. Policymakers and Banking supervision lack staff while supportive services are redundant. At the specialized units, there is a lack of qualified staff and redundancy of weak or inappropriate staff.
- Regarding quality: Professional human resources with professional capacity are still not high compared to the current development needs of the economy, especially in the period of international economic integration. Compared to central banks of other countries, the percentage of officials with high qualifications is far away. Occupational skills and professionalism of the SBV staff are still low, lacking a range of complementary skills leading to low quality work.

Limitations on organizational management and operating mechanism

- Mechanism of governance - administration - control at the SBV has not been clearly established, specifically: The National Monetary Policy Advisory Council is not yet the agency with full authority and responsibility in making important decisions in operating monetary policy and other activities of the SBV, the Governor's responsibilities and powers are incomplete, still limited. There has not been a mechanism to monitor the performance of the SBV and a mechanism to report and explain the results of the SBV, the internal audit activities are confused with the supervision and control so it is difficult to detect and prevent potential risks in the SBV's operations. Managers lack the effective, modern management instruments and necessary management skills.



- Although the management information system has been strengthened, it is still limited, lacking in reliability, scattered and not updated.

Limitations on the performance of professional operations and functions

- The ability to regulate market conditions such as money supply, interest rates is limited, the efficiency is not high.
- Managing the money supply is also passive by providing money for the Government's goals. The selection of major interest rates and the formulation of interest rate management mechanism are still in the stage of searching and testing.
- Managing monetary policy instruments with low efficiency. The management of monetary policy of the SBV also bears administrative marks. This is most evident through the tight monetary treatment to fight inflation in the first months of 2008, the last months of 2010 and 2011. The provisions on the ceiling interest rate for deposits, loans ... over the years. Monetary policy is mainly short-term. Although there are also 5-year banking plans, 10-year vision banking development strategies, the true strategic long-term orientations on monetary policy management have not been developed yet clearly and scientifically based on quantitative analysis due to incomplete information systems and databases.

The above limitations have reduced the role of the SBV in macroeconomic regulation and management of the banking and financial system, and also caused difficulties in the management and administration of internal operations in the SBV system.

b, The cause of the limitations

Legal corridor: The current rigid legal regulations and administrative procedures are the biggest obstacles for SBV's operations. The legal corridor has not clearly defined the major functions of the SBV, has not created a legal basis for the SBV to be able to actively use monetary policy instruments flexibly to well implement the monetary policy goals; The level of independence of the SBV is not high, has not been specifically and clearly empowered with the goals of the Government.

Conflicts of interests, mindsets and perceptions: Changes in institutions and organizational structure can lead to changes in the current authority and responsibilities of some departments and units of the SBV (even of some related State agencies such as "Government, Ministry of Finance, Ministry of Planning and Investment, Ministry of Industry and Trade, etc.). In particular, the above changes require leaders, managers as well as professional staff to change habits in thinking and working, need to update knowledge and improve capacity and qualifications to respond to new tasks and missions.

Human resources: The qualification of the majority of civil servants still has many shortcomings. The ability to research independently, detect and propose treatment as well as the ability to work in groups is limited. Planning, training and development, human resource management and human resource allocation still face many shortcomings.

There are no experts in some necessary fields through special remuneration policies, especially in the context of competing to attract talents with the credit institutions themselves.



Implementation of operations and limitations is still limited: The State Bank of Vietnam has not yet controlled all monetary flows in the economy such as foreign currency flows into/out of the country, as well as lending activities of other financial institutions, budget revenues and banking activities of other organizations. The selection, use and identification of basic functions of each monetary policy instrument to operate following the operational objectives are still limited. The money and bond markets are developing at a low level without dynamism and flexibility, not yet reflecting the supply and demand of capital. The market instruments are very few and inefficiently used, thus limiting the SBV's ability to regulate monetary through monetary policy instruments. Vietnam's commercial banking system entered into integration with the limited ability of risk management, management of assets credit- assets debit. The financial capacity of credit institutions is limited; credit institutions are still in the process of restructuring and implementing projects to modernize the payment system. The economy still has dollarization, which limits the effectiveness of the SBV's ineffective intervention. The coordination between monetary policy and other macro policies is not tight. The information and databases systems are still limited.

3. Some Proposals To Renovate and Improve The Role of The State Bank of Vietnam in The Period of International Economic Integration

3.1. Improving the Legal Environment

It is necessary to clearly define the operational objectives of the SBV, of which the most important and most priority operational objectives (if there are more than one) should be clarified to provide a basis for the selection of executive solutions in all situations when it is impossible to simultaneously achieve different objectives or when executive measures can only help the SBV to achieve a certain goal with the sacrifice of one or the other.

Develop a legal basis to ensure that the SBV can actively choose to use the instruments and solutions to achieve its operational objectives, such as:

- The regulation allows the SBV to decide whether to apply the monetary policy instruments to implement its objectives in each period or to choose to apply special solutions to achieve the goals in each special situation.*

- The regulation allows the SBV to be more decentralized in the decisions on payroll, remuneration, and decision on the organization of the professional operation apparatus to ensure that the SBV can always respond promptly and flexibly and effectively to changes in the monetary market as well as in all activities of the SBV.*

3.2. Improving the Organizational Apparatus

Establishing the governance - management - control mechanism at the SBV in the direction of establishing the National Policy Council, this Council has the right to decide on the most important issues in the organization and operation of the SBV, the Board of Management of the SBV includes the Governor, Deputy Governor and internal control board of the National Monetary Policy Council.



Restructuring of advisory and operational units at the Head Office towards paying more attention to long-term research activities, analyzing and forecasting monetary and economic movements, improving the position of statistical work (statistics of banking monetary activities and balance of payments statistics) to better serve research and analysis activities.

Paying more attention to the SBV's role in shaping the development of money markets and payment systems, payment instruments, as well as promoting smooth and healthy operations.

Focusing on, raising and providing more resources for banking supervision to achieve the objectives of contributing to the safety of banking operations and the system of credit institutions, and in terms of organizational structure, safety monitoring apparatus is separated with traditional administrative inspection apparatus...

3.3. Improving Quality of Human Resources

Focusing on renovating training to quickly acquire a staff of highly knowledgeable, specialized, in-depth professional and good working skills. Incorporating, methodically between short-term training projects and short-term training projects.

Establishing a modern human resource management mechanism, aiming at the goal of building a contingent of staff and resource structure proactively to effectively implement the SBV's strategic objectives.

3.4. Renewing the Management and Executive Mechanism of The Organization

It is necessary to develop and gradually apply a new management system to improve the effectiveness and efficiency of the SBV's operations. Specifically: clearly defining the objectives of the SBV in each period; Attaching the tasks of each level to the overall goal of the SBV; Formulating a mechanism to build tasks in each period, each stage for each unit, each group of officials and each individual. Considering the fulfillment of the duties of each individual, each group of officers or each unit is the goal of the management.

Promoting the application of information technology in professional work and management; Completing the management information systems, coordination mechanisms, and information sharing.

Completing the appropriate decentralization and authorization mechanism to standardize, optimize the decision-making process, enforce decisions and enhance the flexibility of the SBV.

3.5. Quality Improvement and Effective Implementation of The Executive Instruments

The State Bank of Vietnam should play an important role as a focal point in macro safety supervision to maintain financial stability while emphasizing policy coordination and action coordination between agencies in the financial security network. The SBV should focus on specific areas, prioritize and avoid spreading because it is very important in the use of resources to effectively implement policies to stabilize the monetary - financial system; Using uniformly monetary policy instruments to promote effectiveness and efficiency of monetary policy management instruments; Flexibly managing open banking operations, interest rates and other instruments to support commercial banks to ensure high liquidity and system safety; Flexibly regulating exchange rates according to market signals, encouraging export, controlling imports,



and taking timely interventions to stabilize the foreign exchange market; Monitoring, analyzing, assessing and forecasting more closely the economic movements - domestic and world currencies to propose appropriate solutions in managing monetary policy to achieve monetary - credit targets set out by the National Assembly and Government; Focusing on improving forecasting capacity to better serve the management of monetary policy; Strengthening coordination with relevant ministries to closely combine monetary policy management with monetary policy and other macro policies to improve the effectiveness of monetary policy in controlling inflation and preventing economic recession; Strengthening the information and propaganda about mechanisms and policies in the field of money and banking to all subjects in society in order to orient the market and create a high consensus in the society, contributing to bringing the mechanism, policies quickly come to life, have a more positive effect in operating the economy.

CONCLUSION

The State Bank of Vietnam is the leading agency operating the monetary and financial policies of the country. In the context of international economic integration, competition in the industry is becoming increasingly fierce under external economic commitments. Therefore, for the Vietnamese banking industry to become a solid lifeline, the SBV also needs to have a change and move forward. To do that, it is necessary to understand what the current role of the SBV is and from there make appropriate reform proposals. The report basically summarized the role of the State Bank of Vietnam in economic development since the renovation period in 1986 up to now, with its instruments, the State Bank of Vietnam has made great efforts to introduce adjusting the implementation of monetary policy, as well as its decisions to remove and support the developing economy, stabilize prices and curb inflation. Thereby, the author also assesses the achievements, limitations and causes of the State Bank of Vietnam from which to propose solutions to enhance the role of the State Bank of Vietnam in the coming time. When international economic integration becomes deeper and wider, the study of the State Bank of Vietnam to fulfill its role in economic development in the integration period is a big issue that needs to be further researched and completed beyond the theoretical and practical perspective in next works.

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