

August 25, 1997: p.19). The concentration of credit into the property sector quite naturally has resulted in the accumulation of non-performing loans in the banking sector (including finance companies). This bad-loan problem has further downgraded investor's confidence in the soundness of Thai economy. The liberalized Thai banks and finance companies were not subjected to effective prudential discipline by the monetary authorities in Thailand. Thus, the baht crisis suggests the importance of prudential regulation in the banking sector.

The financial system plays a role of allocating imported capital among various sectors. If it functions efficiently, the capital inflows will lead to increased production capacity of the industrial sectors which are expected to prevent increases in trade deficits in the future. In this case, the development plan is sustainable in spite of heavy dependence on capital import. However, as the baht crisis teaches us, inefficient banking systems divert imported capital into futile sectors which are weak in expanding production capacity. Thus, a combination of high dependence on imported capital and a fragile (inefficient) banking sector will make development plans appear unsustainable from the long-term perspective. This situation is quite vulnerable to speculative attacks, considering the existence of a high degree of currency substitution. In sum, countries in which development is substantially dependent on capital import must pay attention to assure foreign investors that their development plan will be sustained without extreme expansion of trade deficits.

Current Account and Financial Account of Thailand

(\$ billion, %)

	1990	1991	1992	1993	1994	1995	1996
Current accounts	-7.28	-7.57	-6.30	-6.36	-8.09	-13.55	-14.55
(per GDP:%)	-8.5	-7.7	-5.7	-5.1	-5.6	-8.3	-8.3
Financial accounts	9.10	11.75	9.46	10.50	12.18	21.90	N/A.
FDI	2.30	1.84	1.96	1.57	0.88	1.18	N/A.
Portfolio investment	-0.04	-0.08	0.92	5.46	2.49	4.08	N/A.
Bank borrowing	6.84	9.99	6.58	3.47	8.81	16.64	N/A.

Sources: IMF, International Financial Statistics, and Asia Development Bank, Asia Development Outlook.

IV. Towards a Higher Savings Rate and Efficient Financial System

As was argued in Section III, the current Five-year Plan for economic development being implemented by the Vietnamese government is based on rather optimistic assumptions regarding the inflow of foreign capital and the future direction of the trade account. It is our opinion that unless further steps are taken to mobilize domestic savings, there is considerable danger that the Vietnamese economy will come to face problems associated with disequilibrium in its external accounts at a relatively early stage. In any event, for the authorities to realize a stable development process it will be necessary for the rate of domestic savings to be further increased, and for a greater fraction of domestic capital formation to be financed by domestic savings. As was mentioned earlier, it is crucial that the authorities arrest and reverse the slight decline in the rate of savings that has been observed in the data over the last few years.

Regarding policy options designed to boost the domestic savings rate there are two major candidates:

- 1) Increase the tax base and hence net public savings through suitable reform of the tax system.
- 2) Increase private savings through reform of the financial system.

Of course these two policy initiatives are in no sense mutually exclusive, but rather should be pursued concurrently in a parallel manner. Of the two, tax reform is discussed in detail in Chapter 3

by Tajika. We wish, however, to make the following points concerning taxation with regard to the mobilization of domestic savings. The first point is that, depending on the system of taxation, an increase in savings in the public sector may well lead to a fall in savings in the combined private and SOE sector of the economy. To date the system by which tax revenue is raised has involved placing a heavy burden on the SOE sector, and the net effect has been to depress internal savings by SOEs. In addition, since success or failure of the current development plan turns on the ability to continue to attract large sums of foreign investment (and direct investment in particular), the authorities should be looking to reduce rather than increase the relevant tax rates. In this light it is apparent that a reform of the taxation system is necessary, with the objective being to reduce the rate of taxation for corporations and foreign investors while offsetting the fall in revenues with value-added taxation.

1. The Financial Implications of Tax Reform

In the first half of the 1990s the tax revenue received by the government jumped, as a fraction of GDP, from a little under 11% to just under 20%. According to research conducted by the authors in Viet Nam in March of this year (1997), the Vietnamese government does not plan to increase this ratio further than 22% (based on information obtained in interviews at the SBV). Furthermore, in order to avoid expanding the fiscal deficit under such a tax base it is planned that investment on the part of the state-owned enterprise sector will rely to a greater extent on funding from banks.

Switching the source of funding for investment by this sector from government handouts to loans from the banking sector is consistent with the basic aims of the drive to achieve a more market based economy. Generally speaking, in order for this policy to actually play a role in promoting the transition to a market economy it is necessary that such bank lending does not become a 'disguised budget deficit'. Were this to become the case, whereby inefficiently managed SOEs are effectively subsidized by continuous rollover of bank loans in place of direct grants from the budget, the net effect would be a monetarization of the fiscal deficit even though the figures would be hidden outside of the government budget. Such a situation also permits 'soft budgeting' on the part of firms using bank lending. Should the practice of supporting inefficient state-owned enterprises through bank lending instead of through the government budget become widespread, the end result would be both a slowing in the real rate of growth and an acceleration of inflation—a disastrous situation for the economy.

At this stage it is generally felt by commentators that the Vietnamese authorities have largely avoided a situation of widespread soft budgeting supported by bank lending. If we return to Table 1 it is seen that the twin goals of reducing the budget deficit as a ratio of GDP and decreasing the rate of growth of broadly defined money have been achieved simultaneously. According to World Bank figures (1995), of the total accumulated fiscal deficit of 5,823 billion dong accruing to the central government over the years 1986-90, some 55% was financed by direct loans from the Vietnamese central bank. Of the 12,949 billion dong fiscal deficit that was accumulated from 1991 to 1994, however, only 7.5% was financed through such loans from the central bank.

The strength of this performance is an indication of the tightness of government control over the lending activities of the Vietnamese banking sector. To view this situation from another perspective, it cannot be said—at least for the first half of the 1990s—that the commercial banks independently expanded the size of their lendings or that they involved themselves actively in development finance.

However in the process of development over the coming years it will most likely be necessary to rely more heavily on the banking sector for funding needs. In order for banks to support the financial aspects of economic development it is crucial to construct a basis for commercial banks to fulfill a financial intermediary function as a result of internal preferences. If this basis is unstable the end

result of an expansion in lending by these banks will be an increase in bad loans and problems associated with soft budgeting funded by bank loans. It is not possible to overemphasize the importance for the Vietnamese economy of systemic reform aimed at rationalization of the banking sector. More attention is given to this point immediately below.

2. Importance of Reforming the Banking System

The banking system plays two important roles for a society attempting to achieve economic development through an economic framework based upon the free market. They are:

(1) mobilization of domestic savings (particularly that which is dispersed in small individual quantities among economic agents), and

(2) realization of efficient funds distribution, and supervision and discipline of corporate management.

In anticipating the future direction of the Vietnamese economy it is vital to drastically improve the functioning of the Vietnamese banking sector from the perspective of both enabling an increase in domestic savings and improving the efficiency of funding allocation in the economy. In 1988 the State Bank of Viet Nam (SBV), which up until that time had performed the role of both central bank and commercial bank, was broken up in order to separate central banking and commercial bank functions. Four large commercial banks emerged from the break-up. Furthermore, under the new banking legislation introduced in October of 1990 the autonomy and jurisdiction of the central bank with respect to the management of monetary policy was strengthened, as was its ability to supervise banks and financial intermediaries. These events marked the beginning of a genuinely functional two-tier banking system. However, despite this history, the present banking sector in Viet Nam is as yet ineffective in carrying out banking functions. This fact can be observed by considering the 'financial deepening' index introduced by Goldsmith and Shaw, among others. The index is formed simply by dividing the money supply (M2) by nominal GDP, but has proved to be incisive in measuring the relative importance of the banking sector in the economy as a whole. While a cross section of financial deepening in the developed countries as measured by this index shows a large degree of variation, it is also the case that strong correlation is found between stable economic development and progressive financial deepening.

If we measure financial deepening in Viet Nam by this index, we can observe the measure taking on values between 0.23 and 0.25 in the years 1994~5. From Table 1 we see that at the end of the 1980s the index was in the region of 0.16 to 0.18, the implication being that financial deepening has progressed to some extent over the past ten years. However, it is also important to note that there has been a period of stagnation of the value of this index since the beginning of the 1990s. For example, if we compare the extent of financial deepening in Viet Nam with the 0.28 observed in China in 1978—at the very start of its market economy related reforms—we see that the figure for Viet Nam is slightly lower. However, from the start of the 1980s the Chinese economy experienced a rapid financial deepening, the index jumped to 0.61 in 1985 and 0.86 in 1990. Incidentally, the degree of financial deepening given by this measure for Japan during the Rapid Economic Growth Period was around 0.80. Overall the figures suggest that the role played by the banking sector in Viet Nam is as yet insufficient, and that there is significant room for improvement of functional ability. In order to assess to what extent the two-tier banking system has developed it is useful to look at the ratio of total loans to domestic agents from the banking sector to the total of the same from the central bank. The higher the ratio is found to be, the lower the dependence of the commercial banks and financial institutions on central bank funding—and, correspondingly, the greater private lending activity—is. In Viet Nam this ratio jumped from 1.5 in 1990 to 4.8 in 1995. This is slightly higher than the 4.1 recorded for the

same in China, indicating that the two-tier banking system is at least partially developed in Viet Nam. Incidentally, the ratio in Japan as of 1995 is 21.3. However, it is necessary to bear in mind here that the size of deposits and cash held at the central bank by the Vietnamese commercial banks is extremely high.

Table 6 Degree of Financial Deepening in Viet Nam, China and Japan
(M2/GDP)

	Viet Nam	China	Japan
1955			0.50
1965			0.71
1970			0.74
1975			0.85
1978		0.28	0.88
1985		0.61	0.92
1990	0.27	0.74	1.12
1991	0.27	0.82	1.11
1992	0.25	0.89	1.10
1993	0.24	0.86	1.10
1994	0.25	0.88	1.12
1995	0.24		
1996	0.25		

Source: Horiuchi, 1995

As has already been pointed out by Watanabe (1996), the stagnation of the financial deepening index in Viet Nam cannot be explained adequately by changes in real income (real income has in fact increased dramatically) or in the rate of inflation (the rate of inflation has, as we saw earlier, fallen sharply). The explanation is likely to lie in structural parameters in the money demand function of economic agents and in the level of lending activity on the part of the banking sector. It is possible that the amount of faith that the Vietnamese people are prepared to place in deposits with banks has not yet recovered despite the comparative absence of inflation. It is also possible that the transaction related services provided to holders of bank deposits are as yet insufficient. When we consider that deposits are derived by lending on the part of banks, and that these deposits may then come to be used as a means of savings and of settlement of transactions, it is seen that the weakness of bank lending may translate into a low level of derived deposits and, in consequence, of financial deepening.

3. The Twin Objectives of Greater Bank Lending and Stricter Controls

The Vietnamese government has stated that it intends to entrust the banking sector with the responsibility of allocating funds for industry investment. According to the on-site study that we conducted, a formal distinction has been placed between the investment plans of the government sector and the investment plans of the state-owned enterprises. Furthermore, the state-owned commercial banks have been granted the authority to conduct their own screening of applications for funding of investment from the state-owned enterprises. In this way, commitment towards clarification of the standards for judging investment projects and of the responsibilities and jurisdiction of the banks can be observed. However, it remains the case that lending from the commercial banking sector to the corporate sector lacks vibrancy. Moreover, there is ample room for rationalization of the lending procedures involved.

Therefore, it is hoped that in the coming period of development of the Vietnamese economy the banking sector will come to play a stronger financial intermediary and lending role. On the other hand,

it would not be desirable for banks to undertake lending in an uncontrolled or excessive manner. Should banks come to extend funding too readily the result would be an expansion in domestic demand not matched by that of domestic productive ability, with the net result being the return of inflation and a further worsening of the trade account deficit. At the same time, an expansion in lending by the banking sector lacking sufficient forethought would lead to a growth in the ratio of bad loans to total assets and, in turn, a decline over the long term in the ability of banks to act as financial intermediaries as well as a likely weakening of financial discipline if the central bank were to attempt to rebuild the strength of the commercial banking sector through further lending.

In this light it is seen that in order for the functioning of the financial system—and the banking sector in particular—to be improved it is necessary that the following two measures be adopted simultaneously and in a coordinated manner. First, banks must be given sufficient autonomy and responsibility to carry out more effectively the financial intermediary functions related to domestic investment. However, at the same time, a framework for control of the activities of the banks must be constructed so as to avoid inefficient or overly expansive lending activities on their part. In order to achieve the latter it is necessary to improve the lending functions and information producing functions of the banks themselves, but at the same time to monitor the financial health of the banks from the outside and to administer orders to these ends. Thus a financial authority to play this supervisory role is required.

At present the commercial banks are required to follow rather detailed guidelines on the process of lending as dictated by the governor of the central bank. From our on-site study the impression we received was that the guidelines are more likely to make the lending process excessively rigid than to improve the screening ability, and hence prevent growth in lending. However, as for the question of whether it would be more appropriate to abandon these guidelines from the central bank and permit the commercial banks to conduct their lending activities more freely, the answer must depend on whether or not the commercial banks are thought to have developed strong screening ability of their own. Given that the commercial banks have rather limited experience in screening loan applications, and that Vietnamese firms as recipients of these loans may be thought of as still relatively lacking in financial discipline, it must be accepted that a degree of danger of economic dislocation of the form described above is inherent in a sudden lifting of central bank controls. In this way the importance of steps towards systemic reform is clear, and these matters will be discussed in the next section.

(1) Constructing an Efficient Settlement of Accounts System

By rationalizing the settlement of accounts system which forms the core of the banking system it is possible to increase the confidence of people in bank deposits and hence promote financial deepening. To this end it is necessary to create a settlement network that enables the transfer of reserve money between the commercial banks, including those not owned by the state, and to link this network to the central bank (SBV). By constructing such a system for settlement of accounts the convenience of the bank deposit system for the typical user is increased, causing an increase in the size of the demand for this service. In fact it has come to the authors' attention that a plan is already in motion for constructing such a network for account settlement, using subsidized funding from the World Bank. It is hoped that the plan will be implemented as fast as possible.

According to the on-site study conducted by the authors, the settlement of accounts and fund transfer systems are being improved at a rapid pace. For example, regarding fund transfers within the network of each commercial bank, transfers are completed within the day on the existing network. However, it is still the case that the inter-bank network is underdeveloped, and that the facilities of the central bank are employed to make such transfers. In addition there are no local inter-bank markets in

regional areas, so the various branches must depend on the main office for fund transfers for the purpose of adjusting fund excesses and shortfalls.

The development of a settlement and transfer network with the central bank as the hub is a vital policy issue. At present even the transfer system operating within the central bank itself is inadequate, so settlements carried out between the head office and local branches are organized by area of operation. Seen from the perspective of macroeconomy policy efficiency, each SBV branch is effectively conducting rediscounting for the various local banks. Such a system poses dangers to the unity of macroeconomic policy. In addition, at the level of the commercial banks and the local branches of foreign banks, the inefficiency of the inter-bank settlement of accounts mechanism and the lack of an operational inter-bank money market have led to the need for large amounts of reserves to be held at considerable cost. Although the official reserve rate is 10%, in reality the sum of cash and deposits of commercial banks held at the central bank divided by total deposits is much higher than that figure (see Table 7). Another reason behind the surprisingly large reserves held by the commercial banks is the lack of enthusiasm that those banks have shown towards lending to companies.

Table 7 Reserve Ratios of the Main Commercial Banks

	(Reserves/Deposits, %)					
	1991	1992	1993	1994	1995	1996
Vietcombank	2.9	15.8	20.0	14.9	19.3	14.0
Agribank	20.5	25.6	33.8	39.3	52.5	55.5
BIDV	81.6	79.2	56.3	53.9	41.6	44.8
Incombank	12.9	20.1	16.7	33.6	31.2	26.7
Joint stock banks	9.5	17.6	17.3	24.8	14.7	17.0
All banks	6.9	21.8	24.8	28.4	30.9	28.8

Note Reserves are measured as the sum of cash and deposits with the central bank.

Source State Bank of Viet Nam

In addition, although the reserve ratio (ratio of reserve holding to total deposits) sometimes appears to be falling over time, at other times it seems to be rising, indicating a degree of uncertainty in reserve holding behavior on the part of the banks. While such uncertainty surrounds the actions of the commercial banks with regard to the holding of reserves there will clearly be uncertainty in the management of financial policies based upon reserve holding behavior. In this light it is doubtful that the use of tools of financial policy management that involve controlling the supply of reserves would have much impact in Viet Nam, in contrast to the situation in America and the UK where the use of such tools is standard.

(2) Development of Branch Offices in the Banking Sector

An effective means of educating people as to the convenience of holding bank deposits is the construction of an appropriately sized banking network. While it appears (from interviews conducted at commercial banks by the authors) that the individual commercial banks have considerable freedom with respect to the establishment of new branch offices, the question is whether or not the individual banks are able to present incentives sufficient to significantly increase deposit amounts.

That the mobilization of the savings dispersed in small individual quantities in the agricultural villages through bank deposits is vital to economic development has been amply demonstrated by the Chinese economy in the 1980s. On this point, of equal importance to the branch network of the commercial banks is the activities of the credit cooperatives and the People's Credit Fund (PCF). From the perspective of the central and local governments, it is necessary that steps are taken to

ensure the financial health of these smaller scale financial institutions operating in regional areas, and to increase their reliability through the introduction of some form of deposit insurance scheme. Some portion of the savings mobilized in agricultural areas can then, through the inter-bank funds markets, be transferred to the center where the demand for funds is strong and serve as input in the capital formation process.

In the case of Japan the post office savings system was effective to some extent in mobilizing such dispersed funds through its nationwide network and the credibility of the state. Regarding Viet Nam, similar results could be expected if the government were to intervene to shore up the credibility of these institutions. Vu Van Hoa (1997) argues that the reach of the branch offices should be actively extended with a target of 15,000 people per branch by the year 2000. In addition, the establishment of state-owned regional commercial banks by each local province would also likely be an effective policy move.

(3) Eliminating 'Repression' of the Banking Sector

As has already been pointed out many times by a range of specialists, the placing of unnecessary restrictions or taxation burdens on financial intermediary institutions—the role of which in market economies is vital—leads to disruption of the efficient operation of the financial intermediary mechanism. Restriction or taxation having negative impact on the financial intermediary mechanism is known as 'financial repression.' At present the Vietnamese banking sector is facing a situation which can be described as very close to one of financial repression. In 1996 the sales tax which banks were subjected to was abandoned. However, the tax burden faced by the commercial banks is as yet not inconsiderable, and it is argued that this is adversely affecting profitability (Amano, 1997).

From July of 1996 the upper limit monthly interest rate for short-term borrowing was set at 1.6%, while the upper limit monthly interest rate for medium-term borrowing was set at 1.65%. From October of the same year the two rates were revised to 1.25% and 1.35% respectively. Although it is not entirely clear just to what extent the system of setting upper limits on interest rates is effective, it has been claimed that they serve to obstruct the efficient functioning of the intermediary role of banks (Hao, 1997). The rationale for using upper limits on interest rates is to decrease the cost of borrowing for those who want to raise funds, and thereby to boost the level of investment activity. However, from the perspective of economic theory, to place an upper limit on interest rates is to decrease the incentives for banks to extend their lending programs and, in this way, to serve to actually reduce the supply of funds to would-be borrowers.

The lending interest rate restrictions and the margin (spread) restriction of 0.35% (monthly rate) are a classic exhibition of financial repression. Banks lack reasonable incentives to accumulate deposits and to extend those funds to borrowers. The Vietnamese government is presently considering a lifting of the margin restrictions now in place.

Generally speaking, a strong degree of competition between banks is linked to effective operation as financial intermediaries, leading in turn to the efficient allocation of financial resources. However, in the case of Viet Nam the construction of a banking industry that exhibits a high degree of internal competition (for example, dividing further the existing state-owned commercial banks to increase the number of viable banks) should not at the present stage be high on the list of policy priorities. Instead the major priorities should be an increase in the operational autonomy of the individual banks, as well as a strengthening of their screening and supervisory functions and their ability to carry out various operations in the financial markets. Although some Viet Nam specialists have asserted that the lack of competition between commercial banks in Viet Nam is responsible for high interest rates (Hao, 1996, p. 31), it is unclear whether or not policies to encourage competition between banks would in fact lead

to lower rates in the present environment.

(4) Increasing the Screening Ability of the Banking Sector

In order that banks have incentives to become more actively involved in the allocation of funds to the corporate sector and to increase the efficiency with which they perform financial intermediary operations it is necessary that banks (the managers and the employees) receive profit from engaging in lending, and that the degree of exposure to risk resulting from the decisions of the bank is clearly defined (limited). Under current regulations in Viet Nam, managers of banks that hold bad loans are subject to criminal procedures, indicating that the state-owned commercial banks are as yet seen as a part of the bureaucracy and bad loans as a manifestation of bureaucratic corruption. Under such a regulatory system it is hardly surprising if banks are hesitant in the active supply of credit. These various forms of 'repression' are responsible for constraining the supply of funds from banks to the corporate sector.

According to the findings of our on-site study, the commercial banks avoid the risk of bankrupt clients by concentrating their lending among the state-owned enterprises, as well as by actively buying up government debt. Although this safety-first emphasis of the commercial banks may be argued as having prevented the widespread bad loan problems that have been observed in China, it has also deprived the corporate sector, and private companies in particular, of much needed investment funds. The fact that much of the funds mobilized from domestic savings are flowing into the government sector in the form of purchases of government debt and so on, and that the government is controlling the distribution of these funds, is indicative of the as yet underdeveloped state of financial intermediaries with respect to the market mechanism. In China, while it is the case that bad loans were created in large quantities, it is also true that small and medium private enterprises are a driving force behind economic development in that country. Given the situation in the banking sector in present day Viet Nam, the challenge of securing the vitality of the small and medium business sector will be considerable.

Faced with the immature state of investment project screening in the banking sector, the creation of a system of collateral—in particular, a collateral system based on land-usage rights—is of great importance. Although collateral is important in reducing the amount of risk faced by banks involved in the supply of credit, it is also important in other respects too. Under a system of collateral based on land-usage rights, a debtor firm which becomes unable to meet its obligations vis-à-vis its creditors will be forced to entertain the prospect of losing its land-usage rights, rights which are of considerable value. In this way, such a collateral system would become a source of discipline for borrowers.

However, such a collateral system is not without its faults. In particular, the collateral system as it stands in Viet Nam may cause distortions in the efficient distribution of funds for the reasons outlined below. Firstly, it is not necessarily the case that the firms that are in possession of rights to use land are the most promising companies in terms of investment prospects. Indeed it is likely that there is a large number of firms which have high yield investment projects but lack suitable collateral and as such are experiencing difficulties in raising funds for their ventures. Bank lending that relies solely on a collateral system will be limited in the extent of its supply of credit. In addition, the market for disposing of land-usage rights is as yet underdeveloped, a situation which weakens the actual effectiveness of the collateral system (Hattori, 1997).

There is a further problem with the collateral system that exists in Viet Nam. This is that the usage of these rights as a means of collateral is limited to that by state-owned enterprises, and, moreover, that foreign and joint venture banks are not permitted to take part in the system. These restrictions serve to hinder the effective functioning of the banking sector as a financial intermediary system. In

order to increase the efficiency of funding allocation within Viet Nam, the authorities should move to abolish these restrictions immediately.

(5) The Problem of Bad Loans in Viet Nam

Our on-site study was unable to determine just how severe the bad loans problem is in Viet Nam. From anecdotal evidence received through those involved in dealing with bad loans in that country the impression is that the problem is not particularly serious. However, according to statistics that the authors came across in the process of the study, the scale of bad loans within the banking sector is too large to ignore. Table 8 gives the ratio of bad loans outstanding to total loans for the banking sector. For example, the ratio recorded by Agribank is a high 16%. For the banking sector as a whole the ratio is as high as 9%.

Within the total sum of bad loans, delinquent loans that have already been frozen make up a considerable proportion. However, in the interests of a better allocation of financial resources achieved through commercial and other banks moving to improve their loan approval and project selection procedures, it is undesirable that such assets remain hidden in the balance sheets in a non-transparent manner. It would be better if such frozen nonperforming assets were to be shifted to a special government account created for this purpose, allowing banks to continue the business of lending from new balance sheets. In any case it will certainly be necessary to engage in rigorous analysis as to the size of these loans and the effect that they have been having on the lending behavior of the commercial banks.

As a related matter, the expansion of credit between firms may prove to be a destabilizing factor in times of tight monetary policy. In a survey of 200 state-owned enterprises, CIEM (1997) found that 55.9% of corporate debt was in the form of bank loans, while another 34.7% was in the form of loans from other companies (figures are as of August, 1996). Thus it is seen that this kind of inter-firm credit (accounts payable) occupies a not inconsiderable proportion of the fundraising by SOEs in Viet Nam. CIEM (1997) raised the following concern about this situation.¹

The danger here is that should the authorities adopt a tight money position and the banks respond by reducing the availability of credit to the corporate sector, the likely result is that firms will compensate by increasing the amount of inter-firm credit in existence. Particularly in the case where these lines of credit link financially vulnerable corporations there is often a tendency to patch over the difficulties with such measures, a situation that will eventually lead to a loss of resources if left untreated. This problem is not really a financial issue but rather one of how to effectively monitor SOEs and of how to restructure companies (and SOEs in particular) that have fallen into financial difficulties. The problem of how to improve efficiency in the financial system is thus closely related to issues concerning rationalization of public management, particularly management of state-owned enterprises.

Within the banking system in Viet Nam, the share of the four large state-owned commercial banks is gradually declining, while that of the joint-stock banks is slowly rising. However, there are a number of concerns regarding the financial health of many of the latter type. Indeed some Viet Nam specialists believe that a few of these joint-stock banks are facing serious difficulties as a result of overdue loans (on-site study hearing, March of 1997).

¹ Despite its low proportion of 34.68%, debts to other enterprises are a widespread reality which causes misappropriation of capital between enterprises and negative impacts on their business operations. (CIEM, 1997, p. 65)

Table 8 Proportion of Bad Loans at the Major Banks

	(%)		
	1994	1995	1996
Vietcombank	16.5 (18.0)	8.7 (10.2)	9.6 (9.1)
Agribank	14.3 (13.6)	13.9 (13.3)	16.6 (17.8)
BIDV	3.0 (2.9)	3.3 (3.1)	5.2 (5.0)
Incombank	7.7 (8.7)	9.3 (6.3)	12.1 (8.2)
Other banks	3.6 (6.1)	3.0 (2.5)	3.1 (3.0)
Total	9.6 (9.7)	7.7 (6.6)	9.1 (7.5)

Note The ratio is that of overdue loans to total loans. The figures in parentheses give the corresponding ratio for the state-owned enterprise sector.

Source State Bank of Viet Nam

(6) Supervision of the Commercial Banking Sector by the Central Bank

As we have seen in the preceding discussion, the amount of bad loans in the banking sector has reached an uncomfortable level in Viet Nam. On the other hand, it is hoped that through their lending activities these banks will be able to play an important role in supporting the investment activities of corporations over the coming years. However, unless steps are taken to improve the screening abilities of these banks to a sufficient level, such an expansion of lending can only serve to worsen the problem of overdue loans now being experienced. For the present the major issue for the commercial banks is this required improvement in the ability to evaluate loan applications.

However, even more important is the monitoring and supervisory role that the central bank must play vis-à-vis the commercial banking sector as a whole. In particular, rules of operation to prevent such financially irresponsible actions as the concentration of an excessive amount of investment in particular firms by a given bank will need to be established and implemented. Rules to ensure the financial health of banks such as restricting the ratio of deposits to own capital to 20% or under, restricting total lending to an individual entity to under 10% of own capital, restricting total loans to the top 10 borrowers to under 30% of total loans, and limiting total loans to 70% or less of the total value of collateral, are already in place.

In 1990 Viet Nam experienced a widespread loss of confidence in bank deposits among the general population resulting in runs on many banks. In the end, a majority of the 7,000 or so credit unions including agricultural credit unions were either liquidated or were forced to suspend operations (Watanabe, 1996; Hattori 1997). This experience led to a general loss of confidence in deposits at banks and other financial institutions, with this particularly the case in the farming villages, a loss that may not have completely been overcome even today. Given this situation it is likely that a system of official state-backed deposit guarantees for holders of deposits (a deposit insurance system) would be effective in mobilizing domestic savings. In fact it is the case that relative to the commercial banks the joint-stock banks are forced to pay a comparatively high rate of interest on deposits (notes by Vietnamese delegation, 1997, p. 7). Through the introduction of a system of deposit insurance it would be possible to eliminate this kind of premium and hence allow the private banks to compete on a level footing with the state-owned commercial banks. Of course in addition to the public deposit

insurance system it will also be necessary to create a body for the purpose of supervising the financial health of the commercial banks. Without a system of supervision operated by the central bank or the like, a deposit insurance system will introduce to the banking sector an element of moral hazard. However it seems to be feasible for the central bank to establish such a monitoring entity to supervise the publicly and privately owned banks, given its existing abilities.

Generally speaking, there appears to be some degree of scale merit effect operating within banking industries. In order to construct an efficient banking system, then, it is preferable for it to be comprised of a somewhat limited number of large banks (banks that are able to establish a banking network over a relatively big region) rather than a large number of small banks. Also, according to a report on Viet Nam (notes by Vietnamese delegation, 1997, p. 10), there exist joint-stock banks in which SOEs are the controlling stockholders. Here there is danger that funding will be concentrated in the firm which is the controlling stockholder. Furthermore, it appears that some general corporations, the establishment of which is being promoted, are moving to own banks as subsidiaries. Thus it will likely be necessary to implement rules that prevent the appearance of "institutional banks" which concentrate lending and fund supply into a given firm.

(7) The Importance of the System of Long-Term Finance

It is generally held that fund raising and lending activities on the part of the Vietnamese banking sector are concentrated in the short term. According to those directly involved, it is not thought to be strange to seek to fund an investment project of relatively long duration with extremely short-term means of fund raising. This tendency appears to be particularly strong in the case of lending to private corporations. However, it is certainly not the case that state-owned companies are exempted from the need for long-term funds. According to CIEM (1997), of the 200 SOEs that were covered by the survey some 91.5% were experiencing difficulties in the area of long-term funding. However, the nature of the difficulties were more related to procedural formalities (74.9%) than to high interest rates (63.4%) or to the lack of collateral (29.5%) (pp. 65-66). These results suggest that, in the field of long-term funding, while the limited availability of funds is thought to be an issue there is also a problem with the efficiency of those institutions that would serve as intermediaries for long-term finance.

In addition, if we look at Table 9, which contains data that was obtained by the authors, the share of long-term loans in total loans extended was a little over 30% on average for the years 1994-96, which is certainly not a low level. On the other hand, in June of 1996 the governor of the central bank called for the share of medium- and long-term loans by the commercial banks to be increased further. This directive seems to imply that the authorities are as yet dissatisfied with the share of medium-to-long-term loans in the economy.

Theoretically, there are two different aspects to the issue of long-term finance which must be considered. The first is that, as has long been emphasized, investment projects with long maturity periods require funding that is raised over a similar duration. In order to achieve this goal the problem of the maturity transformation abilities of the commercial banks comes into question. Clearly in this respect long-term funding is of considerable importance. What is to be emphasized here is this issue of maturity transformation from the perspective of development of the Vietnamese economy. However, at the same time it is useful to pay attention to the role of the term of finance in disciplining the corporate governance of the firm attempting to raise funding. Generally speaking, when the potential borrower has management control problems one effect is a high degree of risk for a would-be lender providing long-term funds. The reason is that it becomes relatively difficult to ensure that the long-term funds are not consumed in an inefficient manner by the managers of the firm. In

contrast, if the maturity of the loan is shorter the lending institution will then have better monitoring opportunities, given that appropriate pressure can be applied to management at the time of rollover of the loan. In summary, then, given a situation where control of management remains an issue in the corporate sector and where the monitoring and supervisory abilities of banks are as yet underdeveloped, there may in fact be difficulties associated with overly zealous promotion of long-term funding.

In our opinion, the reason that the lack of long-term funds has not been a particularly serious problem for the Vietnamese economy is that many investment projects undertaken by the corporate sector have been of rather short maturity. However, as the Vietnamese economy enters into the second stage of economic development the lack of long-term funds will become more of a concern. Thus it will be necessary to take steps to increase the efficiency of management control within the corporate sector, and, at the same time, to encourage changes to the financial system as a whole in order to provide for more active maturity transformation.

Table 9 The Relative Importance of Long -Term Lending
(share of medium- and long-term loans in total loans, %)

	1991	1992	1993	1994	1995	1996
Vietcombank	10.3 (0.0)	12.1 (0.0)	19.8 (0.0)	34.2 (2.5)	32.9 (4.6)	26.7 (3.7)
Agribank	6.5 (0.4)	6.9 (9.4)	26.4 (42.1)	29.4 (42.9)	31.3 (51.3)	32.2 (42.8)
BIDV	73.8 (1.7)	76.7 (2.9)	75.8 (0.6)	70.8 (9.4)	55.6 (12.6)	53.3 (9.1)
Incombank	3.8 (4.1)	6.3 (0.3)	13.5 (22.0)	16.1 (30.5)	18.6 (25.9)	20.1 (26.2)
Joint-Stock	0.0 (0.0)	1.0 (0.0)	4.4 (0.0)	19.5 (0.0)	18.1 (0.0)	23.4 (0.0)
Total	16.7 (0.9)	18.3 (1.7)	29.8 (15.4)	37.0 (21.7)	34.2 (23.8)	32.4 (21.2)

Note Figures in parentheses give the share of funds raised by bond issue in total funds raised, the latter being the sum of the former and deposits (%).

Source State Bank of Viet Nam

At present in Viet Nam the state-owned commercial banks have permission to issue debt instruments, with the BIDV issuing one-, two- and five-year bonds and Agribank and Incombank issuing one- and two- year bonds in order to raise funds. In Table 9 both the ratio of long-term loans to total lending and the ratio of debt issues in total fund raising are shown for the different commercial banks in Viet Nam. According to the information contained in this table, for BIDV and Vietcombank—both of which are relatively heavily involved in long-term lending—the level of dependence on debt issue is actually relatively low, where as for Agribank—for which the opposite is true—the dependence on bond issue is relatively high. This imbalance is cause for some concern. In order to accommodate a smooth increase in the amount of long-term lending, it is necessary to mobilize relatively long-term savings through bond issues on one hand and on the other to build into the system a means of ensuring that the maturity transformation performed by any one bank is not too great. One way of achieving these goals simultaneously that we are able to recommend is the establishment of a long-term credit bank system.

Box 5

Regarding the Long-Term Credit Bank System

According to the traditional view of commercial banking, it is thought that the banking sector should concentrate only on short-term lending, while the raising of long-term funds should be carried out on the stock market. However, the amount of time that it takes to create the fundamental conditions necessary for the stock market to begin to function in an effective manner is quite considerable. In addition, it is not easy to transform holders of small deposits into investors on the stock market. As a result it is necessary to make use of the relatively well-developed banking system in the process of supplying the required long-term funds to sustain economic development.

With a long-term credit bank, the establishment of which we are proposing, the issue of bonds is favored, the maturity of which tends to be longer than that of deposits, and the funds thus raised are then used for long-term lending to corporations as a specialist operation. If we suppose that the average maturity of bonds issued by banks is somewhat shorter than that of the investment projects being funded, then by having the commercial banks hold even a small part of the bonds issued by the long-term credit bank it is possible to expand the amount of maturity transformation carried out by the financial system as a whole. The central bank can aid in this process of aggregate maturity transformation by lending to the commercial banks as security on the purchases of bonds. In this way the liquidity of these bonds is improved and hence maturity transformation is still further encouraged.

Although the role of the long-term credit bank in maturity transformation is perhaps intuitively obvious, we pause here to give a simple numerical example as further explanation. The hypothetical bank that we consider here is able to make the average maturity of its assets equal at most to twice the average maturity of its liabilities. In addition, we assume that potential holders of deposits wish to hold their money in deposits of one-year maturity, and that there are only two types of bank loans, a one-year product and a five-year product. The one-year (resp. five-year) loans will be referred to as short-term (resp. long-term) loans. In the economy we consider there is a total of 100 units of deposits supplied. With the assumptions that we have made regarding the ability of banks to transform the maturity of funds, the implication is that banks can at most supply 25 units of savings towards long-term lending. In this case the average maturity of deposit liabilities of the commercial banks is one year. On the asset side of the balance sheet, the average maturity of loans, given that three quarters are of one-year maturity and one quarter are of five-year maturity, is two years (see Figure A below).

Next, let us suppose that the government establishes a long-term credit bank. The long-term credit bank operates by issuing bonds of 2.5-year maturity and lending the funds raised in this manner as loans of 5-year maturity. In this way the term of assets is exactly twice that of its liabilities. However, according to our first assumption, holders of deposits do not wish to purchase bonds with maturity this long. Instead, the commercial banks serve as investors in buying the bonds issued by the long-term credit bank. Suppose that the commercial banks use the 100 units of savings they have collected to lend x units in the form of long-term loans, y units to purchase bonds from the long-term credit bank and the remaining $100 - (x + y)$ units as short-term loans. Since the maturity transformation ability of the commercial banks is a factor of 2 we end up with the following inequality:

$$2 \times 100 \geq 5x + 2.5y + (100 - x - y)$$

or

$$100 \geq 4x + 1.5y$$

However, total long-term loans in this economy is the sum of that lent directly by the commercial banks, x , and that which is lent by the long-term credit bank, y . Making use of the above inequality we have

$$x + y \leq 25 + \frac{5}{8}y$$

By considering this inequality it becomes clear that the amount of long-term lending in this economy will increase with y , that is with the amount of bonds issued by the long-term credit bank that are purchased by the commercial banks. For example, if the commercial banks buy 40 units of bonds ($y = 40$) the total possible amount of long-term lending for the economy ($x + y$) is 50 units. If the commercial banks buy 50 units of bonds then the total possible amount of long-term lending for the economy increases to 56 units (see Figure B).

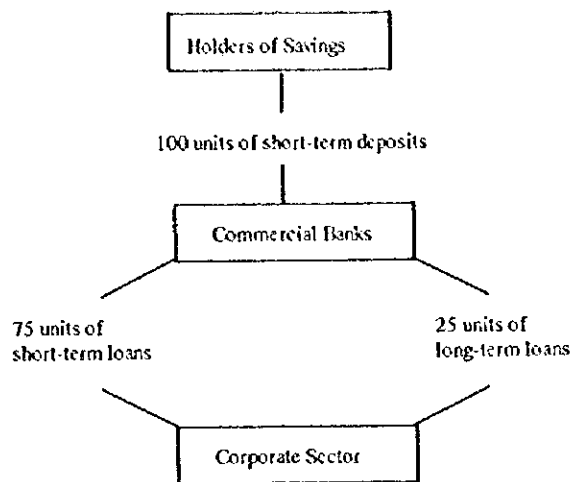


Figure A Maturity Transformation by the Commercial Banks

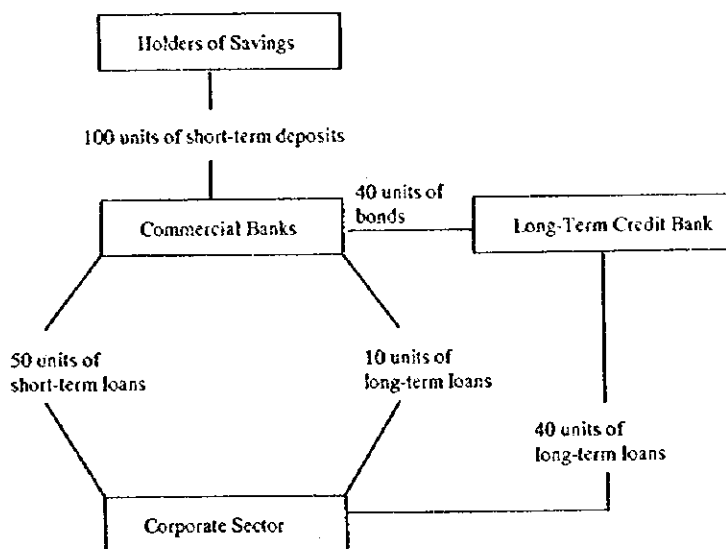


Figure B Maturity Transformation by the Long-Term Credit Bank (x = 40)

The issuance of relatively long-term bonds by banks is important from the perspective of enabling long-term funding. However, there is a limit to the extent to which banks will be able to sell bonds of long maturity to households who on one hand are the ultimate suppliers of savings and on the other hand exhibit strong preference for relatively short-term, highly liquid assets. Instead it may well be more effective to have a given bank, such as the BIDV, issue medium-to-long-term bonds which are then purchased by other banks in order to engineer a division of labor in maturity transformation. The bank that issues these medium-to-long-term bonds would then be able to concentrate on relatively

long-term lending to the corporate sector without having to concern itself excessively with the problem of maturity transformation. Furthermore, the banks which raise funds through the accumulation of liquid deposits could concentrate their activities in short-term lending on one hand and purchase of medium-to-long-term bonds on the other. Such lending would not involve an excessive degree of maturity transformation. In fact the long-term credit bank system is thought to have played an important 'division of labor' role in Japan during the Rapid Economic Growth Period by mobilizing savings dispersed in small quantities and responding to the long-term funding needs of Japan's corporations.

(8) Feasibility of the Securities Market

In November of 1996 a decree was issued for the establishment of the National Securities Board. That such a decree was issued makes clear the perceived need on the part of the Vietnamese government for a stock market in order to promote economic development. This raises the question of whether or not it is appropriate for the Vietnamese authorities to expend large amounts of energy on programs aimed at advancing the growth of a stock market.

From the perspective of creating a balanced financial system it can be argued that rather than just working on the improvement of the indirect financial system of which banks form the core, it is necessary to create and develop the primary markets which deal with the issuing of stocks and bonds and the secondary markets in which previously issued securities are traded. Certainly to have such a securities market up and running in a flexible manner would in itself be a contribution to the efficiency of the financial system. However, in order to realize the benefits of a fully functioning securities market, a supporting legal structure is indispensable. In a securities market—a market which must harness the funding potential of an arbitrarily large number of investors—there is the need to encourage rational behavior on the part of investors, to ensure full disclosure of information by firms and to enact a set of laws concerning fair trade and the protection of investors. Furthermore, in order for the typical investor to become familiar with trading on a stock market a certain period of learning is required. The Vietnamese economy may well lack the reserves necessary for the fulfillment of the prerequisites outlined above.

In conclusion, then, the Vietnamese authorities would be best served for the time being by concentrating their efforts in making the banking sector more efficient and thereby constructing a financial system that delivers stable intermediary services through the banking sector. At the same time, the enactment of a legal framework aimed at supporting the development of a stock market should proceed gradually. Thus the authors support the view of the deputy governor of the State Bank of Viet Nam, Le Van Chan, in his opinion that, in view of the underdeveloped state of the financial system, the rapid introduction of a stock market would at this stage be inappropriate (Viet Nam News, May 1997).

V. The Sequence of Reforms to the Financial Sector

In the previous section we looked at the present condition of the financial system in Viet Nam and a number of problems associated with it, as well as considering which direction reforms to the system should take. In this section we study specific plans for reform and the sequence in which these plans should be carried out in the light of the present situation in Viet Nam. It must be recognized here that reform of the financial system—and reaping the benefits from such reform—will not be achieved overnight. As such the Vietnamese authorities must for the time being pursue economic development in the absence of a complete financial system. At the end of this chapter we consider measures, albeit

temporary, which aim to boost efficiency of the financial intermediary function of banking taking an incomplete financial system as given.

1. Basic Elements of Reform Sequencing

In order to finalize a plan for implementing reform it is necessary to first be clear about the point of departure (the present situation) and the destination (the goal). In other words, it is necessary to know the stage of the Vietnamese economy in its move to a market-oriented system, and what kind of financial system is desirable for Viet Nam. The Vietnamese reform has already ten years of history, the results of which have to be the base of the future reform. Reform agenda to attain the identified goal and sequence of the implementation must be formulated carefully.

(1) Point of Departure

Table 10 outlines reform measures on the part of the Vietnamese authorities taken with respect to the current fiscal and monetary situation that are either already implemented or are moving towards implementation. First, in 1988 commercial and central bank functions were separated into different institutions, marking the beginning of two-tiered banking in that country. In the ensuing period specialist banks were turned into commercial banks, and the establishment of joint-stock banks, joint-venture banks and branches of foreign banks was encouraged.

Reform of the tax system, a cessation of subsidies to state-owned enterprises and a reduction of other expenditures enabled a reduction in the size of the deficit and hence a fall in the rate of inflation—policies that had enormously beneficial effects on the economy. On the financial side, monetization of the budget deficit by the central bank was ended and direct loans from the central bank to state-owned enterprises was ceased. The authorities have also been successful to some extent in imposing discipline on the lending activities of the state-owned commercial banks.

In addition to normalizing real prices the various exchange rates have been unified and the different interest rates have also been 'normalized.' More specifically, the real interest rate has been made positive and the system of different discriminatory lending rates by sector has been abandoned. Furthermore, in 1996 the previously inverted yield curve returned to normal.

As we have just outlined, the Vietnamese financial system, based on a two-tiered banking sector, is now of a framework that is more-or-less appropriate to the free market system. However, as was pointed out in the previous section, there are a number of systemic problems associated with the workings of this financial framework.

(2) Destination

The goal of reform is to create a strong foundation in terms of fiscal and monetary systems for future development of the economy. Present needs are for a financial system based on an efficient banking sector, allocation of funds with a view to industrial development and the mobilization of domestic savings. In this connection there is a need for more active funding activities on the part of the commercial banks. Efficient behavior in the banking sector will likely become the cornerstone of economic development in Viet Nam over the coming years.

At the same time, however, it is critically important that every measure is taken to ensure that the activities of the banking sector in no way encourage soft budgeting by economic agents. If bank funding is directed to inefficient companies or to prolonging the life of companies in need of assistance the end result will be a loss of financial health in the banking sector and possibly bail out measures from the central bank. Such a situation would be marked by falling productivity in the corporate sector on one hand and inflation due to excessive money creation on the other. In attempting

to transform its economy to one operating on market principles it is important that the Vietnamese authorities avoid this situation at all costs. In summary, then, the goal (destination) for policy makers is to encourage an active financial intermediary role on the part of banks on one hand and to construct a framework whereby bank funding is prevented from contributing to soft budgeting on the part of firms.

Table 10 Reform of Fiscal and Financial Systems Already Underway in Viet Nam

Area of Reform	Details of Reform
Macroeconomy	<ul style="list-style-type: none"> ▪ Establishment of Land-Usage Rights ▪ Reduction of fiscal deficit ▪ Unification of foreign exchange rates
Fiscal Sector	<ul style="list-style-type: none"> ▪ Enactment of ODA Procedures Law ▪ End of monetization of deficit by central bank ▪ Higher tax revenue through the first tax reform ▪ Secondary tax reform (value-added tax, etc.)* ▪ Creation of PIP (Public Investment Program)
SOE Sector	<ul style="list-style-type: none"> ▪ Liberalization of industrial goods prices ▪ End of subsidies from the current account ▪ Division of ownership and management (est. GC, enactment of bankruptcy law)* ▪ Promotion of competition through new entry*
Financial Sector	<ul style="list-style-type: none"> ▪ Establishment of two-tier banking system ▪ Centralization of banking organization ▪ Achievement of positive real interest rate, positive lending to borrowing interest rate spread ▪ End of sectoral interest rate differences ▪ Normalization of yield curve relationship (btw. long- and short-term rates) ▪ Establishment of inter-bank local and foreign currency markets* ▪ Introduction of trade in short-term government paper* ▪ Reform of Banking Law*

Note Items marked with an asterisk are currently in progress.

This last point is one that concerns not just the banking sector or even the financial system as a whole, but also the entire economic system in Viet Nam. The core principle of the free market system is that economic agents are free to pursue their interests through trading in markets, as well as taking responsibility for the trades that they make. This principle is what leads to efficient resource allocation on the part of the market. Thus within the financial sector too it is necessary that the range of both autonomous judgment and responsibility (and indeed protection) by corporate fund users and individuals as well as the banks and other financial institutions is clearly established. This requires very general laws and administrative regulations regarding financial dealings. Of course the reforms of individual features of the financial system and improvement of these more general laws and procedures (the infrastructure, as it were) must be undertaken in a parallel manner.

To date the Vietnamese authorities have made vigorous efforts to reform the financial system in a number of ways (see Table 10) and have already achieved a measure of success. However, it is also true to say that the reforms that have been carried out so far, such as ending monetization of the deficit and adjusting the interest rate system, are administrative level reforms that are relatively easy to achieve. In the future it will be necessary to undertake the more basic systemic reforms, particularly reform of the accounting, supervisory and settlement of account systems. These reforms should be implemented as early as possible as the amount of time required to achieve the desired results is extremely long.

2. Developing the Functions of the Central Bank

The central bank must maintain the anti-inflationary stance that it adopted at the beginning of the 1990s. It is also necessary that the bank continue to intervene when appropriate in the foreign exchange markets in order to prevent large fluctuations in the value of the dong. Furthermore, as well as aiding in the development of financial markets and the banking system, the central bank must begin to diversify the existing range of tools of monetary policy in order to prepare for operation under a more complex financial market mechanism. In discussing reform of the central bank it is possible to make a rather broad distinction between reform related to macroeconomic policy and reform related to preservation of stability within the financial system.

(1) Systemic Reform to Increase the Effectiveness of Monetary Policy

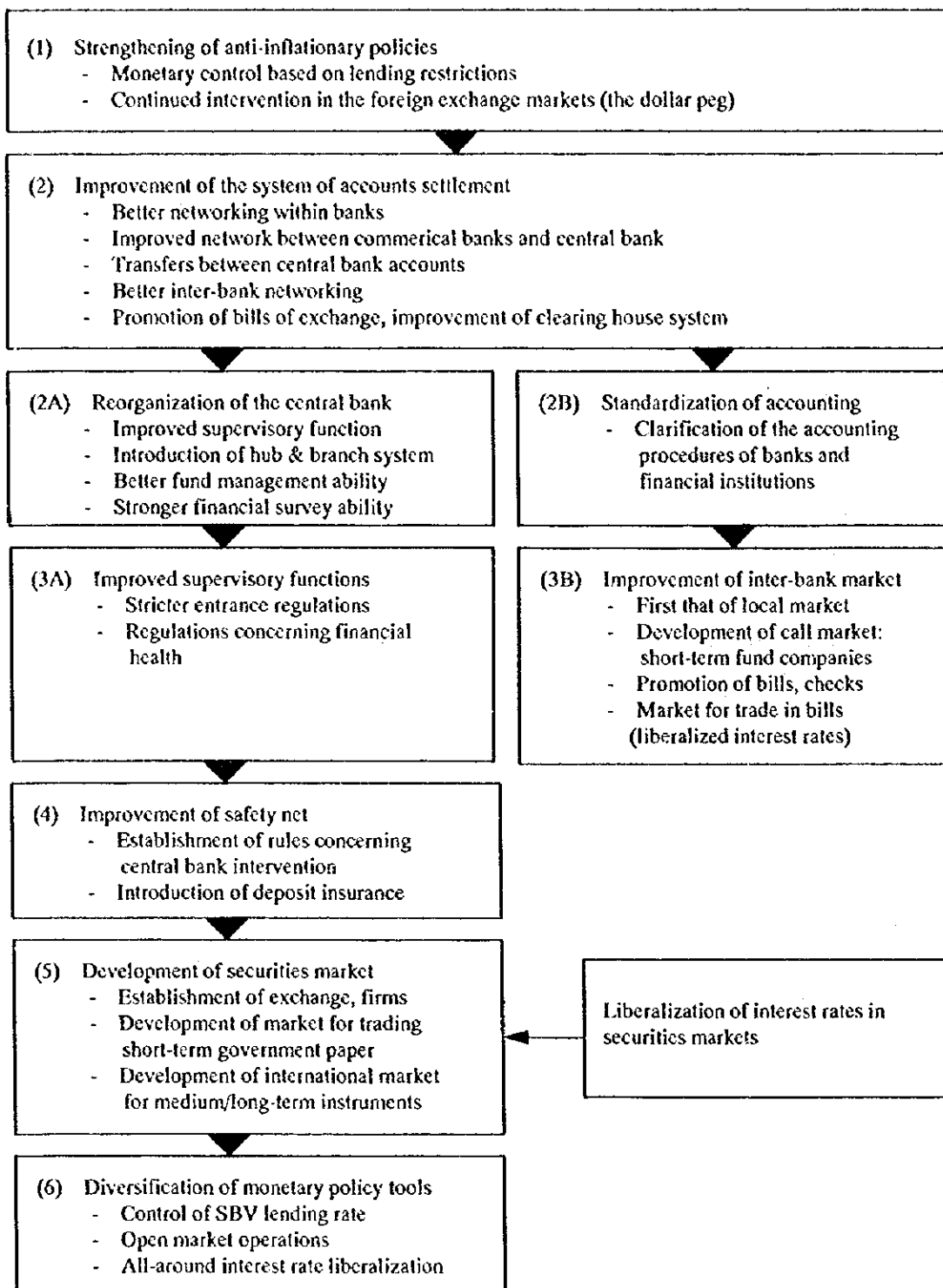
The appropriate sequence for reform in this area is (a) establishment of a settlement system, (b) development of the inter-bank financial market, (c) introduction of tools for policy operations within that inter-bank market, and (d) establishment and development of a securities market. Of these, (a) and (b) can and should be implemented simultaneously. The convenience of holding bank deposits for potential holders of accounts will be improved by (a), and as such will aid in the mobilization of savings that are dispersed in small individual quantities. Of course (c) is to be pursued after (b), with a view to the idea that sooner or later there will be the need for a system of policy management which carefully controls the supply of reserves and thus controls the short-term interest rate in the inter-bank market.

(2) Systemic Reform to Improve the Stability of the Financial System

The central bank needs not only to increase its ability to implement monetary policies, but also to strengthen its ability to maintain stability in financial markets. In this connection the following sequence of reforms is to be recommended: (a) standardization of accounting procedures, (b) strengthening of the central bank's ability to supervise and monitor the actions of the other banks and financial institutions, and (c) the introduction of a system of deposit insurance and clarification of the procedures involved in settling liabilities upon default. Of these (a) is the most basic, and there is a need for standardized accounting not only in the financial system but in the corporate sector as well.

Reforms (b) and (c) are related in the following way. A system of deposit insurance for deposits held at banks will increase general confidence vis-à-vis the banking sector and hence serve to mobilize domestic savings. However, it is vital that appropriate supervisory powers are given to the financial authorities at the same time in order to ensure that the financial health of the banks is maintained. In addition it is also important to have proper public procedures in place to deal with default by banks. In particular, in the case where banks raise money by borrowing from foreign lenders a lack of transparency in these matters will serve to worsen the conditions under which funds are raised and to make stable fund raising difficult.

Table 11 Procedures for Reform of the Financial System: Strengthening the Functions of the Central Bank



3. Strengthening of Commercial Bank Operations

In order for the market mechanism to continue to develop in Viet Nam it is necessary that the financial intermediary role of the banking system is further strengthened. While on one hand mobilization of domestic savings is proceeding apace as the level of confidence in bank deposits rises and economic activity in general grows stronger, on the other, funding operations for the corporate sector are in fact weak and this is manifested in dissatisfaction on the part of those who would raise funds through banks. As a result it is desirable that policy measures designed to stimulate bank lending should be taken. For example, there remains a lack of transparency in the present collateral system as it pertains to lending to the corporate sector. (In August of 1996 a number of rules concerning collateral were enacted. However, banks are not yet free to dispose of land and other real estate acquired through the collateral system. In addition, private firms are in a position of disadvantage vis-à-vis the state-owned enterprises on matters concerning collateral.)

However it is not necessarily the case that a growth in bank lending will improve the present situation. The reason is that the financial health of firms in Viet Nam is beset by instability and a lack of transparency, making evaluation of the prospect of investment projects a difficult task for the banks. In other words, a rapid increase in lending in line with expansion in demand is likely to lead to a problem of soft budgeting on the part of firms. There is no easy answer to this problem. However, necessary conditions for an expansion of lending are: immediate systemic reform with a view to improvement in the clarity of operational aspects of the (mainly state-owned) enterprise sector, and the construction of a framework for basing the evaluation of loan viability.

In addition the operations of the commercial banks should be concentrated around lending to the commercially viable activities, and policy-based finance should be separated out. A mixing of policy-based finance operations and commercial operations is certainly not an efficient approach. However, in order to carry out such a separation there is a need for a large human capital base trained in banking operations. Hence it would be preferred for this separation to be carried out after a longer period of experience in funding activities has been acquired.

Expectations regarding the banking sector's role as a provider of long-term funds is growing. A large flow of long-term lending from banks into the corporate sector will bring about a mismatch in the maturity of assets and liabilities held by banks. In this light there is seen to be a need to construct a system whereby banks which are endeavoring to supply long-term funds are able to raise them through the acquisition of relatively long-term liabilities. Under the present system in Viet Nam it is possible for banks to issue bonds of rather long maturity. However, the amount of such bonds which banks are able to induce general investors (individuals) to hold is very limited. The reason is that individual savers tend to prefer to hold their assets in the form of short-term and highly liquid instruments. In reality the banks have been issuing such bonds, and buying them up from holders when necessary in order to ensure their liquidity. In this way the actual effect of acquiring liabilities in the form of bonds issued is no different from holding them as deposits. In such a situation extension of long-term finance by banks is restricted.

In this connection it is our recommendation that a long-term credit bank system be introduced. Under such a system a certain bank—the BIDV, for example—would specialize in supplying long-term finance with funds being raised in principle only through the issuance of bonds. Furthermore, the commercial banks should then be permitted to procure these bonds issued by the long-term credit bank, and perhaps even be forced to do so as a fixed proportion of funds raised through deposits. In other words, the primary investors in the bonds issued by the long-term credit bank would be the commercial banks, on the basis of funds raised through the collection of deposits. Commercial banks would then be mainly concerned with short-term lending operations as well as the purchase of these

bonds. It would appear reasonable to also permit the commercial banks to issue bonds if they so desired.

The aim of this system would be to create a specialist long-term lending institution and a clear means for maturity transformation to take place. By directing the funds raised by commercial banks from mobilization of savings through the collection of deposits into these bonds rather than directly into long-term loans to industry it becomes possible to mitigate the maturity mismatch problem. By selling large quantities of such bonds to the commercial banks, the long-term credit bank—which is entirely funded by these bonds—would help to overcome the problem of mobilizing long-term savings. Of course, as has been witnessed in Japan, the benefits provided by such a system decrease over a long period of economic development, during which the ultimate suppliers of savings come to hold a relatively large amount of assets. The reason is that these savers are then in a position to actively hold such long-term savings instruments. However, given the present level of development in Viet Nam, the existence of a specialist long-term credit institution would provide significant benefits to the economy.

If the underlying means of allocating funds for industry is to be the market mechanism then there is a need for strengthening of the autonomy of management in the corporate sector. It is perhaps best if strengthening of the autonomy of management of SOEs on one hand and the state-owned commercial banks on the other are undertaken simultaneously. During this process there will be a need to separate the socially motivated aspects of operations within the commercial banks from those undertaken for profit, and for the former to be transferred to a newly created policy-based finance institution.

4. Preliminary Policy Measures

In this section we have discussed the sequencing of reorganization of the financial system in Viet Nam from a long-term perspective. These measures recommended by the authors are by no means unique, but rather are delivered in the light of the role played by the financial system in the process of economic development for a wide range of countries. The recommendations coincide with those of many advisory bodies, such as the World Bank and the IMF, and specialists.

However, regardless of whether we are discussing Viet Nam or any other country, it remains true that an efficient and stable financial system cannot be built overnight. In the intervening few years (at least) prior to the formation of a relatively complete financial system, the Vietnamese authorities must consider how to go about the process of capital formation under a less than perfect system. In other words, there is a need to avoid a situation where an expansion of loans aimed at supporting investment by the corporate sector results in a growth of delinquent loans because of poor screening and monitoring capabilities on the part of individual banks. Below we discuss briefly appropriate intermediate policy measures during the period when the Vietnamese government must cope with an underdeveloped financial and banking system.

Table 12 Procedures for Reform of the Financial System: Strengthening the Functions of the Commercial Banks

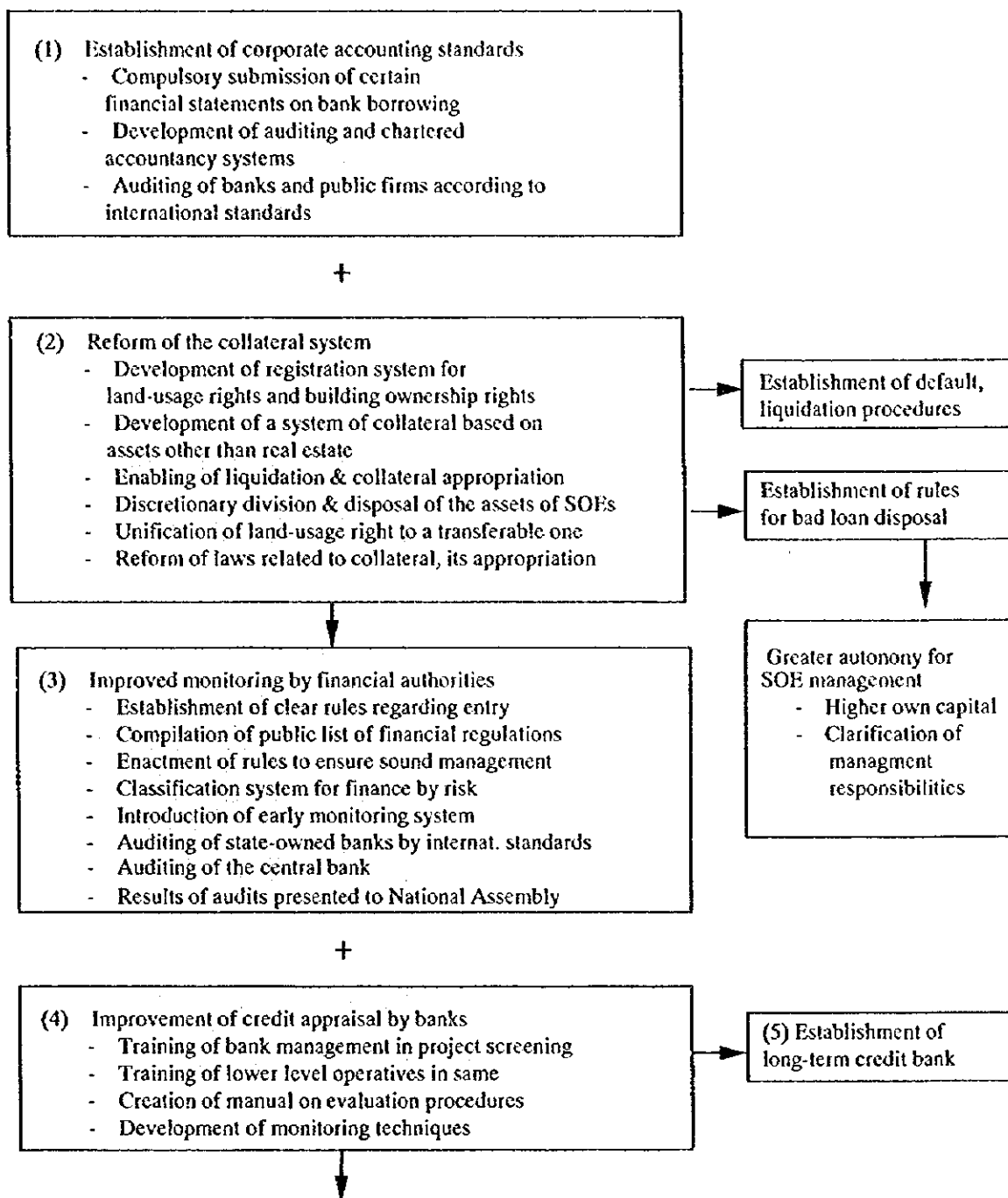
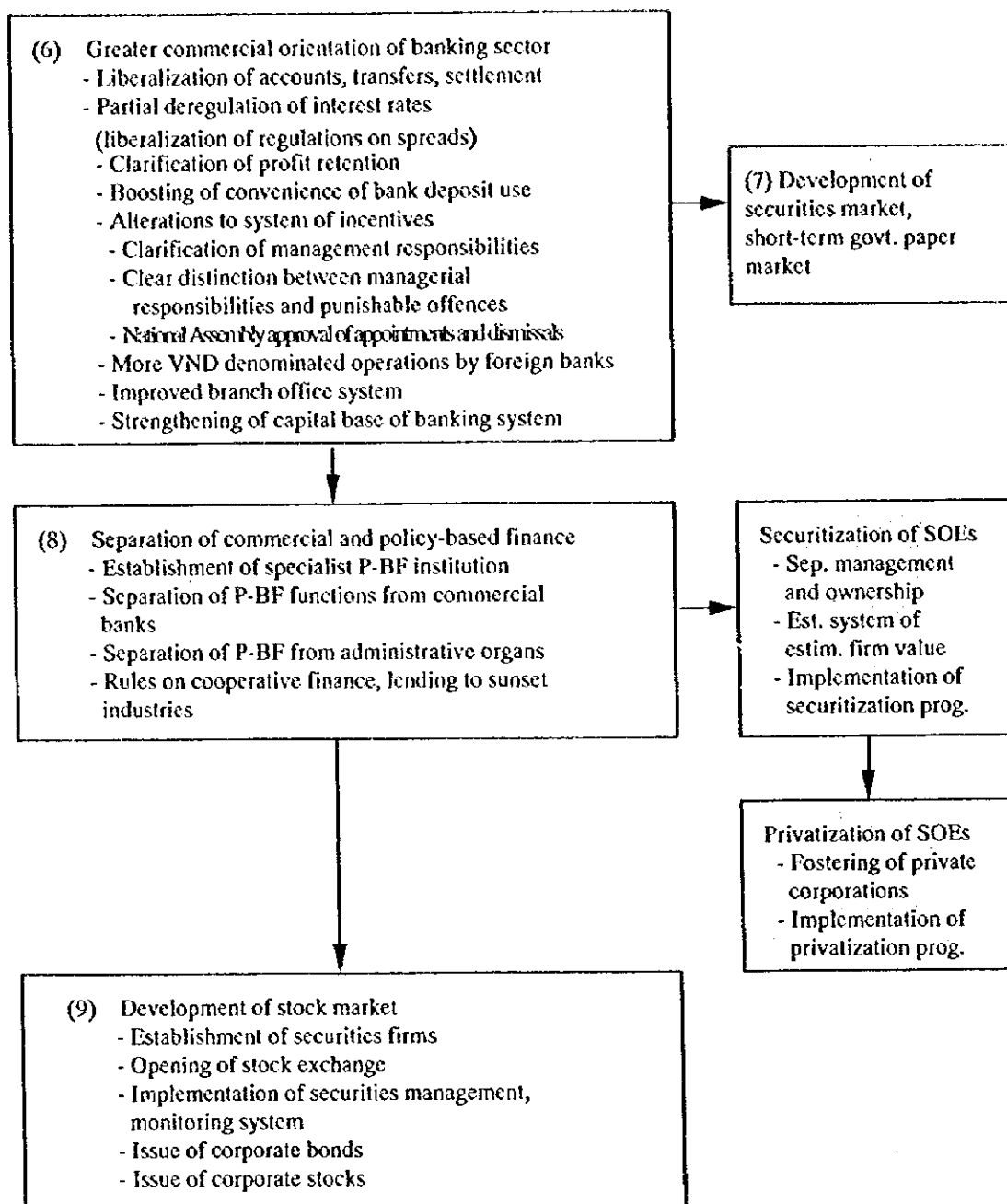


Table 12 (continued) Procedures for Reform of the Financial System: Strengthening the Functions of the Commercial Banks



(1) Use of Syndicated Loans

In a situation where project evaluation and lender monitoring capabilities within the banking sector are not abundant, means must be found to economize on the need for these skills in a rational manner. One possibility is that a number of banks cooperate in extending a loan to some given project (this is known as a syndicated loan). In extending such a loan the usual practice is that a division of 'labor' is employed whereby one bank is responsible for arranging the loan, screening and evaluating the

investment project and monitoring the firm while the other banks entrust these tasks to the initiating bank and are responsible themselves simply for extending funds. In fact this would likely work in practice with a bank such as the BIDV, which has a comparatively large amount of experience and history in the evaluation of investment projects, serving as the central organizing bank. However, in the final analysis, lending is not limited to a specific investment project or to a certain set of conditions, but rather involves supplying funds through the syndicated system to a firm as a whole entity. The net result, then, is that a large number of banks are able to extend their lending operations without being required to draw on their screening or monitoring abilities. This type of syndicated lending practice was widely observed in Japan during the Rapid Economic Growth Period.

(2) The Role of Foreign and Joint Venture Banks

Foreign banks bring to Viet Nam a diverse lending experience as well as superior knowledge and skills in the fields of project evaluation and monitoring. The same can be said for joint venture banks. As a result, Viet Nam, where screening and monitoring skills are as yet underdeveloped, should seek to make use of the financial intermediary activities of these banks in a rational manner. Table 13 gives the shares held by different banking groups in the Vietnamese economy. While the share of lending and deposits held by the foreign and joint venture banks has been on a slow upward trend, the actual level remains low. One of the reasons for this low level is that the activities of such banks are strictly regulated by the authorities. For example, the land-usage rights collateral system does not extend to banks of foreign ownership. In addition, these banks are permitted to accept dong denominated deposits of up to only 20% of total own capital.

However, it is now desirable to create conditions whereby these banks will be encouraged to commit a greater amount of funds to the Vietnamese economy. Of course it is preferable from the perspective of the Vietnamese that the foreign and joint venture banks refrain from cream skimming, or lending only to certain high performing companies at the expense of loans to firms exhibiting a higher degree of risk. In this connection it is advisable for the authorities to consider providing incentives for the foreign and joint venture banks to become more involved in retail and other aspects of banking in order to draw them into a more deeply integrated position in the domestic financial sector. While the domestic commercial banks lack fully developed financial intermediary skills it is advantageous to encourage the domestic lending activities of these banks and in this way to supplement the financial intermediary abilities of the domestic commercial banks.

Table 13 Shares of Lending and Deposits in the Banking Sector
(%)

	1991	1994	1995	1996
Total Deposits	100	100	100	100
State-Owned Commercial Banks	91	88	80	76
Agribank	27	26	23	22
Incombank	27	24	20	20
BIDV	16	22	19	18
Vietcombank	21	16	18	16
Joint Stock Banks	6	8	9	10
Joint Venture Banks	1	2	3	3
Foreign Banks (branches of)	2	2	8	11
Total Loans	100	100	100	100
State-Owned Commercial Banks	89	85	75	74
Agribank	18	18	17	17
Incombank	29	33	31	25
BIDV	6	4	3	8
Vietcombank	36	30	24	24
Joint Stock Banks	7	11	15	14
Joint Venture Banks	1	2	3	5
Foreign Banks (branches of)	3	2	7	7

Source: State Bank of Viet Nam

VI. Conclusion

In this report we considered, mainly from a financial perspective, the necessary conditions for the continuation, under a decentralized market economy, of the strong economic growth that the Vietnamese authorities presided over in the first half of the 1990s. Our opinion has been that there is a need for the commercial banks to adopt a more active role in mobilizing savings, generating an efficient allocation of financial resources and encouraging disciplined behavior on the part of firm management. To this end there is a need, however, for systemic reform with a view to improving the intermediary ability of the banking sector itself, as well as reform of other related systems such as the monitoring function of the central bank and the management situation at state-owned enterprises. In these areas our policy recommendations are more or less in line with those given by the World Bank, the IMF and other such bodies. It is hoped that the Vietnamese authorities will embark as soon as possible on the legal and systemic revisions described in the report—taking into consideration the discussion on sequencing given in Section 5—revisions that are indispensable for improving the financial intermediary functions of the banking sector.

However, as we have emphasized a number of times in this report, it will take a considerable amount of time before these systemic reforms overcome initial inertia. Over the next few years the Vietnamese authorities will have no choice but to proceed with tasks undertaken predominantly by the commercial banks, such as mobilizing domestic savings and allocating the financial resources that drive economic development, in the knowledge that the financial intermediary abilities of these banks are as yet underdeveloped. In this report we have indicated a number of policy options that may be pursued in the intervening period. They include (1) the introduction of a long-term credit bank, (2) the adoption of a system of syndicated loans, and (3) active use of foreign and joint venture banks. Regarding these intermediary measures implemented from a short-term perspective, it is important

that grandstanding be avoided and that these policies also take into account the interests of the long-term development of the financial intermediary role of the commercial banking sector.

Finally, we would like to express our hope that the proposals for policy and its management that we have discussed herein are, at least to some extent, of benefit to the Vietnamese government.

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Reexamination of Financial Policies in View of the Observations in Savings and Investment Survey of Households - 1997

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1. Introduction

This paper reexamines some of the issues of financial policies in view of the observations obtained by the Savings and Investment Survey of Households implemented from April to May in 1997 (SISH97).

One of the central questions asked repeatedly in Viet Nam concerns the domestic savings. Why has the domestic savings/GDP ratio remained low? The growth rate of real GDP has been steady, increasing from 5.1% in 1990 to 8.6% in 1992, then to 9.5% in 1995. Inflation rate has declined from 67.5% in 1990 to 12.7% in 1995. A large number of empirical studies in various economies have found that such macroeconomic development causes the National Savings/GNP ratio to increase. In Viet Nam, however, the National Savings/GDP ratio has remained stagnant after 1993 at around 17%. In particular, the Non-government Savings/GDP ratio declined from 14.6% in 1993 to 11.9% in 1994 and remained at the same low level in 1995. Why has the Non-government Savings/GDP ratio remained low?

While the Survey itself is an attempt to discover the basic facts about savings and investment of households, it is expected to help us make some important progress toward answering the question about savings. As is described in detail in the Appendix, the SISH97 is distinct from all other surveys conducted in Viet Nam in its focus on savings and investment behavior of the household sector. It is much more explicit in the institutional environment in which savings and investment decisions are made by individual households. From the perspective of institutional environment, we can classify various possible reasons for the low savings rate into two categories. One is the lack of an effective economic mechanism which supports savings of individuals, or the lack of a mechanism which links individual savings to aggregate savings of the household sector as a whole.¹ For instance, the lack of depository institutions accessible by residents limits the choice of savings instruments available to households. As a consequence, a large amount of savings may end up with the "crops in the backyard"

¹ Non-government savings consists of the business sector (retained earnings and depreciation) and savings of the household sector. But the breakdown of the non-government savings is not available.

(which are counted as consumption, rather than investment, in National Income and Product Accounts in Viet Nam) or "the bricks in the backyard," that is, investment with low or negative rates of return. The other category is the existence of a mechanism which deters individual savings or a mechanism which does not link individual savings to aggregate savings. One such mechanism is the existence of the well developed informal credit market of consumption loans among households. The existence of active borrowings and lending among households in consumption loan market creates good savings instruments for individuals but it does not lead to positive savings for the household sector as a whole.

The information contained in the VLSS is quite helpful in evaluating these institutional constraints imposed on individuals. The most intriguing fact in the VLSS in view of savings behavior is the portfolio of assets held by households: 47.7% in gold and dollar, 22.3% in dong cash and dong denominated financial assets, and 25.3% in non-monetary assets. Gold and dollar occupies 2/3 of the monetary assets held by households. Dong cash is 10.0% and savings (in stock) at depository institutions is only 7.9%. The access to depository institutions is extremely limited.

Furthermore the VLSS shows that most financial transactions of households take place through private arrangements which are outside the control of SBV. On average, 42.3% of borrowings is from private individuals without interest, 28.5% from private individuals (money lenders) with interest, 22.7% from banks, 2.6% from cooperatives, 3.9% from others.

Such observations in the VLSS reveal the possibility that the economy is trapped in an inefficient monetary equilibrium in which the importance of gold and dollar, limited access to depository institutions, the existence of well developed informal credit markets, and the low saving rate are all interdependent each other. Furthermore, such an equilibrium may be quite unstable and the economy may slip into hyperinflation by a small external shock because of the flight from dong to dollar or gold. The policy implication of such an equilibrium is far reaching. The first and absolute priority must be given to the policy to stabilize inflation and foreign exchange rate and to build the confidence in dong among households.

However, various evidence has begun to show up lately which seems to indicate the emergence of the economic conditions in Viet Nam that allows Government to place more weight on other policy objectives for development with relatively less concern for inflation. Deposits at commercial banks increased 36.1% during 1995. This value is much higher than 5.2%, the growth rate of currency held by public during the same period. In real terms, after adjusting for the 12.7% inflation rate during 1995, the real deposits outstanding at the end of 1995 increased by 23.4% from a year earlier, while the real currency balance declined 7.5%.

Emergence of these new facts indicates that the economy may be moving out of the inefficient monetary equilibrium. A fundamental change may be in progress. The key parameter in this change is the increase in confidence both in dong and a fragile banking system, or, more basically, the confidence in the government macroeconomic policies. Even a series of recent scandals involving top management of commercial banks can be interpreted as a proof that a good progress has been already made in banking, in the sense that we can expose the weakness of the existing banking sector and prepare a new stage of development. This would have been simply impossible in 1993.

In this paper we reexamine the following policy questions on the basis of the SISH97 data:

- 1) Why was Viet Nam so successful in reducing its inflation rate? Does the low inflation rate in 1997 imply that the economy of Viet Nam is now less vulnerable to inflationary shocks to the economy?
- 2) Does gold still dominate the portfolio of monetary assets of households?
- 3) Is there any evidence in the SISH97 which helps us design better banking policies?

4) Is the saving rate low? If so, in what sense? What policies are necessary to increase it?²

II. Inflation Policy

Why was Viet Nam so successful in reducing its inflation rate? Is the economy more robust to inflationary shocks? In this section we will examine these questions by using the microeconomic data of VLSS93 and SISH97. Is there any evidence in the basic economic conditions of households which helps us clarify these questions? As is always the case for the analysis of inflationary episodes, the crucial variable we need to look at is the real money balance of households.

Tables A10 in the Appendix for the household panel common to both VLSS and SISH show the changes in the real money (dong) balances held by individual households in Viet Nam in the past 4 years.³ Table 1 is its simplified version.

Table 1 Transition of states of households in currency (dong)

	0:	households without stock of currency		
	+	households with positive stock of currency		
	fraction (0):	fraction of households without stock of currency		
	fraction (+):	fraction of households with positive stock of currency		
	State of monetization (dongization):			
	fraction (0), fraction (+)	= (0.551, 0.449)	in VLSS93	
	fraction (0), fraction (+)	= (0.104, 0.896)	in SISH97	
	Transition probabilities			
			SISH97	
			0	+
	0		0.129	0.871
	+		0.073	0.927
VLSS93				

We can observe from Table 1 the extent of the progress of monetization (dongization). In the VLSS93 the fraction of households with positive stock of currency (dong) was only 44.9%. In the SISH97 it has reached 89.6%, that is, doubled almost exactly. The transition probabilities matrices show that 87.1% of the households without the stock of currency has moved from the state "0" to the state "+" and that only 12.9% of the households has remained in the same state "0", indicating deep and extensive monetization. On the other hand, 92.7% of the households with positive stock of currency in the VLSS93 has remained in that state in the SISH97.

Furthermore the quintiles of VLSS and SISH show a momentous shift of the distribution of the currency per household between the two Surveys:

² The questions we ask in this paper do not exhaust by any means the information we could possibly extract from the SISH97 data. The Appendix of this paper collects some of the early results obtained from the SISH97.

³ This section is based on the balance sheet data of the 771 households common to both VLSS93 and SISH97. It evaluates the changes in the financial activities of the household sector in Viet Nam over the four years from 1993 to 1997.

Table 2 Values of five quintiles

	VISS93	SISH97 ⁴
hh: households		
"0"	425hh	80hh
Quintile 1 (154hh):	[0, 0]	[0 ; 59] (74hh)
Quintile 2 (154hh):	[0, 0]	[59 ; 341]
Quintile 3 (154hh):	[0, 45] (37hh)	[345 ; 965]
Quintile 4 (154hh):	[50, 300]	[990 ; 2,628]
Quintile 5 (155hh):	[300 ; 29,000] ⁵	[2,635 ; 103,489]

The average currency held by a household has increased from VND307,000 to VND2,958,000 between VISS93 and SISH97.⁶ The difference belonged to the government as the seignorage revenue.⁷

Tables computed for Urban/Rural Areas and Regions in the Appendix confirm that the dongization is a nationwide phenomenon, catching almost all segments of households.

However, the fact that almost 90% of the households now have positive dong stock indicates that the rapid monetization process driven by a higher demand for real currency balance is now close to completion and the monetary deepening will take place through different channels, such as banks or other financial institutions. One important policy implication of this observation is that the room to finance government budget by seignorage revenue is now much more limited than it was four years ago. In this sense, the economy is more prone to inflation if the central bank prints more money to finance government budget deficits.

III. Gold Policy

While gold is being used less frequently as a medium of exchange for transactions of durable goods and houses,⁸ Table 3 shows that the fraction of households with positive stock of gold remains almost the same for the nation as a whole, a couple of points higher than 30%.

⁴ The values of the SISH are divided by 1.347, which is equal to $CPI(\text{December, 1996})/CPI(\text{December, 1993})$.

⁵ There are 21 households at 300. Three of them are included in Quintile 4 and 18 in Quintile 5.

⁶ The value of the SISH is after adjusting for inflation.

⁷ $CPI(\text{December, 1996}) / CPI(\text{December, 1993}) = 1.347$. In 1996 VND, the total seignorage revenue over the four years = $(\text{VND } 3.0 \text{ million} - \text{VND } 0.3 \text{ million}) \times 1.347 \times 15 \text{ million (hh)} = \text{VND } 39 \text{ trillion}$. Since GDP in 1996 was VND 259 trillion, roughly speaking, the total seignorage revenue of the government over the four years was about 15 % of GDP in 1996, or, about 4 % of GDP each year.

⁸ In case of transactions of motorbikes, the frequency of the use of dong, dollar and gold in the SISH data is found as follows:

	1994	1995	1996
dong	26 (.65)	60 (.67)	87 (.78)
dollar	4 (.10)	5 (.06)	4 (.04)
gold	10 (.25)	24 (.27)	20 (.18)
Total	40 (1.00)	89 (1.00)	111 (1.00)

The use of dollar is limited to transactions in Hanoi except for 1 case in 1997. The use of gold is found exclusively in the South.

Table 3 Transition of the states of households in gold

0: households without stock of gold
 +: households with positive stock of gold

State of gold hoarding:
 (fraction (0), fraction (+)) = (0.674, 0.326) in VLSS93
 (fraction (0), fraction (+)) = (0.686, 0.314) in SISH97

Transition probabilities

		SISH97	
		0	+
VLSS93	0	0.712	0.288
	+	0.633	0.367

However, the transition probabilities matrix reveals that 63.3% of households which kept positive stock of gold in 1993 no longer keep gold in their asset portfolios, and that 28.8% of households which were in the state "0" in the VLSS93 moved to the state "+" in the SISH97. A substantial change has taken place in the composition of households with positive stock of gold.

Furthermore, while the fraction of households without positive stock of gold has remained virtually the same for the nation as a whole, Table 4 for Urban and Rural Areas reveals that this stability hides important changes which have taken place in Urban and Rural Areas.

Table 4 Hoarding and dishoarding of gold, Urban vs Rural areas

hh: households

Urban Area (216hh)

State of gold hoarding:
 (fraction (0), fraction (+)) = (0.370, 0.630) in VLSS93
 (fraction (0), fraction (+)) = (0.713, 0.287) in SISH97

Transition probabilities:

		SISH	
		0	+
VLSS	0	0.688	0.312
	+	0.728	0.272

Rural Area (555hh)

State of gold hoarding:
 (fraction (0), fraction (+)) = (0.793, 0.207) in VLSS93
 (fraction (0), fraction (+)) = (0.676, 0.324) in SISH97

Transition probabilities:

		SISH97	
		0	+
VLSS93	0	0.716	0.284
	+	0.522	0.478

In the VLSS93, the fraction of households with positive stock of gold was three times higher in Urban Area (63.0%) than in Rural Area (20.7%). But the two areas have become much more homogeneous in the SISH97, because of a large amount of dishoarding of gold in Urban Area and an increase in gold hoarding in Rural Area.

In Urban Area the fraction (+) has declined from 63.0% to 28.7% and in Rural Area it has increased from 20.7% to 32.4%.

It is curious to know why such asymmetric changes have occurred in Urban and Rural Areas. One natural inference is that there was a large difference in the monetary environment between the two areas in 1993, but that the two areas have been integrated much more closely by 1997. As a consequence asset portfolios become similar between urban and rural households.

Such inference is partly supported by Table A17 in the Appendix II which shows the portfolio of assets per household by Current Expenditure Quintile. While there are more urban households in Quintile 4 and more rural households in Quintile 2, the fraction of gold in the portfolio of money and financial assets for Current Expenditure Quintiles 2 and 4 takes on similar values 37.8% and 42.3% respectively.

However, Table A19 also indicates that there still exists a significant difference between the two areas in the accessibility to deposit facilities. Households in Quintile 5 in Urban Area have bank deposits substantially higher than those in Rural Area or other Quintiles in Urban Area. We will come back to this point again in the next section.

Lastly, note that the stability of fraction of households with positive stock of gold for the nation as a whole does not imply that the amount of gold per household has also remained the same. Table A17 shows that, on average, gold per household has increased from VND 784,300 to VND 1,853,400 over the four years. Roughly speaking, \$375million (=VND 1.1 million \times 15 million / 11,000 /4) worth of gold has been imported every year.⁹ However, it also shows that the importance of gold in the portfolio of money and financial assets has declined from 62.9% to 29.6%, and that the fraction of dong currency among the monetary assets has increased from 14.4% to 41.4%. The position of the US dollar is now negligible in the portfolio of assets.¹⁰

What do such observations imply for gold policy? Given that monetization (dongization) is close to completion, demand for quasi-money (that is, savings instruments easily convertible to currency) will grow faster than demand for currency with income growth.¹¹ While it is clear that gold import is not an efficient mechanism to meet such demand for safe savings instruments from the viewpoint of the economy as a whole, the prohibition of gold imports may simply end up with higher smuggling. The real gold policy must be sought in the policy of creating attractive savings instruments easily accessible by households. We will discuss this issue in the next section, Banking policy.

IV. Banking Policy

Viet Nam seems to have entered the stage of development where establishing effective financial intermediaries are crucial for further development. Monetary deepening with currency seems to be coming to an end. Monetary deepening with gold imports worsens the trade imbalance, which could destabilize the development process itself. The demand for higher real money balances must be met with deposit facilities of financial intermediaries. Are there any evidence in the SISH97 which helps us evaluate the nature of the interface between households and banks and other financial institutions?

Given the significant nationwide progress in monetization (dongization) and the substantial dishoarding of gold in Urban area, the numbers in Table 5 is not only disappointing but also puzzling.

⁹ This is approximately equal to 30 tons of gold. (1 ounce of gold = 31.1g, the price of gold per ounce is from \$350 to \$400.) Domestic production of gold is less than 1 ton.

¹⁰ As is shown in the table for each province, the sum of dollar notes and dollar deposits takes on the value larger than that of gold in Hanoi. Dollar is exceptionally strong among households in Hanoi.

¹¹ The fraction of gold held by households in Quintiles 2 to 4 is significantly larger than that of households in Quintile 1.

No progress has been made in the number of households with positive deposits in banks and other depository institutions, the fraction (+) being equal to 5.1% in VLSS93 and 4.9% in SISH97 respectively among the households panel.

Table 5 Transition of the states of households in deposits in banks

0:	households without deposits			
+	households with positive deposits			
State of gold hoarding:				
	(fraction (0), fraction (+)) =	(0.949, 0.051)		in VLSS93
	(fraction (0), fraction (+)) =	(0.951, 0.049)		in SISH97
Transition probabilities				
			SISH97	
			0	+
	0		0.962	0.038
VLSS93	+		0.744	0.256

Transition probabilities matrix shows that the transition from the state “0” to the state “+” has occurred only to 3.8% of the households without deposits in the VLSS93. 96.2% of them have remained without deposits. The state of “having no deposits” is highly persistent. But the state “+” is not. Among those with deposits in the VLSS93, 74.4% moved from the state “+” to the state “0”. Only 25.6% keep deposits in the SISH97. In words, banks have not attracted many depositors, but have lost 3/4 of a small number of depositors they had in the VLSS93.

Why is it that banks were not able to provide deposit facilities to many households? Table 6 splits the entire sample households of SISH97 into two categories by the possession of deposits and compares their economic characteristics in various dimensions. The fraction of households with positive deposits is slightly lower for the entire sample households, being equal to 4.0%.

One of the striking facts in Table 6 is the size of bank deposits per household for the households with deposits. The average size of deposits per household is VND19,432,000, four times larger than the sum of cash and cash equivalents, that is, currency, dollar and gold. It is even higher than their annual current expenditure or the total value of durable goods they possess.

The allocation of zero's in the two columns in Table 6 reveals one important fact: the rate of return of deposits dominates the rates of return of traditional interest earning assets. This is based on the following observations. On the one hand, households with deposits have only a marginal Loans to ho/hui, no Personal loans with interest, no Debts to ho/hui, negligible Personal debts with interest and no Debts to money lenders. It is clear that households with access to deposit facility of banks substitute bank deposits for traditional interest earning instruments.¹² On the other hand, households without deposits have a significantly larger value for each of the traditional interest earning assets. Combining these two observations, we can conclude that deposit facilities of banks are available or useful only to those households which are rich enough to deposit a large amount of money in banks. In effect, there is a minimum deposit size that is binding in the portfolio decision of a household.

¹² An informal credit arrangement commonly important for both classes of households is borrowings and lending without interest. Personal loans without interest seem to be governed by social factors other than interest income.

Table 6 Households with/without deposit(1,000VND)

	With deposits	Without deposits
Number of households(%)	71(4.0)	1,717(96.0)
Current income	26,366	14,005
Current expenditure	17,431	10,055
Current savings	8,936	3,951
Investment in real assets	11,363	4,061
Investment in money and other fin. Assets	-1,945	169
Currency(VND)	2,152	2,510
Dollar(\$1=VND11,000)	310	46
Gold (1 Chi=VND500,000)	2,595	1,856
Deposits in banks and other financial Inst.	19,432	0
Loans to ho/hui	8	103
Personal loans without interest	90	157
Personal loans with interest	0	222
Accounts receivable	110	319
Durable consumption goods	16,649	5,470
Durable equipment	1,330	2,213
House and land	195,349	74,062
Total assets	248,209	88,487
Debts to banks and other financial Inst.	35	736
Debts to ho/hui	0	50
Personal debts without interest	602	631
Personal debts with interest	1	232
Accounts payable	52	308
Debts to government	0	93
Debts to money lenders	0	153
Total liabilities	735	2,189
New worth	247,474	86,298

(simple average)

The policy implication of this observation is rather straightforward. We need to eliminate the minimum size constraint of deposits. The banking policy must be designed in such a way that banks benefit from attracting small depositors and that households benefit from depositing even a small amount of money in banks. Obviously the present regulation on the interest spread contradicts with such requirement.

On the liability side related to Debts to banks and other financial institutions or Debts to government in Table 6, however, the situation is quite different. Those with deposits are not borrowing from banks nor government. The borrowers are the households without deposits. For the household sector as a whole, the supply of funds collected through deposits is VND11.7trillion¹³ and the fund offered to the households sector through banks is VND10.6trillion. In net, about VND1.1trillion is channeled to the non-household sector through banks and other financial institutions. Since GDP is VND258.6trillion in 1996, VND11.7trillion is about 4.5% of 1996 GDP and VND1.1trillion is 0.4%.

¹³ = VND195,349,000 × 0.04 × 15million

V. Savings Policy

Table 7 shows the relationships between income (or expenditure) classes and savings and investment. Following the logic of permanent income hypothesis, we can interpret the table with Current Expenditure Quintiles as reflecting the income status of households in the long run. The table with Current Income Quintiles reflects the temporary effects of transitory income.

Table 7 Savings and investment (1,000VND)

	Current expenditure quintile					Total
	1	2	3	4	5	
Current income	3,245.4	6,693.9	9,911.7	16,896.0	35,771.6	14,496.2
Current savings(1)	1,284.5	2,523.9	2,781.7	4,869.6	9,292.4	4,148.5
Current savings(2)	823.0	1,831.9	1,827.3	3,064.3	4,824.8	2,473.3
Accumulation of real assets(1)	1,449.8	2,240.7	3,048.0	3,866.5	11,160.8	4,350.6
Accumulation of real assets(2)	988.3	1,548.7	2,093.6	2,061.2	6,693.1	2,675.4
Accumulation of monetary assets	-116.9	484.6	-38.2	1,156.6	-1,063.4	84.9
Gift	48.4	201.4	228.1	153.5	805.0	287.0
Savings rate(1)(%)	39.6	37.7	28.1	28.8	26.0	28.6
Savings rate(2)(%)	25.4	27.4	18.4	18.1	13.5	17.1

	Current income quintile					Total
	1	2	3	4	5	
Current income	1,438.7	5,481.3	9,637.8	16,555.1	39,443.6	14,496.2
Current savings(1)	-1,476.8	1,082.5	1,965.9	4,002.7	15,198.5	4,148.5
Current savings(2)	-1,816.3	620.4	930.2	2,012.6	10,641.0	2,473.3
Accumulation of real assets(1)	1,881.6	1,434.4	2,750.3	4,251.3	11,454.8	4,350.6
Accumulation of real assets(2)	1,542.1	972.3	1,714.6	2,261.3	6,897.3	2,675.4
Accumulation of monetary assets	-3,126.6	-231.7	-659.7	104.3	4,350.2	84.9
Gift	231.8	120.2	124.7	352.9	606.5	287.0
Savings rate(1)(%)	-102.6	19.7	20.4	24.2	38.5	28.6
Savings rate(2)(%)	-126.2	11.3	9.7	12.2	27.0	17.1

Current Savings (1) is the value of savings when the purchases of durable consumption goods such as motorbikes and TV's are counted as a part of the accumulation of real assets rather than current consumption. Current Savings (2) is the value of savings when they are included in the current consumption.¹⁴ Theoretically correct savings should fall between these two values. Whichever concept is used to measure savings, investment in money and financial assets is the same, being the difference between savings and investment in real assets.

One interesting fact about the savings rate in Table 7 is that its value is lower for households in higher Quintiles in Current Expenditure. As for Savings rate (2), it takes on 25 to 27% for Quintile 1 and 2, but only 13.5% for households in Quintile 5. This implies that households in higher Current Expenditure Quintiles spend a larger proportion of their income to purchase durable consumption goods in comparison with households in lower Quintiles.

The average savings rates of the household sector are 28.6% and 17.1% for Savings rate (1) and (2) respectively. These values themselves may not be very low. But households invest most of these savings into accumulating real assets, mostly to purchase or repair houses and land. As a consequence, accumulation of monetary assets which are used as vehicles to transfer resources from the household

¹⁴ In the macro statistics, purchases of durable consumption goods are counted as a part of current consumption. This approximation does not seem to be good for low income countries.

sector to the business and government sectors becomes extremely small, only 0.6% of current income. At present the financial surplus of the household sector as a whole is only of a negligible size.

Table A23 in the Appendix provides additional evidence on the interface between households and formal and informal financial institutions. It shows (1) how a household allocates its financial surplus among various financial assets including gold and (2) how it finances its financial deficits, when it has financial surplus or deficits in certain months. That is, it describes the linkage between financial surplus or deficits of a household with the changes in its financial assets and liabilities.

We can find that, when a household has a financial surplus, it splits the surplus mostly to increase its cash (76.0%) and gold (10.8%) and partly to reduce its debts (9.9%). When it has deficits, it finances the deficits mostly by reducing its cash (78.9%) or gold (5.7%) and increasing its debts to relatives or friends (4.8%) or banks and other financial institutions (2.8%) or sellers (2.8%). Again the contact of households with formal financial institutions is mostly limited to small amount of borrowings.¹⁵

Many policy alternatives exist in such a situation. If housing investment is given a priority, then the household sector should not be expected to produce substantial resources for investment in the business sector. Major source of growth of enterprises must come from its own retained earnings or foreign investment. If investment in enterprises is given a priority, then a set of policies are necessary to induce households to invest more in monetary assets rather than purchasing houses and land.

Problems will be less severe if priority is given to investment in houses and land, since there exists a well developed informal credit market.¹⁶ But that policy is also with some problems. There is some reason to suspect that land price bubbles have already been built into the portfolio of assets of households. Table A17 in the Appendix shows that the fraction of the real assets (most of which are real estate) is 93.3% of the total assets in the SISH97. It was 25.3% in the VLSS93, although land was not included in the VLSS table. If banks remain weak, households are more likely to invest in gold or land, which is not consistent with the sustained growth of the economy. This indicates that a clear land price policy will be necessary.

¹⁵ Households in Hanoi area are exceptional in the use of deposit facilities.

¹⁶ All the credits for housing investment are from informal sources in the SISH97 sample. The table is not ready yet which shows how housing investment is financed by various methods.

Appendix I

Savings and Investment Survey of Households 1997 (SISH97)

Appendix I describes the method of the survey including the survey contents, the sample design and field survey.

1. Coverage of the Sample Households

The survey was designed to cover the whole country. Sample households were selected in such a way that estimates would be obtained for subdivisions classified by urban/rural areas and by 7 geographical regions: (1) Northern Mountainous Region, (2) Red River Delta, (3) North Central Region, (4) Central Coastal Region, (5) Central Highlands, (6) Southeastern Region, and (7) Mekong Delta. In some regions, however, figures should be read with reservation because of large sampling error resulting from insufficient size of subsamples and the sampling method.

The household savings survey aims at collecting comprehensive data from households on income, savings, asset selection and credit activities. The survey supplies key information about the importance of various financial mechanisms in existence in Vietnam which support economic activities of the household sector including farming and self-employed business activities. The survey tried to identify the linkages between real economic activities (consumption and investment) and financial activities of households.

The investment and saving behavior of each household were recorded in three alternative methods: (1) by its balance sheet at the end of March 1997, (2) by its monthly investment and savings during the one year from April 1996 to March which resulted in the changes in its balance sheet each month and (3) by its investment and the methods of its finance during the three years from 1994 to March 1997. The balance sheet includes the data of both real assets (durable goods and houses) and monetary assets and liabilities (VND, dollar, gold and various financial assets).

2. Design of Questionnaire

The questionnaire consists of 6 major sections, each with some sub-sections. Since every sections have particular relationship to one another, an interviewer was strongly requested to try to keep consistency in the response among different sections.

1) Household members

All the household members are listed here and their demographic information is collected. All persons who jointly operate business with the household are also listed. The information on working status collected here will be the background data for the remaining sections.

2) Financing non-recurrent expenditures in the past 3 years

This section collects information on non-recurrent expenditures and methods of their finance. "Non-recurrent expenditures" cover the purchase of durable consumption goods and equipment's for business activities including agriculture and non-agricultural business, the expenditure to build or repair houses or land and special consumption for wedding, funeral, unexpected illness and Tet.

3) Financing working capital for each month in the previous one year

This section asks how households which are engaged in self-employed businesses finance working capital for their activities including agriculture and non-agricultural business. The data is collected on a monthly basis.

4) Monetary expenditures, monetary revenues and net monetary savings for each month

This section gathers data on monetary expenditures and monetary revenues of the household and thus grasps net monetary savings of the household. Monthly expenditures (the total of recurrent and non-recurrent expenditures) both for the household use and for the business use and monthly revenues from all the sources are requested.

5) Net monetary savings and the change in the stock of assets and liabilities

This section investigates how net monetary savings, calculated in section D, were allocated among various monetary assets and liabilities during the previous 12 months. How to allocate net monetary savings among various means is asked separately for the months when net monetary savings are positive and for the months negative. Savings and borrowings (stock value) as of the end of March 1997 are also asked.

6) Formal and informal financial institutions

This section asks the household about their relationship and attitude toward various (formal and informal) financial institutions. Included are banks, credit cooperatives and people's credit funds, Ho and Hui, private lending and borrowings, money lenders, seller's credits and buyer's credits, and others like dollar, gold and near-Moines.

3. Survey Items and Questionnaire

(1) Survey Items

In order to meet the above-mentioned purposes, the survey collected information including;

- Expenditures (living expense, purchase of durable goods and houses, farming and business, etc.)
- Financing the above expenditures
- Revenues
- Savings and its allocation among alternative assets
- Borrowings and its allocation among alternative methods
- Attitude toward financial institutions.

The survey collected not only factual information but also personal opinions of financial institutions.

(2) Information Collecting Method

The survey was conducted under the face-to-face interviewing method. Experienced interviewers came to each household to ask the head and other members directly to collect necessary information and fill in the questionnaire. Other methods were discarded at the early stage of the planning because of the expected complexity of the questionnaire and the possible reluctance of respondents to sensitive questions.

(3) Questionnaire Design

Considering the complicity and number of questions, and less experience both of survey staff and of respondents in this kind of survey items, great care was given to the structure and wording. The questionnaire was finalized after much discussion with the General Statistical Office (GSO) experts

and many revisions. The adequacy of the questionnaire was checked through the following opportunities;

- Small Pre-test conducted in late January 1997,
- Pilot Survey conducted in late February 1997 and
- Staff training course held in early April 1997.

The questionnaire had 58 pages in English, 64 pages in Vietnamese. Estimated time for one interview was less than half day.

4. Survey Sample

(1) General Design

The sample of this survey is chosen to satisfy the two of different objectives; (1) To study the changes of household behavior between 1993 and 1997 by including the same "panel households" surveyed in the 1993 Viet Nam Living Standard Survey (VLSS), and (2) To obtain current estimates on the national level and by regions. Therefore the sample consists of two subsamples. One is VLSS subsample, which is selected from the sampled households in 1993 VLSS. The other is "MPHS" subsample, which is selected from the mastersample of the Multi-Purpose Household Survey (MPHS) carried out by GSO. The GSO conducts MPHS yearly with the sample of 45,000 households. Merging both subsamples made one large sample.

(2) Sample Selection

1) Province/city selection and sample allocation

Under the budget constraint, it was decided at the first stage of the sample design to select 13 provinces/cities of which 8 were for VLSS subsample and 5 for addition for MPHS subample. At the same time, the method of the final stage of sampling was fixed in such a way that the number of households selected per enumeration unit (cluster/block in urban area, village/hamlet in rural area) was 15, the same as in MPHS and different by one from 1993 VLSS with 16 households per unit. It was also decided that the size of the sample was 1800.

The 8 provinces/cities were selected for VLSS subsample by purposive selection. They were Phu Tho, Hanoi, Hai Duong, Thai Binh, HCM, Dong Nai, An Giang and Can Tho. All the enumeration unit which were surveyed in 1993 VLSS were listed as the unit for SISH. It meant that 990 households in 66 units out of 1800 households were allocated to VLSS subsample as the panel. In 1993 VLSS, 2 units with 16 households each were randomly selected from 1 precinct (in urban area)/commune (in rural area), which was randomly selected from 1 district. 33 districts in these 8 provinces/cities were included in the sample of 1993 VLSS, which had totally 150 districts and 4800 households.

Next, 810 households of MPHS subsample were allocated among 13 (8+5) provinces in such a way that the total of 1800 households would comprise one large national sample by merging the VLSS subsample. Since 2 units with 15 households each were selected from 1 precinct/commune in MPHS, our MPHS subsample should have 27 precinct/communes selected from 1500 in the MPHS master sample.

On condition that the total number of provinces/cities are 13 and they should cover 7 regions, the allocation was carried out by the following steps.

i) Stratification by 7 regions and by city/urban/rural type

21 strata (7 regions × 3 types) were made. Because of the lack of data, the size of strata was measured by population as in the MPHS, instead of their number of households.

ii) Disproportionate allocation by income per capita

Since our main interest was in the savings and investment of the households, we took income as the factor to which the sampling fraction of each stratum should be proportional in the "optimum allocation." 60 communes/precincts were allocated among 21 strata. Then we supposed 33 of them had been already allocated among strata.

iii) Allocation of 27 communes/precincts

We allocated the remaining 27 communes/precincts by proportionate allocation within each stratum. We iterated allocation. to obtain the solution with exact 13 provinces, though in a strict sense this procedure may have increased the sampling error.

After some replacement caused by some difficulty in the remote area within the limited budgets, the final allocation was fixed, as shown in the table below. In the MPHS subsample, two communes/precincts were selected from 1 district to reduce the cost.

Province/City	VLSS93		MPHS						Total	
	Urban	Rural	City		Other Urban		Rural		dist.	com.
	dist=com	dist=com	dist.	com.	dist.	com.	dist.	com.		
Vinh Phu	0	3	0	0	1	1	(2)	2	4	6
Hanoi	3	2	0	0	0	0	0	0	5	5
Hai Hung	0	4	0	0	1	1	0	0	5	5
Thai Binh	0	4	0	0	0	0	0	0	4	4
Thanh Hoa	0	0	0	0	0	0	2	4	2	4
Q. Nam-D. Nang	0	0	0	0	1	1	1	2	2	3
Binh Dinh	0	0	0	0	0	0	1	2	1	2
Gia Lai	0	0	0	0	0	0	1	2	1	2
Ho Chi Minh	6	2	(2)	2	0	0	0	0	8	10
Dong Nai	1	3	0	0	1	1	0	0	5	5
Dong Thap	0	0	0	0	1	1	0	0	1	1
An Giang	0	3	0	0	2	3	(2)	2	5	8
Can Tho	0	2	1	1	0	0	(2)	2	3	5
Total	10	23	1	3	7	8	5	16	46	60

Figure in parenthesis means the common district to 1993 VLSS.

2) Household selection

[VLSS subsample]

In the 1993 VLSS, the sample was selected in 3 stages: communes/precincts, village/hamlet/cluster/block (enumeration unit), and households. At the 1st stage, 150 communes were selected with probability proportional to census population. At the 2nd stage, 2 enumeration units were selected in each commune/precinct with probability proportional to the number of households reported by the commune authorities. At the 3rd stage, 16 households were selected with equal probability from all households in the enumeration unit.

In our VLSS subsample, all the enumeration units were fixed once 8 provinces/cities were selected. In principle, 15 households were randomly selected from 16 target households surveyed in the 1993 VLSS. However, some of the households interviewed in 1993 may have disappeared. For the problem of the missing households, we replaced them in such a way that the households interviewed in the SISH in each enumeration unit of VLSS subsample should be made up to the constant number 15 by replacing missing households. In this replacement, the households who had

moved into the dwelling vacated by the household sampled before were automatically taken. Newly sampled households could not enable us to use them as the panel, but to make use of them in the national sample.

[MPHS subsample]

The basic structure of the sample is the same as that of the 1993 VLSS. There is some difference in each stage. In the 1st stage, communes were sampled by stratification using population size of provinces. In the 2nd stage, the size of the enumeration units was measured by their population. In the 3rd stage, 15 households were selected per unit.

In our MPHS subsample, the GSO selected the allocated number of districts, communes/precincts from the latest master sample. The result of this selection was shown in the table below.

5. Field Survey

(1) Survey Period

The survey was conducted at localities from 15 April 1997 to 15 May 1997.

1 Phu Tho province		8 Gia Lai province	
1 Song Thao dist		1 An Khe dist	
1 Tien Luong commune	(X)	1 Cu An commune	
2 Tung Khe commune		2 Ya Hoi commune	
2 Tam Thanh dist		9 Ho Chi Minh City	
1 Thuong Nong commune	(X)	1 District No.1	
2 Phuong Mao commune		1 Da Cao quarter	(X)
3 Thanh Son dist		2 Ben Thanh	
1 Cu Dong commune	(X)	2 District No.5	
4 Phu Tho town		1 Quarter No.13	(X)
1 Au Co quarter		3 District No.6	
2 Hanoi City		1 Quarter No.1	(X)
1 Ba Dinh dist		4 District No.10	
1 Thuy Khe quarter	(X)	1 Quarter No.5	(X)
2 Hai Ba Trung dist		5 Tan Binh dist	
1 Bach Mai quarter	(X)	1 Quarter No.18	(X)
3 Dong Da dist		2 Quarter No.5	
1 Thinh Quang quarter	(X)	6 Binh Thanh dist	
4 Dong Anh dist		1 Quarter No.5	(X)
1 Nam Hong commune	(X)	7 Can Gio dist	
5 Tu Liem dist		1 Binh Khanh commune	(X)
1 Dich Vong commune	(X)	8 Hoc Mon dist	
3 Hai Duong province		1 Tan Hiep commune	(X)
1 Nam Thanh dist		10 Dong Nai province	
1 Ai Quoc commune	(X)	1 Bien Hoa town	
2 Kim Mon dist		1 Tan Hoa quarter	(X)
1 Hiep Hoa commune	(X)	2 Vinh Cuu dist	
3 Cam Binh dist		1 Tan An commune	(X)
1 Tan Truong commune	(X)	3 Thong Nhat dist	
4 Ninh Thanh dist		1 Quang Trung commune	(X)
1 Doan Ket commune	(X)	4 Long Thanh dist	
5 Hai Duong town		1 Vinh Thanh commune	(X)
1 Quang Trung quarter		5 Xuan Loc dist	
4 Thai Binh province		1 Gia Ray commune	
1 Quynh Phu dist		11 Dong Thap province	

1 An Le commune	(X)	1 Cao Lanh dist	
2 Dong Hung dist		1 Quarter No.6	
1 Dong Vinh commune	(X)	12 An Giang province	
3 Vu Thu dist		1 Long Xuyen dist	
1 Vu Doai commune	(X)	1 Binh Duc commune	
4 Tien Hai dist		2 My Phuoc commune	
1 Dong Quy commune	(X)	2 Chau Doc dist	
5 Thanh Hoa province		1 Chau Phu commune	
1 Hau Loc dist		3 Phu Tan dist	
1 Mi Loc commune		1 Phu Hiep commune	(X)
2 Hoa Loc commune		4 Chau Phu dist	
2 Tho Xuan dist		1 West Thanh Mi commune	(X)
1 Tho Duyen commune		2 Binh Long commune	
2 Phu Yen commune		5 Thoi Son dist	
6 Da Nang province		1 Vong The commune	(X)
1 Da Nang town		2 Vinh Khanh commune	
1 Thanh Binh quarter		13 Can Tho province	
2 Tam Thuan quarter		1 Can Tho town	
2 Hoa vang dist		1 An Hoa quarter	
1 Hoa Son commune		2 O Mon dist	
7 Binh Dinh province		1 Truong Lac commune	(X)
1 Phu My dist		2 Thoi Dong commune	
1 Mi Hoa commune		3 Phung Hiep dist	
2 Mi Thanh commune		1 Hiep Hung commune	(X)
		2 Long Thanh commune	

(X) : Unit had engaged in Living Standards Survey 1993

(2) Survey Organization

The field survey was conducted through the following channel:

Central monitoring group - GSO supervisors - Head of survey team - Interviewers

1) Steering and arrangement of the survey

[At central rank]

MPI is the main responsible organization and GSO was the cooperator to conduct and steer the survey of the whole country in the following activities: to prepare programs, forms, guideline document for the survey, to select representative unit of districts, communes; to hold training courses for steering committee, supervisors of provinces, districts and interviewers at local areas; to deal with budget problems and other requirement incurred in the survey; to supervise and check the survey results.

[At localities]

Provincial steering committees of the MPHS were responsible for directing the survey at their area in accordance with the plan of this survey including household selection; mobilizing sufficient number of interviewers and other staff for each location of the province; holding professional training for interviewers and other staff; announcing properly to the public to make them support the survey and supply with correct information.

[Task forces]

To ensure good quality of the survey, each survey unit had an official who was statistical staff of local authority (province or district) to act as an interviewer to collect information from households. At each survey unit, a collaborator who belonged to the MPHS staff or the head of subhamlet was mobilized to cooperate with the interviewer and act as his/her guide and to explain

about the survey to people in the area. In a province, there was one survey team comprising 3 or 4 interviewers and one head. The team followed the instruction from the provincial committee. The survey was conducted from one area to another, not leaving any area to one interviewer.

2) Supervising in the field survey

To ensure good quality of the survey, supervising activities were conducted during the whole period of the survey. Interviewers checked households' answers on the basis of consultation with neighbors or local officials, if necessary. A supervisor of the district was responsible for checking the interviewing method and the way of form filling to ensure the logical relations among collected figures. Provincial steering committees of the MPHS survey sent officials to localities during the survey period to supervise and correct in time any mistakes. A certain number of households were randomly selected (about 6 households at each commune) to check again and evaluate the quality.

(3) Staff Training

Training courses were held at two different levels. The consultant prepared the handbook for the training courses.

i) At central rank: A three-day training course was held from 7 April to 9 April 1997. MPI and GSO mobilized a number of experienced officials to join the survey. These officials after having been appropriately trained acted as main trainers for courses for interviewers and other staff at provinces.

ii) At localities: One training course was held for each province for interviewers, collaborators, supervisors of provinces and districts. The course was for three days and taught by trainers from the central rank on the following topics:

- Plan of the survey
- System of the questionnaire: This was the key issue of the training course which requested participants to understand relevant definitions, interviewing process, the way of filing forms as well as verifying collected information.

6. Data Processing

After checking their sufficiency and accuracy, all the filled questionnaires were sent to the Financial and Monetary Department of MPI to ratify the quality of collected information. Then they were checked logically and inputted into PCs by the GSO Computer Center. On 18 June, all the raw data in FDs were submitted to the consultant for further data processing and tabulation.

Appendix II

Appendix II reports the cross tables in the following list, computed from the SISH97 and the VLSS 93 data.

Table A1	Distribution of the size of the households
Table A2	Age distribution of household members
Table A3	Employment status of household members, 10 years and older (%)
Table A4	Employment status of household members, 15 <= age <= 65 (%)
Table A5	Distribution of households by the number of job searchers (%)
Table A6	Average current income of households by region and current income quintiles
Table A7	Distribution of the number of households by the current income quintiles and region, %
Table A8	Average current Expenditure of households by region and current expenditure quintiles
Table A9	Distribution of the number of households by the current expenditure quintiles and region, %
Table A10	Transition probabilities matrices for dong balance
Table A11	Transition probabilities matrices for dollar balance
Table A12	Transition probabilities matrices for gold balances
Table A13	Transition probabilities matrices for deposits balance
Table A14	Transition probabilities matrices for durable goods
Table A15	Transition probabilities matrices for houses and land
Table A16	Transition probabilities matrices for total assets
Table A17	Portfolio of assets
Table A18	Portfolio of liabilities
Table A19	Portfolio of assets, region, income quintiles
Table A20	Portfolio of liabilities, region, income quintiles
Table A21	Portfolio of assets, region, expenditure quintiles
Table A22	Portfolio of liabilities, region, expenditure quintiles
Table A23	Allocation of monetary surplus and deficits among financial instruments

Table A1 Distribution of the size of the households

Size of Hh	Total	Urban Area	Rural Area	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 7
1	2.62	2.41	2.73	1.73	2.71	2.50	4.06	1.67	2.85	1.94
2	7.65	7.02	7.97	9.18	13.74	14.17	6.58	1.67	6.09	2.92
3	11.49	11.71	11.37	8.93	15.69	12.50	8.01	13.33	10.27	12.77
4	24.14	25.96	23.20	26.21	37.06	20.84	23.58	16.66	18.86	21.79
5	19.88	18.49	20.60	22.55	18.94	24.17	20.28	15.00	18.07	21.39
6	15.39	15.61	15.27	13.62	8.87	19.17	17.93	20.00	16.69	16.81
7	7.69	5.89	8.62	9.22	2.23	5.00	8.29	11.67	8.77	10.01
8	5.26	4.60	5.60	3.75	0.50	0.83	8.66	8.33	7.15	6.25
9	3.24	4.44	2.62	3.75	0.00	0.83	1.71	5.00	6.15	2.78
10-	2.66	3.89	2.04	1.07	0.28	0.00	0.90	6.67	5.11	3.33

Footnote Weighted averages according to the rate of sampling

Table A2 Age distribution of household members

Age	Total	Urban Area	Rural Area	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 7
0-4	7.88	5.78	8.98	10.43	5.77	8.78	7.91	16.03	6.96	7.35
5-9	10.99	7.56	12.81	13.15	10.32	12.21	12.59	18.95	8.55	11.19
10-14	12.30	9.69	13.67	13.60	12.21	13.36	11.42	11.08	11.31	13.89
15-19	10.99	9.97	11.53	10.97	8.61	10.50	10.62	10.79	11.09	13.11
20-24	8.83	10.76	7.81	7.28	7.65	5.15	9.05	6.71	10.55	9.05
25-29	7.98	9.80	7.02	6.57	6.67	4.39	8.35	6.71	9.55	8.15
30-34	7.39	8.08	7.03	7.42	7.70	6.49	7.87	5.54	7.89	6.63
35-39	6.90	7.84	6.40	5.34	9.35	6.87	5.27	7.29	7.36	6.20
40-44	6.44	7.07	6.10	6.22	6.86	7.63	5.13	4.96	6.29	7.41
45-49	4.19	5.45	3.52	4.19	4.42	3.63	4.13	1.75	4.67	3.91
50-54	3.33	4.09	2.92	4.02	3.76	2.67	3.10	2.92	3.46	2.77
55-59	3.20	3.52	3.04	2.55	4.95	3.63	4.08	1.46	2.99	2.32
60-64	2.76	3.18	2.54	1.90	4.39	2.29	3.54	2.04	2.68	1.97
65-69	2.83	3.60	2.42	1.86	2.99	4.39	2.45	1.17	3.42	2.45
70-74	1.82	1.89	1.79	1.79	2.25	2.67	1.59	1.46	1.82	1.52
75-79	1.18	0.92	1.32	1.35	1.06	2.86	1.82	0.87	0.68	1.20
80-84	0.57	0.41	0.65	0.99	0.48	1.15	0.90	0.29	0.32	0.48
85-89	0.31	0.26	0.34	0.36	0.49	1.15	0.16	0.00	0.25	0.19
90+	0.11	0.14	0.10	0.00	0.07	0.19	0.00	0.00	0.16	0.21

Footnote Weighted averages according to the rate of sampling

Table A3 Employment status of household members, 10 years and older (%)

Employment status	Total	Urban Area	Rural Area	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 7
>= 6 months	60.59	53.64	64.67	69.77	63.41	67.15	66.30	72.20	52.26	60.54
< 6 months	3.69	2.53	4.38	1.51	4.87	1.45	6.41	0.00	2.98	4.84
No job	34.63	42.18	30.22	28.14	30.21	30.92	26.88	26.46	43.03	34.23

Footnote Weighted averages according to the rate of sampling

Table A4 Employment status of household members, 15 <= age <=65 (%)

Employment status	Total	Urban Area	Rural Area	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 7
>= 6 months	74.53	64.45	80.93	86.23	78.73	86.93	80.59	83.44	64.02	74.82
< 6 months	3.28	2.84	3.56	1.05	3.79	0.35	2.96	0.00	3.43	5.44
No job	21.44	31.48	15.06	12.52	16.77	12.72	15.92	10.40	31.22	19.52

Footnote Weighted averages according to the rate of sampling

Table A5 Distribution of households by the number of job searchers (%)

Number of Job searchers	Total	Urban Area	Rural Area	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 7
0	92.61	87.92	95.02	94.70	92.39	100.03	88.57	98.32	89.92	95.15
1	5.72	8.64	4.23	3.46	5.79	0.00	10.53	1.67	7.45	3.61
2	1.42	3.04	0.58	1.85	1.57	0.00	0.90	0.00	2.18	0.83
3-	0.26	0.41	0.18	0.00	0.28	0.00	0.00	0.00	0.45	0.42

Footnote Weighted averages according to the rate of sampling

Table A6 Current income (averages, 1,000VND)

	1	2	3	4	5	Total
Nation	1518	5594	9791	16749	40245	14796
Urban Area	-2751	6385	10101	17345	42799	25837
Rural Area	1723	5481	9677	16112	33437	9181
Region 1	2029	5500	9710	15538	24873	6023
Region 2	1194	5443	9957	17216	42652	12151
Region 3	1306	5400	9579	16868	26916	6885
Region 4	2583	5562	9763	16341	43178	12214
Region 5	1894	5025	9978	16295	24630	6653
Region 6	-872	5813	9840	17256	41661	24522
Region 7	1214	5855	9697	16150	33505	13250

Table A7 Current income (distribution of the number of households, %)

	1	2	3	4	5	Total
Nation	20.41	20.53	19.69	19.91	19.46	100.00
Urban Area	3.22	8.86	17.55	29.95	40.42	100.00
Rural Area	29.56	26.74	20.82	14.57	8.31	100.00
Region 1	49.72	25.14	13.41	9.50	2.23	100.00
Region 2	30.05	25.24	15.87	16.59	12.26	100.00
Region 3	35.83	29.17	19.17	12.50	3.33	100.00
Region 4	14.67	20.00	26.67	24.67	14.00	100.00
Region 5	43.33	18.33	23.33	13.33	1.67	100.00
Region 6	4.48	8.74	17.71	25.11	43.95	100.00
Region 7	9.59	24.46	25.42	23.50	17.03	100.00

Table A8 Current expenditures (averages, 1,000VND)

	1	2	3	4	5	Total
Nation	2014	4277	7221	12221	27169	10583
Urban Area	2615	4630	7346	12531	27759	18218
Rural Area	2002	4245	7177	11844	25151	6701
Region 1	1894	4150	7187	11861	21012	4560
Region 2	1866	4040	7232	12340	24312	8506
Region 3	2184	4265	6961	11640	0	4392
Region 4	2200	4385	7446	11774	23295	8692
Region 5	2148	3846	6849	12728	26800	4636
Region 6	2275	4499	7218	12519	29092	17496
Region 7	2382	4455	7181	11913	24332	9812

Table A9 Current expenditures (distribution of the number of households, %)

	1	2	3	4	5	Total
Nation	20.75	19.85	19.69	20.30	19.41	100.00
Urban Area	1.29	5.31	17.07	33.01	43.32	100.00
Rural Area	31.11	27.59	21.08	13.54	6.68	100.00
Region 1	56.98	18.99	12.85	8.94	2.23	100.00
Region 2	34.13	23.80	12.26	15.14	14.66	100.00
Region 3	38.33	37.50	18.33	5.83	0.00	100.00
Region 4	12.67	22.67	26.00	19.33	19.33	100.00
Region 5	43.33	30.00	18.33	6.67	1.67	100.00
Region 6	1.57	10.54	16.82	28.25	42.83	100.00
Region 7	6.95	18.71	31.41	28.30	14.63	100.00

Table A10 Dong balance per household (1,000 1993 VND)

Dong balance per household (Nation)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	59	345	990	2635	
		to	59	341	965	2628	103489		
VLSS	from	to							
"0"			55	63	94	87	79	47	425
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	45	4	3	9	9	6	6	37
4	50	300	14	5	28	29	33	45	154
5	300	29000	7	3	23	29	36	57	155
total			80	74	154	154	154	155	771

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS SISH	"0"	1	2	3	4	5	total
	"0"	12.94	14.82	22.12	20.47	18.59	11.06	100
	1	0.00	0.00	0.00	0.00	0.00	0.00	0
	2	0.00	0.00	0.00	0.00	0.00	0.00	0
	3	10.81	8.11	24.32	24.32	16.22	16.22	100
	4	9.09	3.25	18.18	18.83	21.43	29.22	100
	5	4.52	1.94	14.84	18.71	23.23	36.77	100

Dong balance per household (Urban Area)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	742	1485	3050	6162	
		to	705	1485	3044	6162	103489		
VLSS	from	to							
"0"			4	17	17	7	7	8	60
1	0	0	0	0	0	0	0	0	0
2	0	125	2	1	5	9	4	5	26
3	150	300	2	4	6	10	13	8	43
4	300	500	0	7	10	9	10	7	43
5	500	5000	1	5	5	8	9	16	44
total			9	34	43	43	43	44	216

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS SISH	"0"	1	2	3	4	5	total
	"0"	6.67	28.33	28.33	11.67	11.67	13.33	100
	1	0.00	0.00	0.00	0.00	0.00	0.00	0
	2	7.69	3.85	19.23	34.62	15.38	19.23	100
	3	4.65	9.30	13.95	23.26	30.23	18.60	100
	4	0.00	16.28	23.26	20.93	23.26	16.28	100
	5	2.27	11.36	11.36	18.18	20.45	36.36	100

Dong balance per household (Rural Area)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	37	148	520	1485	
		to		37	148	520	1485	37120	
VLSS	from	to							
"0"			51	33	79	71	70	61	365
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	100	8	4	14	17	17	19	79
5	100	29000	12	3	18	23	24	31	111
total			71	40	111	111	111	111	555

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
		"0"	13.97	9.04	21.64	19.45	19.18	16.71	100
	1	0	0.00	0.00	0.00	0.00	0.00	0.00	0
	2	0	0.00	0.00	0.00	0.00	0.00	0.00	0
	3	0	0.00	0.00	0.00	0.00	0.00	0.00	0
	4	100	10.13	5.06	17.72	21.52	21.52	24.05	100
	5	29000	10.81	2.70	16.22	20.72	21.62	27.93	100

Dong balance per household (Region 1)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		11	37	76	275	1039	
		to		37	74	223	965	5954	
VLSS	from	to							
"0"			0	14	12	14	14	15	69
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	200	0	0	2	1	0	0	3
total			0	14	14	15	14	15	72

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
		"0"	0.00	20.29	17.39	20.29	20.29	21.74	100
	1	0	0.00	0.00	0.00	0.00	0.00	0.00	0
	2	0	0.00	0.00	0.00	0.00	0.00	0.00	0
	3	0	0.00	0.00	0.00	0.00	0.00	0.00	0
	4	200	0.00	0.00	0.00	0.00	0.00	0.00	0
	5	5954	0.00	0.00	66.67	33.33	0.00	0.00	100

Dong balance per household (Region 2)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	22	208	517	1485	
		to		22	186	516	1485	37120	
VLSS	from	to							
"0"			47	4	48	43	44	37	223
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	200	6	0	8	10	4	5	33
5	200	16000	6	1	8	11	16	23	65
total			59	5	64	64	64	65	321

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
	"0"		21.08	1.79	21.52	19.28	19.73	16.59	100
	1	0	0.00	0.00	0.00	0.00	0.00	0.00	0
	2	0	0.00	0.00	0.00	0.00	0.00	0.00	0
	3	0	0.00	0.00	0.00	0.00	0.00	0.00	0
	4	200	18.18	0.00	24.24	30.30	12.12	15.15	100
	5	16000	9.23	1.54	12.31	16.92	24.62	35.38	100

Dong balance per household (Region 6)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	371	1225	2287	5457	
		to		371	1188	2279	5308	103489	
VLSS	from	to							
"0"			2	27	22	13	12	11	87
1	0	0	0	0	0	0	0	0	0
2	0	60	1	5	5	6	1	3	21
3	60	200	2	4	9	15	15	10	55
4	200	500	0	8	11	8	16	11	54
5	500	5000	1	4	7	13	10	20	55
total			6	48	54	55	54	55	272

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
	"0"		2.30	31.03	25.29	14.94	13.79	12.64	100
	1	0	0.00	0.00	0.00	0.00	0.00	0.00	0
	2	60	4.76	23.81	23.81	28.57	4.76	14.29	100
	3	200	3.64	7.27	16.36	27.27	27.27	18.18	100
	4	500	0.00	14.81	20.37	14.81	29.63	20.37	100
	5	5000	1.82	7.27	12.73	23.64	18.18	36.36	100

Dong balance per household (Region 7)

Number of Households		SISH	"0"	1	2	3	4	5	total
VISS	from	from		0	35	148	742	2126	
		to	30	148	742	1782	37120		
"0"			6	3	11	9	10	7	46
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	30	2	2	3	5	2	3	17
4	30	100	4	0	4	4	5	4	21
5	100	29000	3	1	3	3	4	8	22
total			15	6	21	21	21	22	106

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VISS	SISH	"0"	1	2	3	4	5	total
	"0"		13.04	6.52	23.91	19.57	21.74	15.22	100
	1		0.00	0.00	0.00	0.00	0.00	0.00	0
	2		0.00	0.00	0.00	0.00	0.00	0.00	0
	3		11.76	11.76	17.65	29.41	11.76	17.65	100
	4		19.05	0.00	19.05	19.05	23.81	19.05	100
	5		13.64	4.55	13.64	13.64	18.18	36.36	100

Table A11 Dollar balances per household (1,000 1993VND)

Dollar balance per household (Nation)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	0	
		to		0	0	0	0	5716	
VLSS	from	to							
"0"			751	0	0	0	0	6	757
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	32000	13	0	0	0	0	1	14
total			764	0	0	0	0	7	771

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
		"0"	99.21	0.00	0.00	0.00	0.00	0.79	100
	1		0.00	0.00	0.00	0.00	0.00	0.00	0
	2		0.00	0.00	0.00	0.00	0.00	0.00	0
	3		0.00	0.00	0.00	0.00	0.00	0.00	0
	4		0.00	0.00	0.00	0.00	0.00	0.00	0
	5		92.86	0.00	0.00	0.00	0.00	7.14	100

Dollar balance per household (Urban Area)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	0	
		to		0	0	0	0	5716	
VLSS	from	to							
"0"			201	0	0	0	0	3	204
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	32000	11	0	0	0	0	1	12
total			212	0	0	0	0	4	216

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
		"0"	98.53	0.00	0.00	0.00	0.00	1.47	100
	1		0.00	0.00	0.00	0.00	0.00	0.00	0
	2		0.00	0.00	0.00	0.00	0.00	0.00	0
	3		0.00	0.00	0.00	0.00	0.00	0.00	0
	4		0.00	0.00	0.00	0.00	0.00	0.00	0
	5		91.67	0.00	0.00	0.00	0.00	8.33	100

Dollar balance per household (Rural Area)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	0	
		to		0	0	0	0	3267	
VLSS	from	to							
"0"			550	0	0	0	0	3	553
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	15000	2	0	0	0	0	0	2
total			552	0	0	0	0	3	555

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
	"0"		99.46	0.00	0.00	0.00	0.00	0.54	100
	1		0.00	0.00	0.00	0.00	0.00	0.00	0
	2		0.00	0.00	0.00	0.00	0.00	0.00	0
	3		0.00	0.00	0.00	0.00	0.00	0.00	0
	4		0.00	0.00	0.00	0.00	0.00	0.00	0
	5		100.00	0.00	0.00	0.00	0.00	0.00	100

Dollar balance per household (Region 1)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	0	
		to		0	0	0	0	0	
VLSS	from	to							
"0"			72	0	0	0	0	0	72
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	0	0	0	0	0	0	0	0
total			72	0	0	0	0	0	72

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
	"0"		100.00	0.00	0.00	0.00	0.00	0.00	100
	1		0.00	0.00	0.00	0.00	0.00	0.00	0
	2		0.00	0.00	0.00	0.00	0.00	0.00	0
	3		0.00	0.00	0.00	0.00	0.00	0.00	0
	4		0.00	0.00	0.00	0.00	0.00	0.00	0
	5		0.00	0.00	0.00	0.00	0.00	0.00	0

Dollar balance per household (Region 2)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	0	
		to		0	0	0	0	5716	
VLSS	from	to							
"0"			311	0	0	0	0	3	314
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	32000	7	0	0	0	0	0	7
total			318	0	0	0	0	3	321

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
"0"			99.04	0.00	0.00	0.00	0.00	0.96	100
1			0.00	0.00	0.00	0.00	0.00	0.00	0
2			0.00	0.00	0.00	0.00	0.00	0.00	0
3			0.00	0.00	0.00	0.00	0.00	0.00	0
4			0.00	0.00	0.00	0.00	0.00	0.00	0
5			100.00	0.00	0.00	0.00	0.00	0.00	100

Dollar balance per household (Region 6)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	0	
		to		0	0	0	0	5716	
VLSS	from	to							
"0"			263	0	0	0	0	3	266
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	15000	5	0	0	0	0	1	6
total			268	0	0	0	0	4	272

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
"0"			98.87	0.00	0.00	0.00	0.00	1.13	100
1			0.00	0.00	0.00	0.00	0.00	0.00	0
2			0.00	0.00	0.00	0.00	0.00	0.00	0
3			0.00	0.00	0.00	0.00	0.00	0.00	0
4			0.00	0.00	0.00	0.00	0.00	0.00	0
5			83.33	0.00	0.00	0.00	0.00	16.67	100

Dollar balance per household (Region 7)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	0	
		to		0	0	0	0	0	
VLSS	from	to							
"0"			105	0	0	0	0	0	105
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	150	1	0	0	0	0	0	1
total			106	0	0	0	0	0	106

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
	"0"		100.00	0.00	0.00	0.00	0.00	0.00	100
	1		0.00	0.00	0.00	0.00	0.00	0.00	0
	2		0.00	0.00	0.00	0.00	0.00	0.00	0
	3		0.00	0.00	0.00	0.00	0.00	0.00	0
	4		0.00	0.00	0.00	0.00	0.00	0.00	0
	5		100.00	0.00	0.00	0.00	0.00	0.00	100

Table A12 Gold balances per household (1,000 1993VND)

Gold balance per household (Nation)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	1485	
		to		0	0	0	1299	74239	
VLSS	from	to							
"0"			370	0	0	0	64	86	520
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	1000	61	0	0	0	10	25	96
5	1000	60000	98	0	0	0	13	44	155
total			529	0	0	0	87	155	771

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS SISH	"0"	1	2	3	4	5	total
"0"		71.15	0.00	0.00	0.00	12.31	16.54	100
1		0.00	0.00	0.00	0.00	0.00	0.00	0
2		0.00	0.00	0.00	0.00	0.00	0.00	0
3		0.00	0.00	0.00	0.00	0.00	0.00	0
4		63.54	0.00	0.00	0.00	10.42	26.04	100
5		63.23	0.00	0.00	0.00	8.39	28.39	100

Gold balance per household (Urban Area)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	1485	
		to		0	0	0	1485	73868	
VLSS	from	to							
"0"			55	0	0	0	8	17	80
1	0	0	0	0	0	0	0	0	0
2	0	470	5	0	0	0	0	1	6
3	480	1400	33	0	0	0	5	5	43
4	1400	3000	27	0	0	0	4	12	43
5	3000	60000	34	0	0	0	1	9	44
total			154	0	0	0	18	44	216

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS SISH	"0"	1	2	3	4	5	total
"0"		68.75	0.00	0.00	0.00	10.00	21.25	100
1		0.00	0.00	0.00	0.00	0.00	0.00	0
2		83.33	0.00	0.00	0.00	0.00	16.67	100
3		76.74	0.00	0.00	0.00	11.63	11.63	100
4		62.79	0.00	0.00	0.00	9.30	27.91	100
5		77.27	0.00	0.00	0.00	2.27	20.45	100

Gold balance per household (Rural Area)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	1299	
		to		0	0	0	1114	74239	
VLSS	from	to							
"0"			315	0	0	0	55	70	440
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	150	4	0	0	0	0	0	4
5	180	45000	56	0	0	0	14	41	111
total			375	0	0	0	69	111	555

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
"0"			71.59	0.00	0.00	0.00	12.50	15.91	100
1			0.00	0.00	0.00	0.00	0.00	0.00	0
2			0.00	0.00	0.00	0.00	0.00	0.00	0
3			0.00	0.00	0.00	0.00	0.00	0.00	0
4			100.00	0.00	0.00	0.00	0.00	0.00	100
5			50.45	0.00	0.00	0.00	12.61	36.94	100

Gold balance per household (Region 1)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	0	
		to		0	0	0	0	742	
VLSS	from	to							
"0"			69	0	0	0	0	3	72
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	0	0	0	0	0	0	0	0
total			69	0	0	0	0	3	72

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
"0"			95.83	0.00	0.00	0.00	0.00	4.17	100
1			0.00	0.00	0.00	0.00	0.00	0.00	0
2			0.00	0.00	0.00	0.00	0.00	0.00	0
3			0.00	0.00	0.00	0.00	0.00	0.00	0
4			0.00	0.00	0.00	0.00	0.00	0.00	0
5			0.00	0.00	0.00	0.00	0.00	0.00	0

Gold balance per household (Region 2)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	742	
		to		0	0	0	742	37120	
VLSS	from	to							
"0"			194	0	0	0	12	38	244
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	800	10	0	0	0	1	1	12
5	820	13000	36	0	0	0	3	26	65
total			240	0	0	0	16	65	321

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
		"0"	79.51	0.00	0.00	0.00	4.92	15.57	100
		1	0.00	0.00	0.00	0.00	0.00	0.00	0
		2	0.00	0.00	0.00	0.00	0.00	0.00	0
		3	0.00	0.00	0.00	0.00	0.00	0.00	0
		4	83.33	0.00	0.00	0.00	8.33	8.33	100
		5	55.38	0.00	0.00	0.00	4.62	40.00	100

Gold balance per household (Region 6)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	2227	
		to		0	0	0	1856	73868	
VLSS	from	to							
"0"			72	0	0	0	43	30	145
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	816	14	0	0	0	0	4	18
4	830	2000	37	0	0	0	4	13	54
5	2200	60000	46	0	0	0	1	8	55
total			169	0	0	0	48	55	272

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
		"0"	49.66	0.00	0.00	0.00	29.66	20.69	100
		1	0.00	0.00	0.00	0.00	0.00	0.00	0
		2	0.00	0.00	0.00	0.00	0.00	0.00	0
		3	77.78	0.00	0.00	0.00	0.00	22.22	100
		4	68.52	0.00	0.00	0.00	7.41	24.07	100
		5	83.64	0.00	0.00	0.00	1.82	14.55	100

Gold balance per household (Region 7)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	1114	3712	
		to		0	0	1114	3712	74239	
VLSS	from	to							
"0"			35	0	0	6	9	9	59
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	150	4	0	0	0	0	0	4
4	180	950	7	0	0	3	6	5	21
5	960	45000	5	0	0	3	6	8	22
total			51	0	0	12	21	22	106

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
"0"			59.32	0.00	0.00	10.17	15.25	15.25	100
1			0.00	0.00	0.00	0.00	0.00	0.00	0
2			0.00	0.00	0.00	0.00	0.00	0.00	0
3			100.00	0.00	0.00	0.00	0.00	0.00	100
4			33.33	0.00	0.00	14.29	28.57	23.81	100
5			22.73	0.00	0.00	13.64	27.27	36.36	100

Table A13 Deposit balances per household (1,000 1993 VND)

Deposit balance per household (Nation)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	0	
		to		0	0	0	0	152932	
VLSS	from	to							
"0"			704	0	0	0	0	28	732
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	20000	29	0	0	0	0	10	39
total			733	0	0	0	0	38	771

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS SISH	"0"	1	2	3	4	5	total
	"0"	96.17	0.00	0.00	0.00	0.00	3.83	100
	1	0.00	0.00	0.00	0.00	0.00	0.00	0
	2	0.00	0.00	0.00	0.00	0.00	0.00	0
	3	0.00	0.00	0.00	0.00	0.00	0.00	0
	4	0.00	0.00	0.00	0.00	0.00	0.00	0
	5	74.36	0.00	0.00	0.00	0.00	25.64	100

Deposit balance per household (Urban Area)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	0	
		to		0	0	0	0	152932	
VLSS	from	to							
"0"			176	0	0	0	0	11	187
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	20000	21	0	0	0	0	8	29
total			197	0	0	0	0	19	216

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
"0"			94.12	0.00	0.00	0.00	0.00	5.88	100
1			0.00	0.00	0.00	0.00	0.00	0.00	0
2			0.00	0.00	0.00	0.00	0.00	0.00	0
3			0.00	0.00	0.00	0.00	0.00	0.00	0
4			0.00	0.00	0.00	0.00	0.00	0.00	0
5			72.41	0.00	0.00	0.00	0.00	27.59	100

Deposit balance per household (Rural Area)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	0	
		to		0	0	0	0	51967	
VLSS	from	to							
"0"			528	0	0	0	0	17	545
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	10000	8	0	0	0	0	2	10
total			536	0	0	0	0	19	555

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
"0"			96.88	0.00	0.00	0.00	0.00	3.12	100
1			0.00	0.00	0.00	0.00	0.00	0.00	0
2			0.00	0.00	0.00	0.00	0.00	0.00	0
3			0.00	0.00	0.00	0.00	0.00	0.00	0
4			0.00	0.00	0.00	0.00	0.00	0.00	0
5			80.00	0.00	0.00	0.00	0.00	20.00	100

Deposit balance per household (Region 1)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	0	
		to		0	0	0	0	0	
VLSS	from	to							
"0"			72	0	0	0	0	0	72
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	0	0	0	0	0	0	0	0
total			72	0	0	0	0	0	72

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS SISH	"0"	1	2	3	4	5	total
"0"		100.00	0.00	0.00	0.00	0.00	0.00	100
1		0.00	0.00	0.00	0.00	0.00	0.00	0
2		0.00	0.00	0.00	0.00	0.00	0.00	0
3		0.00	0.00	0.00	0.00	0.00	0.00	0
4		0.00	0.00	0.00	0.00	0.00	0.00	0
5		0.00	0.00	0.00	0.00	0.00	0.00	0

Deposit balance per household (Region 2)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	0	
		to		0	0	0	0	152932	
VLSS	from	to							
"0"			272	0	0	0	0	24	296
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	20000	17	0	0	0	0	8	25
total			289	0	0	0	0	32	321

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS SISH	"0"	1	2	3	4	5	total
"0"		91.89	0.00	0.00	0.00	0.00	8.11	100
1		0.00	0.00	0.00	0.00	0.00	0.00	0
2		0.00	0.00	0.00	0.00	0.00	0.00	0
3		0.00	0.00	0.00	0.00	0.00	0.00	0
4		0.00	0.00	0.00	0.00	0.00	0.00	0
5		68.00	0.00	0.00	0.00	0.00	32.00	100

Deposit balance per household (Region 6)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	0	
		to		0	0	0	0	37120	
VLSS	from	to							
"0"			255	0	0	0	0	4	259
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	12500	11	0	0	0	0	2	13
total			266	0	0	0	0	6	272

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
		"0"	98.46	0.00	0.00	0.00	0.00	1.54	100
		1	0.00	0.00	0.00	0.00	0.00	0.00	0
		2	0.00	0.00	0.00	0.00	0.00	0.00	0
		3	0.00	0.00	0.00	0.00	0.00	0.00	0
		4	0.00	0.00	0.00	0.00	0.00	0.00	0
		5	84.62	0.00	0.00	0.00	0.00	15.38	100

Deposit balance per household (Region 7)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	0	0	0	
		to		0	0	0	0	0	
VLSS	from	to							
"0"			105	0	0	0	0	0	105
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	70	1	0	0	0	0	0	1
total			106	0	0	0	0	0	106

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
		"0"	100.00	0.00	0.00	0.00	0.00	0.00	100
		1	0.00	0.00	0.00	0.00	0.00	0.00	0
		2	0.00	0.00	0.00	0.00	0.00	0.00	0
		3	0.00	0.00	0.00	0.00	0.00	0.00	0
		4	0.00	0.00	0.00	0.00	0.00	0.00	0
		5	100.00	0.00	0.00	0.00	0.00	0.00	100

Table A14 Value of durable goods per household (1,000 1993 VND)

Durable goods per household (Nation)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	891	2450	7498	
		to		0	891	2450	7461	233185	
VLSS	from	to							
"0"			168	0	137	154	152	152	763
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	100000	0	0	3	0	2	3	8
total			168	0	140	154	154	155	771

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
	"0"		22.02	0.00	17.96	20.18	19.92	19.92	100
	1		0.00	0.00	0.00	0.00	0.00	0.00	0
	2		0.00	0.00	0.00	0.00	0.00	0.00	0
	3		0.00	0.00	0.00	0.00	0.00	0.00	0
	4		0.00	0.00	0.00	0.00	0.00	0.00	0
	5		0.00	0.00	37.50	0.00	25.00	37.50	100

Durable goods per household (Urban Area)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	1336	6273	17854	
		to		0	1336	6162	17743	233185	
VLSS	from	to							
"0"			64	0	22	43	43	42	214
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	100000	0	0	0	0	0	2	2
total			64	0	22	43	43	44	216

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
	"0"		29.91	0.00	10.28	20.09	20.09	19.63	100
	1		0.00	0.00	0.00	0.00	0.00	0.00	0
	2		0.00	0.00	0.00	0.00	0.00	0.00	0
	3		0.00	0.00	0.00	0.00	0.00	0.00	0
	4		0.00	0.00	0.00	0.00	0.00	0.00	0
	5		0.00	0.00	0.00	0.00	0.00	100.00	100

Durable goods per household (Rural Area)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	148	891	2079	5568	
		to		148	891	2079	5345	129918	
VLSS	from	to							
"0"			104	7	108	111	109	110	549
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	1000	0	0	3	0	2	1	6
total			104	7	111	111	111	111	555

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
"0"			18.94	1.28	19.67	20.22	19.85	20.04	100
1			0.00	0.00	0.00	0.00	0.00	0.00	0
2			0.00	0.00	0.00	0.00	0.00	0.00	0
3			0.00	0.00	0.00	0.00	0.00	0.00	0
4			0.00	0.00	0.00	0.00	0.00	0.00	0
5			0.00	0.00	50.00	0.00	33.33	16.67	100

Durable goods per household (Region 1)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	371	1114	2450	
		to		0	297	1114	2376	11856	
VLSS	from	to							
"0"			21	0	6	15	14	15	71
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	700	0	0	1	0	0	0	1
total			21	0	7	15	14	15	72

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
"0"			29.58	0.00	8.45	21.13	19.72	21.13	100
1			0.00	0.00	0.00	0.00	0.00	0.00	0
2			0.00	0.00	0.00	0.00	0.00	0.00	0
3			0.00	0.00	0.00	0.00	0.00	0.00	0
4			0.00	0.00	0.00	0.00	0.00	0.00	0
5			0.00	0.00	100.00	0.00	0.00	0.00	100

Footnote Households in the state "0" is counted separately.

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	223	1411	3192	12249	
VLSS		to		223	1411	3081	12249	233185	
from	to								
"0"			53	11	63	64	63	62	316
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	100000	0	0	1	0	1	3	5
total			53	11	64	64	64	65	321

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
		"0"	16.77	3.48	19.94	20.25	19.94	19.62	100
		1	0.00	0.00	0.00	0.00	0.00	0.00	0
		2	0.00	0.00	0.00	0.00	0.00	0.00	0
		3	0.00	0.00	0.00	0.00	0.00	0.00	0
		4	0.00	0.00	0.00	0.00	0.00	0.00	0
		5	0.00	0.00	20.00	0.00	20.00	60.00	100

Durable goods per household (Region 6)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	445	1782	7424	
VLSS		to		0	445	1782	7424	87602	
from	to								
"0"			89	0	19	55	54	55	272
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	0	0	0	0	0	0	0	0
total			89	0	19	55	54	55	272

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
		"0"	32.72	0.00	6.99	20.22	19.85	20.22	100
		1	0.00	0.00	0.00	0.00	0.00	0.00	0
		2	0.00	0.00	0.00	0.00	0.00	0.00	0
		3	0.00	0.00	0.00	0.00	0.00	0.00	0
		4	0.00	0.00	0.00	0.00	0.00	0.00	0
		5	0.00	0.00	0.00	0.00	0.00	0.00	0

Durable goods per household (Region 7)

Number of Households		SISH	"0"	1	2	3	4	5	total
VISS		from		0	668	1529	3712	7498	
		to		668	1485	3712	7424	129918	
VISS	from	to							
"0"			5	15	21	21	20	22	104
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	550	0	1	0	0	1	0	2
total			5	16	21	21	21	22	106

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VISS SISH	"0"	1	2	3	4	5	total
	"0"	4.81	14.42	20.19	20.19	19.23	21.15	100
	1	0.00	0.00	0.00	0.00	0.00	0.00	0
	2	0.00	0.00	0.00	0.00	0.00	0.00	0
	3	0.00	0.00	0.00	0.00	0.00	0.00	0
	4	0.00	0.00	0.00	0.00	0.00	0.00	0
	5	0.00	50.00	0.00	0.00	50.00	0.00	100

Table A15 Value of houses and land per household (1,000 1993 VND)

Houses and land per household (Nation)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	7053	16333	32071	84633	
		to	7053	16147	31552	83148	1035635		
VLSS	from	to							
"0"			50	103	154	152	152	153	764
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	43000	0	1	0	2	2	2	7
total			50	104	154	154	154	155	771

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
		"0"	6.54	13.48	20.16	19.90	19.90	20.03	100
		1	0.00	0.00	0.00	0.00	0.00	0.00	0
		2	0.00	0.00	0.00	0.00	0.00	0.00	0
		3	0.00	0.00	0.00	0.00	0.00	0.00	0
		4	0.00	0.00	0.00	0.00	0.00	0.00	0
		5	0.00	14.29	0.00	28.57	28.57	28.57	100

Houses and land per household (Urban Area)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	0	59391	100223	167038	
		to	0	59391	96511	167038	742390		
VLSS	from	to							
"0"			48	0	38	42	43	42	213
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	43000	0	0	0	1	0	2	3
total			48	0	38	43	43	44	216

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
		"0"	22.54	0.00	17.84	19.72	20.19	19.72	100
		1	0.00	0.00	0.00	0.00	0.00	0.00	0
		2	0.00	0.00	0.00	0.00	0.00	0.00	0
		3	0.00	0.00	0.00	0.00	0.00	0.00	0
		4	0.00	0.00	0.00	0.00	0.00	0.00	0
		5	0.00	0.00	0.00	33.33	0.00	66.67	100

Houses and land per household (Rural Area)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		0	7424	14848	23014	48255	
		to	7424	14848	23014	48255	1035635		
VLSS	from	to							
"0"			2	108	111	110	109	111	551
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	20000	0	1	0	1	2	0	4
total			2	109	111	111	111	111	555

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
"0"			0.36	19.60	20.15	19.96	19.78	20.15	100
1			0.00	0.00	0.00	0.00	0.00	0.00	0
2			0.00	0.00	0.00	0.00	0.00	0.00	0
3			0.00	0.00	0.00	0.00	0.00	0.00	0
4			0.00	0.00	0.00	0.00	0.00	0.00	0
5			0.00	25.00	0.00	25.00	50.00	0.00	100

Houses and land per household (Region 1)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		300	2428	4083	7765	16036	
		to	2413	4083	7721	15961	37120		
VLSS	from	to							
"0"			0	14	14	15	14	15	72
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	0	0	0	0	0	0	0	0
total			0	14	14	15	14	15	72

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
"0"			0.00	19.44	19.44	20.83	19.44	20.83	100
1			0.00	0.00	0.00	0.00	0.00	0.00	0
2			0.00	0.00	0.00	0.00	0.00	0.00	0
3			0.00	0.00	0.00	0.00	0.00	0.00	0
4			0.00	0.00	0.00	0.00	0.00	0.00	0
5			0.00	0.00	0.00	0.00	0.00	0.00	0

Houses and land per household (Region 2)

Number of Households		SISH	"0"	1	2	3	4	5	total
VLSS from		from		0	8575	14105	23756	74239	
to		to	8537	14105	23756	74239	1035635		
"0"			14	50	64	63	62	64	317
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	30000	0	0	0	1	2	1	4
total			14	50	64	64	64	65	321

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
"0"			4.42	15.77	20.19	19.87	19.56	20.19	100
1			0.00	0.00	0.00	0.00	0.00	0.00	0
2			0.00	0.00	0.00	0.00	0.00	0.00	0
3			0.00	0.00	0.00	0.00	0.00	0.00	0
4			0.00	0.00	0.00	0.00	0.00	0.00	0
5			0.00	0.00	0.00	25.00	50.00	25.00	100

Houses and land per household (Region 6)

Number of Households		SISH	"0"	1	2	3	4	5	total
VLSS from		from		0	7424	29696	66073	132888	
to		to	7424	29696	63103	129918	779510		
"0"			36	18	54	55	54	54	271
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	43000	0	0	0	0	0	1	1
total			36	18	54	55	54	55	272

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
"0"			13.28	6.64	19.93	20.30	19.93	19.93	100
1			0.00	0.00	0.00	0.00	0.00	0.00	0
2			0.00	0.00	0.00	0.00	0.00	0.00	0
3			0.00	0.00	0.00	0.00	0.00	0.00	0
4			0.00	0.00	0.00	0.00	0.00	0.00	0
5			0.00	0.00	0.00	0.00	0.00	100.00	100

Houses and land per household (Region 7)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		371	10765	22272	32294	59391	
		to	9280	21529	29696	59391	263549		
VLSS	from	to							
"0"			0	20	21	20	21	22	104
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
5	0	1000	0	1	0	1	0	0	2
total			0	21	21	21	21	22	106

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
	"0"		0.00	19.23	20.19	19.23	20.19	21.15	100
	1		0.00	0.00	0.00	0.00	0.00	0.00	0
	2		0.00	0.00	0.00	0.00	0.00	0.00	0
	3		0.00	0.00	0.00	0.00	0.00	0.00	0
	4		0.00	0.00	0.00	0.00	0.00	0.00	0
	5		0.00	50.00	0.00	50.00	0.00	0.00	100

Table A16 Total Assets (1,000 1993 VND)

Total assets (Nation)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		371	10278	22717	43697	104157	
		to	10245	22331	43259	104041	1040460		
VLSS	from	to							
"0"			0	98	66	55	39	32	290
1	0	0	0	0	0	0	0	0	0
2	0	25	0	4	3	8	1	2	18
3	30	500	0	23	36	39	36	20	154
4	500	2000	0	18	35	34	39	28	154
5	2000	135800	0	11	14	18	39	73	155
total			0	154	154	154	154	155	771

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
"0"			0.00	33.79	22.76	18.97	13.45	11.03	100
1			0.00	0.00	0.00	0.00	0.00	0.00	0
2			0.00	22.22	16.67	44.44	5.56	11.11	100
3			0.00	14.94	23.38	25.32	23.38	12.99	100
4			0.00	11.69	22.73	22.08	25.32	18.18	100
5			0.00	7.10	9.03	11.61	25.16	47.10	100

Footnote Households in the state "0" is counted separately.

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		445	20787	73059	124232	213437	
		to	20193	72977	121752	211952	757728		
VLSS	from	to							
"0"			0	7	7	6	6	3	29
1	0	120	0	4	4	3	1	2	14
2	150	1100	0	8	14	11	5	5	43
3	1110	2300	0	10	8	9	8	8	43
4	2300	6600	0	11	4	7	7	14	43
5	7000	135800	0	3	6	7	16	12	44
total			0	43	43	43	43	44	216

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
"0"			0.00	24.14	24.14	20.69	20.69	10.34	100
1			0.00	28.57	28.57	21.43	7.14	14.29	100
2			0.00	18.60	32.56	25.58	11.63	11.63	100
3			0.00	23.26	18.60	20.93	18.60	18.60	100
4			0.00	25.58	9.30	16.28	16.28	32.56	100
5			0.00	6.82	13.64	15.91	36.36	27.27	100

Total assets (Rural Area)

Number of Households		SISH	"0"	1	2	3	4	5	total
		from		371	9131	18411	30052	59859	
		to		9090	18211	29881	59614	1040460	
VLSS	from	to							
"0"			0	80	54	56	30	41	261
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	200	0	12	14	17	17	12	72
4	200	950	0	16	25	19	33	18	111
5	1000	74540	0	3	18	19	31	40	111
total			0	111	111	111	111	111	555

Footnote Households in the state "0" is counted separately.

Transition Probabilities	VLSS	SISH	"0"	1	2	3	4	5	total
	"0"		0.00	30.65	20.69	21.46	11.49	15.71	100
	1		0.00	0.00	0.00	0.00	0.00	0.00	0
	2		0.00	0.00	0.00	0.00	0.00	0.00	0
	3		0.00	16.67	19.44	23.61	23.61	16.67	100
	4		0.00	14.41	22.52	17.12	29.73	16.22	100
	5		0.00	2.70	16.22	17.12	27.93	36.04	100