Article 4:

THE DETERMINANTS OF THE FINANCIAL RISK AND PERFORMANCE OF COMMERCIAL BANKS IN VIETNAM

DR. TRAN MINH THAI; Ho Chi Minh City, Vietnam

Abstract

The main objective of the study was to determine the influence of financial risk on performance of commercial banks in Vietnam. The specific objectives were to determine the influence of market risk, credit risk, interest rate risk, foreign exchange risk, liquidity risk and bank size as a control variable on performance of commercial Banks in Vietnam. The research philosophy that was adopted for this research is that pursued by positivists and descriptive survey research design was applied. Panel data for 30 commercial banks that had data for 10-year period from 2009 to 2018 were obtained from the State bank of Vietnam and banks website. For primary data the population was 220 respondents comprising risk manager, operations manager, general manager and credit manager all were used in the study.

Self-administered questionnaire was used. Descriptive statistics, correlation analysis, and random and fixed effects were used for secondary data using E-views software while for primary SPSS where descriptive analysis and inferential where factor analysis, correlation and regression were used. The thesis recommended that bank managers should adopt policies to control debtors figure relative to total capital as this increases credit risk, credit worthiness of would be borrowers is assessed and collateral which should be wholly ensured, credit limits which could be based on group authority. Commercial banks should focus on hedging and forecasting the macroeconomic factors that determine interest rates rather than the focusing on interest rates. Managers should ensure that commercial banks invest excess cash in productive assets and steer their banks toward trading in foreign exchange as this will improve performance as increase in foreign exchange risk leads to increase in bank performance.

Keywords: Financial risk, commercial banks, performance, Vietnam.