



Sustainable development affects the operational efficiency of commercial banks in Vietnam

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ABSTRACTS:

The pursuit of sustainable development has become increasingly integral to the operational effectiveness of commercial banks in Vietnam. Key aspects include: (1) "Environmental Responsibility" Commercial banks are recognizing their role in environmental sustainability by incorporating green practices into their operations. This involves implementing energy-efficient technologies, reducing paper usage, and financing eco-friendly projects. (2) "Social Impact" Banks are prioritizing social responsibility by supporting community development initiatives and investing in projects that address social issues such as poverty alleviation, education, and healthcare. This not only benefits society but also enhances the bank's reputation and customer loyalty. (3) "Governance and Ethics" Emphasis is placed on good governance and ethical practices to build trust and credibility among stakeholders. Transparent decision-making processes, adherence to regulatory standards, and ethical behavior in financial transactions are essential for long-term success. (4) "Financial Inclusion" Banks are striving to expand access to financial services, particularly to underserved and rural populations. This involves developing innovative banking products, leveraging technology such as mobile banking, and collaborating with government agencies and NGOs to promote financial literacy. (5) "Long-Term Viability" Sustainable development strategies are geared towards ensuring the long-term viability of commercial banks. This includes prudent risk management practices, diversification of revenue streams, and investments in digitalization and fintech to enhance efficiency and competitiveness.

By integrating sustainable development principles into their operations, commercial banks in Vietnam are not only contributing to environmental and social well-being but also enhancing their own resilience and competitiveness in a rapidly evolving global economy.

Keywords: Sustainable development, business efficiency, commercial banking.

1. Introduce

Currently, the banking industry in particular and the economic sector in general have been achieving many important milestones in the development process. Contributing to that strong and sustainable development are many subjective and objective factors of each business, employee as well as the whole society.

Sustainable development has been and will bring great impacts to business performance. It is development in all aspects of current society while ensuring continued development in the distant future.

With the desire to have a general and objective view of the impact of sustainable development on the performance of commercial banks in the Vietnamese market from the clearest perspective, the group chose the topic: "Impact of sustainable development". sustainable development on the operational efficiency of commercial banks in Vietnam" as a research topic at this conference.

2. Research Methods

2.1. Research data

Research data is mainly taken from articles, conference proceedings and magazines and documents related to sustainable development, the performance of commercial banks and the impact of sustainable development. to operational efficiency.

2.2. Methods of analysis and synthesis

The group analyzed sustainable development, the role of sustainable development today, the effectiveness of commercial banks' operations, and the context of commercial banks. From there, synthesize the impact of sustainable development on the operational efficiency of commercial banks and make recommendations to improve operational efficiency and ensure sustainable development.

2.3. Conversation method

The group interviewed students and lecturers majoring in Business Administration and Banking at the Banking Academy about the sustainable development and operational efficiency of commercial banks today.

2.4. research process

The group researched documents with related content, studied different documents and theories by analyzing on a theoretical basis. After grouping and analyzing the reference content, systemize and synthesize it into an article focusing on the central content of the essay. In particular, grouping is to arrange scientific documents according to each aspect, each unit, each problem with the same nature and the same direction of development. Systematization is the arrangement of knowledge into a system based on a theoretical model to make understanding of the subject more complete. Based on the above method, the essay team searched and collected information sources and secondary data on the web, books, newspapers, and magazines to determine the impact of sustainable development on sustainable development. operational efficiency of commercial banks and solutions to improve the efficiency of commercial banking operations today. From there, the group can bring into the seminar the most practical and feasible proposals and solutions based on the theoretical knowledge they have learned, the results of group work and research together, and complete the seminar. this draft.

3. Research overview and theoretical basis

3.1. Study overview

The research topic has been observed and studied by many scientific researchers from different aspects. Specifically: author Phan Dien Vy (2019) raised the general views on sustainable development of commercial banks that the author collected. In addition, the article also evaluates a number of indicators in the sustainable development of the commercial banking system in Vietnam and also proposes some solutions to remaining problems. Associate Professor Dr. Nguyen Huu Anh and his colleagues (2023) mentioned green finance and factors affecting green finance of commercial banks in Vietnam. The research used the thematic analysis method - one of the forms of analysis in qualitative research. The authors studied how Vietnamese commercial banks promote green initiatives towards sustainable development. In the work of Md. Ataur Rahman & Md. Ashraf Islam (2019) studies how corporate social responsibility (CSR) achieves sustainable development for businesses in Bangladesh. The article used a qualitative method based on collected secondary data. The study classified actions demonstrating corporate social responsibility and analyzed changing parameters from 2011 to 2017. The author also pointed out indicators related to the profits and development of commercial banks. How does the bank's corresponding CSR indicators change?

Thus, research projects on factors affecting sustainable development, ways to move towards sustainable development in commercial banks, etc. However, currently there is no research project on the impact of sustainable development. sustainable development to the operational efficiency of commercial banks in Vietnam.

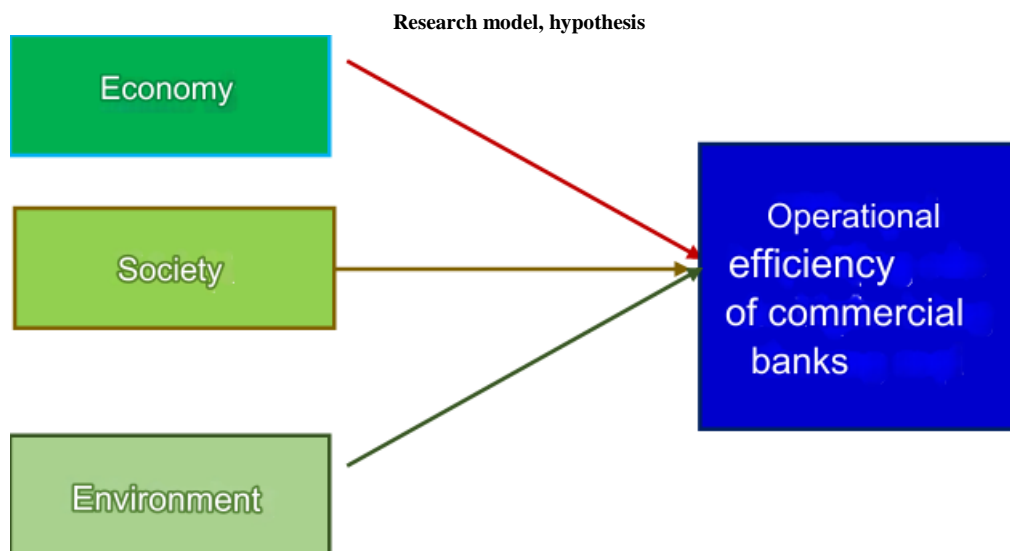


Figure 1: Sustainable development research model on commercial bank performance

Source: author's overview

To the study of Bhagwat, P. (2011) proposed the framework in which sustainable development was identified by Brundtland and the model of the triple bottom line as an ethical idea that introduced the concept of sustainability orientation sustainable at the economic level. From there, the authors put forward the first hypothesis.

H1: Economic factors have a positive impact on the performance of commercial banks.

According to research by Oginni & Omojowo (2016), a country that struggles to achieve a sustainable business model in addition to widely fulfilling corporate social responsibility also needs to hold abundant resources. affects environmental fields. From there, the authors put forward the second hypothesis.

H2: Environmental factors have a positive impact on the performance of commercial banks.

Inheriting the research of Bocken et al. (2014) illustrates how a business organization establishes a sustainable business model on the basis of teams. Socio-technological and organizational dependent groups, on the other hand, are exemplified by the increased generation of matter and energy from the exchange of waste by regeneration. From there, the author makes the third hypothesis.

H3: Social factors positively impact the performance of commercial banks.

3.2. Theoretical basis

3.2.1. Sustainable development

In the book "Our Common Future", sustainable development is defined as development that meets the needs of the present generation without compromising the ability of future generations to meet their needs. their needs. Author Le Thac Can believes that "Sustainable development is the use of natural resources, under existing environmental conditions, to satisfy the needs of living generations of people, but must ensure that future generations the necessary resource and environmental conditions in the future so they can live better than today. Sustainable development is a new concept that defines development in all aspects of current society while ensuring continued development in the distant future. This concept is currently a target for many countries around the world, each country will rely on its own economic, social, political, geographical, cultural... characteristics to plan appropriate strategies. with that country.

Sustainable social development is development that ensures fairness in society, equality between social classes, between genders,...

Environmentally sustainable development is understood to mean that when using natural elements from the environment, the quality of the human living environment must be guaranteed, integrating the values of ecosystems and biodiversity into national and local planning.

The importance of sustainable development

Sustainable development is important because it helps ensure long-term development for both people and the environment. It helps us meet the needs of the present generation without compromising the ability of future generations to meet their needs. Sustainable development also helps solve pressing problems such as climate change, environmental pollution, and poverty

3.2.2. Operational efficiency

Business performance reflects the use of resources to realize the economic goals of the enterprise, which can be referred to as financial performance (N. Venkatraman, Vasudevan Ramanujam, 1986).

According to the Business Statistics textbook of Ho Chi Minh City University of Economics, business performance is an economic category that reflects the benefits achieved from the production and business activities of an enterprise on the basis of Compare the benefits obtained with the costs spent in the production and business process, expressing the level of enterprise development in depth, reflecting the level of exploitation of resources to achieve business goals.

The nature of business efficiency is to improve social labor productivity and save social labor.

The role of business efficiency for businesses: a very important condition in ensuring the survival and development of businesses; factors promoting competition and progress in production and business; Conditions for achieving the overarching goal of a business is to maximize profits; Classify the performance of an enterprise's business activities.

Based on the scope of calculation: economic efficiency, social efficiency, national security and defense efficiency, investment efficiency, environmental efficiency.

Based on calculation content: efficiency in forward form, efficiency in reverse form.

Based on the scope of calculation: total efficiency, increased investment efficiency.

Operational efficiency can be evaluated based on many criteria, including: profit, revenue, labor productivity, product quality, operating costs, solvency, customer satisfaction level. customers, employee satisfaction level. There are many factors that affect performance, including: business strategy, leadership, employees, resources, business environment,...

3.2.3. The impact of sustainable development on operational efficiency

From the period 2015-2022, after being influenced by government policies, commercial banks have used sustainable development plans. These plans were effective when the ROA index - a measure of profitability on a company's assets - was calculated as profit/assets. Data from commercial banks also shows this when out of 10 commercial banks from the data, all show growth in ROA in the period 2015-2022. On average, banks will have large growth in 2022, the ROA index of most banks will be 5-6 times compared to 2015. In general, the sharp increase in ROA in the period 2015-2022 is the result of the sustainable development policies of commercial banks, showing some of the effectiveness of these policies that can help increase profitability and maintain sustainable development in the future.

Descriptive statistics table of the average ROA of Vietnamese commercial banks in the research sample

Năm	N	Minimum	Maximum	Mean	Std. Deviation
2016	26.000	0.000	0.019	0.006	0.004
2017	26.000	0.001	0.026	0.008	0.006
2018	26.000	0.002	0.029	0.010	0.007
2019	26.000	0.001	0.029	0.011	0.008
2020	26.000	0.002	0.031	0.012	0.008
2021	26.000	0.004	0.037	0.014	0.008
2022	26.000	0.005	0.032	0.015	0.008

Source: Author's calculations from data in the research sample and Stata software

Sustainable development brings many benefits to businesses, contributing to improving operational efficiency in many aspects:

Enhance competitive advantage: businesses pursuing sustainable development are highly appreciated for their social and environmental responsibility, attracting potential customers and partners, creating a prestigious brand image; enhance employee satisfaction; accessing new markets - demand for sustainable products and services is increasing, opening up opportunities to access new markets; Cost optimization - efficient use of resources and energy, saving production and operating costs.

Enhance adaptive capacity and risk management: improve the ability to respond to climate change; minimize legal risks - comply with environmental and social regulations; Enhance the ability to predict and manage risks.

Improve resource use efficiency: make the most of raw materials, save production costs and protect the environment; Using renewable energy such as solar energy, wind energy,... helps reduce greenhouse gas emissions, save costs and enhance business image; improve operating efficiency.

Enhance transparency and accountability: publish information on sustainability activities; enhance accountability.

Encourage innovation and creativity: seek creative solutions; Improve research and development capacity.

However, it should be noted that sustainable development is a long-term process, requiring initial investment and commitment from management and all employees. Businesses need to carefully evaluate factors, develop appropriate strategies and take steps to ensure operational efficiency and sustainable development.

4. Research results and discussion

4.1. Commercial Bank performance results achieved

Overall, commercial banks in Vietnam have achieved many positive achievements when focusing on sustainable and long-term development goals for businesses. Economically, the banking system has maintained stable financial capacity and made positive progress in operations. After the restructuring period from 2011-2015, the commercial bank's financial capacity had many changes. Indicators of capital adequacy, growth rate, asset quality, liquidity and income of commercial banks have achieved positive results from 2015 to present.

Commercial banks' profitability has also improved, with the return on assets (ROA) and return on capital (ROE) ratios increasing since 2015 and especially strong in 2015. 2017. This is clearly shown when ROA and ROE in 2015 increased compared to 2014 by 0.03% and 0.33% respectively, in 2016 increased compared to 2015 by 0.07% and 1.72%, and in 2017, ROA increased by 83.5% from 0.78% to 1.44%, while ROE increased by 21.96% from 11.08% to 13.51%. The rapid increase in commercial banks' profitability is very positive. Specifically, in recent years, Techcombank has always chosen a conservative investment appetite and promoted sustainable development, as affirmed by the bank's leaders: "Currently, Techcombank's leverage ratio is at a low level. The bank do not seek growth at all costs". That has helped Techcombank achieve a ROA of over 3%, an average ROE of 20%, or a net profit margin (ROS) of 5%, something that few Asian banks can do.

The income structure of commercial banks tends to increase non-interest income, net income from service interest, net profit from foreign exchange and gold trading, net profit from trading securities, net profit from equity capital contributions. Shares and net profits from other activities tend to increase sharply.

Regarding society, the quality of recruitment is improved and promotion policies are applied to motivate employees to develop their personal abilities. The average income of officers and employees in Commercial Banks is considered higher than in other industries. Commercial banks also conduct investment financing activities for community development, volunteer and charity programs, and support people to overcome the consequences of natural disasters, actively contributing to improving quality of life. quality of life of the community.

Regarding the environment, currently, Vietnam Commercial Banks comply with current regulations on environmental issues. Some banks have proactively issued documents guiding implementation throughout the system, accordingly, when appraising and deciding on loans for investment projects, commercial banks strictly comply with the policies of the Bank. The Government and guiding documents of relevant ministries and functional agencies ensure that lending is carried out in accordance with the policy of economical and efficient use of energy and resources and environmental protection. In addition, some commercial banks such as VCB, BIDV, Sacombank, ACB also issued regulations to encourage savings practices in internal operations such as: saving paper, using environmentally friendly products. environment, saving energy, resources... In 2023, Vietcombank and Techcombank reached the Top 100 most sustainable enterprises in Vietnam announced by the Vietnam Chamber of Commerce and Industry (VCCI). BIDV was awarded the "Best Green Bank Vietnam 2023" award by The Asian Banker. The awards have contributed to affirming the prestige, brand name, and positive influence in the environmental activities of commercial banks. From there, building customers' trust and love for the business.

4.3. Sustainable development affects the operational efficiency of commercial banks

Sustainable development has a major positive impact on the operations of commercial banks in Vietnam. At a positive level, sustainable development helps improve commercial banks' operational efficiency in many aspects.

One of the first positive effects is risk reduction. Sustainable development allows commercial banks to effectively assess and manage environmental, social and governance (ESG) risks. This not only helps enhance the ability to predict and respond to market fluctuations but also minimize financial risks, especially related to projects that have negative impacts on the environment and society.

Increasing the efficiency of capital use is also an important benefit of sustainable development. Commercial banks can limit investment in unsustainable projects and instead increase investment in projects that bring long-term benefits to both commercial banks and the community. This not only helps optimize profits but also positively contributes to the country's sustainable development.

Improved business performance is another positive impact. Sustainable development helps commercial banks improve their competitiveness and attract customers and investors interested in ESG. This not only creates favorable conditions for attracting investment capital but also enhances brand reputation and builds the image of a responsible commercial bank to the community.

5. Conclude

The article has generalized the impacts of sustainable development on the performance of commercial banks. The results show that factors such as economic, political, environmental and socio-cultural directly affect sustainable development, thereby improving bank operations. Sustainable development is currently a trend for banks to minimize investment risks, increase competitiveness or enhance the ability to adapt to changes in the economy and society. However, currently, banks still face many difficulties in building and implementing sustainable development plans. The reason is because the initial investment cost is quite high and the results may not be seen in the short term although they can still be measured if banks decide to pursue it long term. In addition, training and coaching employees to understand and follow is really a big challenge. Therefore, sustainable development is both an opportunity and a challenge for commercial banks.

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