TRƯỜNG ĐẠI HỌC NGÂN HÀNG
THÀNH PHỐ HỒ CHÍ MINH

# ECONOMICS & BUSINESS CONFERENCE PROGRAM

## "The Challenges of Monetary Policy & Financial Stability in ASEAN countries: Lessons for Vietnam"

**January 11, 2017**

**HCMC, VIETNAM**

**HOSTED BY**

**BANKING UNIVERSITY HCMC**

# CONFERENCE SCHEDULE

Thursday, January 11, 2017

Conference Room, Banking University HCMC

36 Ton That Dam, District 1, HCMC, Vietnam

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**REGISTRATION** 8:00 AM – 8.30AM

**WELCOME REMARK BY PRESIDENT OF BANKING UNIVERSITY** 8:30 AM – 8.45AM

**INTRODUCTION SPEECH BY REPRESENTATIVE OF STATE BANK OF VIETNAM**

8.45AM – 9.00AM

**KEYNOTE SPEAKER - PROF. JONATHAN BATTEN** 9.00AM – 9.30AM

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## SESSION 1 - CHALLENGES OF MONETARY POLICY IN ASEAN 9.30AM

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Chair: Prof. Roman Matousek, University of Kent, UK

Discussants: Prof. Jonathan Batten, Prof. Andy Mullineux,
Assoc. Prof. Vo Xuan Vinh, Assoc. Prof. Nguyen Minh Ha, Dr. Vo Hong Duc

***Fixes, Floats, and Flips. Again? What Have Countries Learned from Dealing with the Quantitative Easing and Tapering Tantrums***

Le Van Ha, Vietnamese - German University

**Discussant: Prof. Andy Mullineux**

***Involuntary Excess Reserve and Heterogeneous Transmission of Policy Rates to Bank Lending Rates in China***

Nguyen Vu Hong Thai, RMIT Vietnam

**Discussant: Prof. Jonathan Batten**

***Bank market power: A challenge for monetary policy?***

Linh Nguyen, University of Economics HCMC

Ngoc Vu, HCMC Open University

**Discussant: Dr. Vo Hong Duc**

**COFFEE BREAK** 10.30AM – 10.45AM

*On the Conduct of Monetary Policy in Vietnam from 2000 to 2016 and Challenges*

Nguyen Phuc Canh, Nguyen Quang Binh, Nguyen Ai Nhi

University of Economics HCMC

**Discussant: Assoc. Prof. Vo Xuan Vinh**

*The Impact of Global Liquidity on Emerging Economies: A Case Study of Vietnam*

Chau Le, University of Economics HCMC

Huyen Nguyen, Banking University HCMC

**Discussant: Assoc. Prof. Nguyen Minh Ha**

*Asymmetric Impact of Exchange Rate on Trade Balance in Vietnam*

Pham Thi Tuyet Trinh, Banking University HCMC

**Discussant: Prof. Andy Mullineux**

**LUNCH BREAK** 12.00PM – 13.00PM

**Room: Main Hall B2A Corridor**

**SESSION 2 – BANKING REFORM & FINANCIAL STABILITY IN ASEAN** 13.15PM

Chair: Prof. Andy Mullineux, University of Birmingham, UK

Discussants: Prof. Jonathan Batten, Prof. Roman Matousek

Dr. Nguyen Thi Thuy Linh, Dr. Nguyen Vu Hong Thai, Dr. Le Van Ha

*Is Financial Inclusion Harmful for Macroeconomic Stability? Evidence from Emerging and Frontier Markets*

Duc Vo, Anh Vo, Chi Ho, Thang Nguyen, Thach Pham

HCMC Open University

**Discussant: Prof. Roman Matousek**

*A Conditional Nonparametric Frontier Analysis of Vietnamese Banking Sector*

Chau Le, University of Economics HCMC

Roman Matousek, University of Kent

Panayiotis Tzeremes, University of Thessaly

Trong Ngo, Banking University HCMC

**Discussant: Prof. Jonathan Batten**

***Early Warning System for Currency Crises and Systemic Banking Crises in Vietnam***

Nguyen Thi My Phuong, Industrial University of Ho Chi Minh City

Ha Thi Thieu Dao, Banking University Ho Chi Minh City

**Discussant: Dr. Le Van Ha**

***Relationship between Capital Structure and Investment of Listed Enterprises in Vietnam***

Nguyen Minh Ha & Nguyen Hoang Phi Nam, HCMC Open University

Hoang Thi Minh Thu, Cao Thang Technical College

**Discussant: Dr. Nguyen Vu Hong Thai**

**COFFEE BREAK** 3.45PM – 4.45PM

***Which Industry Champions in the Race in the ASEAN? A Risk-Return-Optimisation Based Approach***

Duc Vo, Thach Pham, Phuong Ho, Phat Le

HCMC Open University

**Discussant: Dr. Nguyen Thi Thuy Linh**

***Bank Competition and Financial Stability – A Case Study of Vietnamese Commercial Banks***

Nguyen Luu Tuyen, Tran Minh Dao, Le Hoang Anh

Banking University HCMC

**Discussant: Prof. Roman Matousek**

**POLICY PANEL DISCUSSION** 4.45PM – 5.15PM

Prof. Roman Matousek, University of Kent, UK (Chair)

Prof. Jonathan Batten, Monash University, Australia

Prof. Andy Mullineux, University of Birmingham, UK

Assoc. Prof. Vo Xuan Vinh, University of Economics HCMC

Assoc. Prof. Ha Thi Thieu Dao, Banking University HCMC

Dr. Vo Hong Duc, Australian Energy Regulator, Australia

**CLOSING PLENARY SESSION** 5.15PM – 5.30PM

# SESSION 1 – CHALLENGES FOR MONETARY POLICY IN ASEAN

***Fixes, Floats, and Flips. Again? What Have Countries Learned from Dealing with the Quantitative Easing and Tapering Tantrums***

Le Van Ha, Vietnamese - German University

This paper presents a novel approach to classify the exchange rate regimes for more than 150 countries in the 1997-2017 period. For each trading day, we form a ±2% band and identify the *lasting period* during which the rate of exchange between the pegged currency and the potential based currency remain within that band. A currency is defined as being pegged to another currency if the lasting period is at least 260 working days. Our methodology allows for the exact identification of the date of the beginning and the ending of a pegged regime, and shows that the current methods using monthly data in the literature might be misleading. Next, we examine the patterns of pegged vs. non-pegged regimes in the last 10 years as countries faced the inflows of easy money thanks to the quantitative easing by major central banks as well as the reversal of the capital flows due to the tapering tantrums. Our analysis offers some explanation on the rationale for countries to de-facto peg their currencies against a strong currency, especially the USD, even though pegs frequently break, and the break of a peg regime might harm the corresponding central bank's credibility.

***Involuntary Excess Reserve and Heterogeneous Transmission of Policy Rates to Bank Lending Rates in China***

Nguyen Vu Hong Thai, RMIT Vietnam

This study examines the impact of liquidity and involuntary excess reserves on interest rate pass-through in China. Employing Error Correction Model estimation based on a sample of 86 banks over the period of 2000 – 2013, the study finds that liquid banks can better shield against tightening monetary policy and adjust lending rate sluggishly. In contrast, banks with larger involuntary excess reserves tend to increase lending interest rates more rapidly in response to tightening monetary policy. We conclude that unwanted liquidity may lead to risk-taking behaviours which are detrimental to financial stability.

***Bank market power: A challenge for monetary policy?***

Linh Nguyen, University of Economics HCMC
Ngoc Vu, HCMC Open University

The study examines the relationship between bank market power and the effectiveness of the monetary policy transmission through bank lending channels. Using data from 206 banks in five ASEAN countries for the period from 1999 to 2013, the results show that banks with higher level of market power are likely to better cope with the impacts of monetary policy on credit growth and lending activity. In other words, the credit supply of these banks is less sensitive to sudden changes in monetary policy, which can hinder the effectiveness of monetary policy transmission through bank lending channels. However, the study also finds that the ability to flexibly adjust in response to the changes in monetary policy of these banks became weaker during the global financial crisis, hence, enhancing the effectiveness of monetary policy transmission. Bank market power is measured using the bank-level Lerner index. The results remain robust with different estimation methods, control variables and measurements of bank market power.

### *On the Conduct of Monetary Policy in Vietnam from 2000 to 2016 and Challenges*

Nguyen Phuc Canh, Nguyen Quang Binh, Nguyen Ai Nhi
University of Economics HCMC

This paper aims to analyze the actual situation of Vietnamese macro economy and conducting monetary policy in Vietnam from 2000 to 2016 period. By using macroeconomics data collected from Asian Development Bank and SBV, this paper reaches to conclusion in two strands: i) interest rates and credit channel are two main important transmission channels of monetary policy in Vietnam, especially in Global Financial crisis 2007 – 2008 alongside with two main tools including policy rates and money supply; and ii) SBV and Vietnam's government are fairly successful in achieving inflation targets despite of some violations. Additionally, the authors also provide some challenges and implication of conducting monetary policy in the future.

### *The Impact of Global Liquidity on Emerging Economies: A Case Study of Vietnam*

Chau Le, University of Economics HCMC
Huyen Nguyen, Banking University HCMC

This paper investigates the transmission mechanisms and spillovers effects of global liquidity on the economy of Vietnam. We stress the analysis on different macroeconomic factors such as economic growth, monetary aggregate, interest rate and foreign exchange rate while the global liquidity is proxied by the TED spreads, defining as the difference between LIBOR and short-term US government debt (T-bill). Appling the Structural Vector Autoregressive Regression (SVAR) on the dataset from QI-2000 to QII-2017, we find that a positive shock to global liquidity leads to an increase in short-term interest rate and a temporary upward pressure on the exchange rate in Vietnam. The findings from this study will provide useful guidelines for regulators to foster effective policy intervention and mitigate systematic risk.

### *Asymmetric impact of exchange rate on trade balance in Vietnam*

Pham Thi Tuyet Trinh, Banking University HCMC

The study investigates asymmetric impact of exchange rate on aggregate trade balance of Vietnam in period from 2009M1 to 2016M12 by employing non-linear form of bound testing approach to autoregressive distributed lag model (ADRL) developed by Pesaran et al (2001). The results show real exchange rate does have asymmetric impact on trade balance in both short- and long- run. In the long run, currency appreciation deteriorates trade balance while currency depreciation improves trade balance; however impact magnitude of the former is six times more than that of the latter. In the short run, the impact of appreciation is not significant while that of depreciation is considerably positive. The J curve effect is also found to be in complete form.

### *Is Financial Inclusion Harmful for Macroeconomic Stability? Evidence from Emerging and Frontier Markets*

Duc Vo, Anh Vo, Chi Ho, Thang Nguyen, Thach Pham
HCMC Open University

The link between macroeconomic stability and financial inclusion appears to attract great attention from policy makers and academics in recent years, especially in emerging and frontier countries where financial inclusion is likely to be promoted in the strategic policies for economic growth and development. However, others may argue that extended financial inclusion in these countries may introduce potential instability into the markets. We argue that there may be an optimal level of financial inclusion, which has not been investigated in existing literature, that enhances macroeconomic stability. The threshold panel estimation method is utilized in this paper using the balanced panel data of 22 emerging and frontier countries, where required data are available, over the 2008-2015 period. Empirical findings from this paper indicate that financial inclusion, proxied by the growth rate in the number of bank branches over the 100,000 adults, is found to enhance financial stability under a certain threshold and that above the threshold, the relationship is reversed. With 3.5 bank branches per 100,000 adults and the growth rate of only 2 per cent per year, Vietnam still has a long way to achieve an optimal level in comparison with other ASEAN countries in this study.

### *A Conditional Nonparametric Frontier Analysis of Vietnamese Banking Sector*

Chau Le, University of Economics HCMC
Roman Matousek, University of Kent
Panayiotis Tzeremes, University of Thessaly
Trong Ngo, Banking University HCMC

By applying a conditional nonparametric frontier analysis to a sample of 26 Vietnamese banks over the period 2008-2016, we explore the effect of several factors on their estimated efficiency levels. The results from the analysis suggest that the size of a bank has a negative nonlinear effect on the estimated efficiency levels. Moreover, it appears that the state ownership also has a negative effect on their performance. Small values of nonperforming loans (NPLs) initiate a positive effect of banks' efficiency levels, however, after a certain level and onwards the effect is neutral. We could not confirm the hypothesis about the successful implementation of the restructuring program introduced by SBV during the period of 2012-2016.

### *Early Warning System for Currency Crises and Systemic Banking Crises in Vietnam*

Nguyen Thi My Phuong, Industrial University of Ho Chi Minh City
Ha Thi Thieu Dao, Banking University Ho Chi Minh City

This study focuses on the early warning system of currency crises and systemic banking crises in Vietnam based on the integration of four approaches: Signal, Logit/Probit, BMA, and 2SLS. With the results from the empirical model, academically, this study has contributed to the empirical evidence about the impact of dollarization in the economy on the probability of currency crises, and the impact of the global financial crisis on the probability of currency crises and systemic banking crises in a small open emerging

like Vietnam. The country has a dollarization phenomenon in with high risk of currency crises due to macro-economic instability caused by speculative attacks and global financial crisis. Furthermore, the study also provides further evidence that banking sector fragility in emerging countries will have a significant impact on the foreign exchange markets, and can cause a currency crisis in the long term. In addition, the study also combines of all four approaches: Signal, Logit/Probit, BMA, and 2SLS to have the advantage of each approach, providing optimal performance in crisis warning.

### *Relationship between Capital Structure and Investment of Listed Enterprises in Vietnam*

Nguyen Minh Ha & Nguyen Hoang Phi Nam, HCMC Open University
Hoang Thi Minh Thu, Cao Thang Technical College

With an aim to examine the relationship between the capital structure and investment of listed enterprises in Vietnam, this study used data including 133 enterprises listed in the period 2008 – 2013. By regression method of the Fixed Effect model and the Random Effect model, the research result shows that investment decisions of enterprises have a negative relationship with the capital structure of enterprises. In addition, the study results show that the enterprises' investment is positively related to the cash flow, Tobin's Q and net revenue; conversely, there is a negative relationship between the capital structure with the age of the enterprise.

### *Which Industry Champions in the Race in the ASEAN? A Risk-Return-Optimisation Based Approach*

Duc Vo, Thach Pham, Phuong Ho, Phat Le
HCMC Open University

Risk, return, and portfolio diversification are fundamental aspects for consideration not only for global investors but also for policymakers. This paper examines these three angels at the industries level in four ASEAN countries, where required data are available, including Vietnam, Thailand, Malaysia, and Singapore. Market indices are examined for 10 industries over ten years, from 2007 to 2016, of different economic periods, including 2007-2009 (crisis), 2010-2012 (post crisis) and 2013-2016 (non-crisis or normal) periods. Conditional Value at Risk is used to measure extreme risk. The Markowitz's risk-return framework is then utilised to determine the optimal weight of industries in the portfolio. Findings from this paper suggest that, overall, the *Healthcare* should be provided with a dominant role in Vietnam as this sector experiences the lowest extreme risk, gains the second highest return, and becomes the second largest contributor to the portfolio of all sectors in the economy. A similar finding is found for Singapore. However, the counterpart winners in Thailand and Malaysia are *Consumer Services* and *Consumer Goods* sectors, respectively. In addition, when different economic circumstances are taken into account, while *Consumer Services* in Thailand still holds its title, a championship in Vietnam and Malaysia changes hands.

***Bank Competition and Financial Stability – A Case Study of Vietnamese Commercial Banks***

Nguyen Luu Tuyen, Tran Minh Dao, Le Hoang Anh
Banking University HCMC

The relationship between competition and stability of the commercial banking system has been at the heart of scholarly and policy debates over the past two decades, especially since the 2008 financial crisis. In this study, we focus on analysing the relationship between competition and stability with 24 commercial banks in Vietnam for the period 2008 – 2016. Our study results show that increasing competition helps Vietnam's banking system become more stable. However, the relationship between competition and stability is nonlinear. The results of our study also show the impact of competition on the stability of Vietnam's banking system in a crisis situation.