

THE FACTORS AFFECTING THE SUSTAINABLE DEVELOPMENT OF THE FINANCIAL SECTOR IN CAN THO CITY VIETNAM

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Abstract

Currently, the global debate about financial reforms is very much ongoing. Recent developments, like the Euro crisis, the financial and economic crisis, dramatic cuts in public budgets etc., seem to suggest that the current set up of financial markets is no longer adequate in economic, social, and political terms, neither in a short-term nor in a long-term perspective, e.g.: the financial system increasingly dominates other parts of the economy; the financial crisis of 2007-08 led to a dramatic reduction in the credit available for individuals, businesses, and governments; the subsequent reduction in consumer spending, government expenditure and business investment has had a major impact on economic growth and employment. The objectives of this paper were not only to look into the relevant literature but also to find common ground regarding the sustainable development of the financial sector and reports the results of a survey of 300 persons working for the financial sector in Can Tho. In this paper, the researchers used analytical method of explore factor analysis to determining that are components of the sustainable development of the financial sector in Can Tho city, Vietnam. This paper conducted during the time from July 2015 to December, 2015.

The research result showed that there were 300 persons working for the financial sector in Can Tho who interviewed but 275 processed and answered 13 questions. The researcher had analyzed KMO test, the result of KMO analysis used for multiple regression analysis. Persons' responses were measured through an adapted questionnaire on a 5-point Likert scale. Hard copy and online questionnaire were distributed among persons working for the financial sector in Can Tho City.

In addition, the regression analysis results showed that there were two factors, which included of factors following: Human resources (HR) and Political and economic environment (PE) actually affected the sustainable development of the financial sector with 5 % significance level. The research results were processed from SPSS 20.0 software. The parameters of the model estimated by Least - Squares Method tested for the model assumption with 5% significance level.

The researcher had obtained the main objectives of this study were to:

1. The first objective, the researchers had to to identify and test factors affected the sustainable development of the financial sector in Can Tho City.

2. *The second objective, the researcher had solutions to improve the sustainable development of the financial sector in Can Tho City.*

Keywords: The sustainable, financial sector, Can Tho City and the bank.

Introduction

The Financial sector is the set of institutions, instruments, and markets. It also includes the legal and regulatory framework that permits transactions to be made through the extension of credit. Fundamentally, financial sector development concerns overcoming “costs” incurred in the financial system. This process of reducing costs of acquiring information, enforcing contracts, and executing transactions results in the emergence of financial contracts, intermediaries, and markets. Different types and combinations of information, transaction, and enforcement costs in conjunction with different regulatory, legal and tax systems have motivated distinct forms of contracts, intermediaries and markets across countries in different times.

The five key functions of a financial system in a country are: (i) information production ex ante about possible investments and capital allocation; (ii) monitoring investments and the exercise of corporate governance after providing financing; (iii) facilitation of the trading, diversification, and management of risk; (iv) mobilization and pooling of savings; and (v) promoting the exchange of goods and services. Financial sector development takes place when financial instruments, markets, and intermediaries work together to reduce the costs of information, enforcement and transactions. A solid and well-functioning financial sector is a powerful engine behind economic growth. It generates local savings, which in turn lead to productive investments in local business. Furthermore, effective banks can channel international streams of private remittances. The financial sector therefore provides the rudiments for income-growth and job creation.

Thus in combination with the practical requirements of the teaching career, the author has boldly chosen the theme: "**THE FACTORS AFFECTING THE SUSTAINABLE DEVELOPMENT OF THE FINANCIAL SECTOR IN CAN THO CITY VIETNAM**". As a paper for researching in the developing of the financial sector in the future.

Literature review

Human resources: It is the set of individuals who make up the workforce of an organization, business sector, or economy. "Human capital" is sometimes used synonymously with human resources, although human capital typically refers to a more narrow view (i.e., the knowledge the individuals embody and economic growth). Likewise, other terms sometimes used include

"manpower", "talent", "labor", or simply "people". Human Resource Planning is a management process includes an analysis of the needs of an organization under these conditions change, then, implement policies and measures implemented to meet that demand. Human resource planning is linked closely with the planning and implementation of strategies, policies and business enterprises; it transforms the business objectives of the facts of human resources to meet the completion of that goal.

Political and economic environment: there are two things following

Economic environment: Since taking power in July 2001, the government of Prime Minister Simeon Saxe-Coburg has maintained its predecessor's focus on macroeconomic stability, while keeping a political eye on continued high (albeit declining) unemployment and low incomes. In addition to pursuing macroeconomic stability as its first priority, the Government is taking further steps to attract foreign investment and stimulate growth.

The Bulgarian Government has delivered strong, steady GDP growth in real terms. Bulgaria's economic expansion has accelerated in 2004 with estimated real GDP growth surging to 5.3 percent. This pace of growth makes Bulgaria one of the fastest growing economies in Europe. Official statistics underreport economic activity, with an unofficial market possibly representing an additional 20 to 30 percent of the official GDP. Economic growth, however, particularly in Bulgaria's private sector, has not been rapid enough to drastically reduce unemployment. Registered unemployment has declined due to fewer lay-offs and to the Bulgarian Government's job creation programs, but remains high at 12.67 percent for 2004. The GOB has taken steps to improve Bulgaria's business environment, moving forward on structural reforms, privatization, and enterprise restructuring, while maintaining a tight fiscal policy.

The Currency Board provides fiscal discipline, while balance of payments support from international donors help Bulgaria fund transitional costs of economic reform and public investment. Thanks to the Currency Board Agreement and its associated IMF programs, inflation was cut from nearly 600 percent in 1997 to only one percent in 1998 – and for 2004 was 3.9%. Bulgaria's balance of payments situation is currently stable, but its future sustainability depends on new foreign direct investment and a lower trade deficit. Domestic demand has substantially increased, sustained by a credit boom. Continued fiscal discipline and GOB measures to encourage slower credit growth should limit future current account deficits.

With national elections coming in June, the main area of concern about Bulgaria's economic outlook is restraining extra-budgetary expenditures. Other issues include structural reforms in subsidized sectors (notably health, education, energy, and railroads), and allocation of larger sums

to public investment to meet EU infrastructure standards, such as in transportation, environmental protection, and water treatment. Main potential risks to achieving budgetary goals are an unfavorable international environment and huge trade deficits. The 2005 budget conforms to the GOB's three-year macroeconomic framework agreed with the IMF, which envisages a general government deficit limited to 0.5 percent of GDP, real GDP growth of 5-5.6 percent and moderate inflation of 3.6 percent. In August 2004 the IMF approved a new 25-month precautionary Stand-by Arrangement in the amount of about USD 146 million to support the GOB's economic program for 2004-06, which is viewed as "a seal of approval" for GOB economic policy in the run-up to EU membership.

In November 2003, the GOB and the U.S. exchanged diplomatic notes, revising the U.S.-Bulgaria Bilateral Investment Treaty to address issues that have arisen in the course of Bulgaria's EU accession process.

Political environment: Major Political Issues Affecting the Business Climate The National Movement Simeon II, political vehicle of the former exiled Tsar Simeon Saxe-Coburg, in 2001, won 120 seats (half of the 240 seats in Parliament) and formed a coalition government with the Movement for Rights and Freedoms, which is generally seen as representing Bulgaria's ethnic Turkish minority. The Saxe-Coburg government has continued the reform policies initiated by the preceding government, which lead Bulgaria out of the 1996-97 economic crises; however, reforms have not born fruit as quickly as many had hoped.

Organized crime and corruption are a concern of both the government and the ordinary citizen, and are significant domestic issues. Many organized crime killings have gone unsolved in the past years and judicial corruption is reputedly widespread. Government procurement and privatization procedures remain susceptible to corruption. Violent crime against persons is very low although property crime - car theft, pick pocketing and burglary - remains widespread.

All major political parties support membership in Western institutions, including NATO and the European Union (EU). Bulgaria is expected to sign an EU accession treaty in April 2005 with a view toward joining the Union in January 2007. The Bulgarian Government has cooperated closely with the U.S. as a non-permanent member of the UN Security Council in 2002-2003 and as Chairman in Office of the Organization for Security and Cooperation in Europe (OSCE) in 2004. Bulgaria has also supported U.S. and NATO positions during the Kosovo Crisis and in the War on Terrorism after September 11, 2001. Bulgaria has deployed troops to Bosnia (EUFOR), Kosovo (KFOR), and Afghanistan (ISAF and OEF).

Methods of research

This study used of quantitative research methods to survey the factors affecting the sustainable development of the financial sector in Can Tho City, Vietnam. The results obtained from quantitative research processed by SPSS statistical software version 20.0.

Quantitative research methods describe and measure the level of occurrences based on numbers and calculations. Quantitative research is the collection of numerical data and exhibiting the view of relationship between theory and research as deductive, a predilection for natural science approach, and as having an objectivist conception of social reality. Therefore, this specific form of research uses the quantitative data to analysis.

After preliminary investigations, formal research is done by using quantitative methods questionnaire survey of 300 persons related financial sector and answered nearly 13 questions. The reason tested measurement models, model and test research hypotheses.

Data collected were tested by the reliability index (excluding variables with correlation coefficients lower < 0.30 and variable coefficient Cronbach's alpha < 0.60), factor analysis explored (remove the variable low load factor < 0.50). The hypothesis was tested through multiple regression analysis with linear Enter method.

Present research relies on self-reported data, but socially desirable responses have been found to be a major challenge when dealing with self-reported data (Thompson and Phua, 2005). In order to get more reliable research data, a short form of the Marlowe-Crowne social desirability scale (developed and validated by Rudmin, 1999) was used in the questionnaire as well.

The questionnaires were sent to persons with a job related financial sector, but it is obvious that there are different types of managers. This also gives evidence to the fact that the results of the study can be generalized to portray the sustainable development of the financial sector in Can Tho City.

Research results

Descriptive Statistics and Cronbach's Alpha the factors affecting the sustainable development of the financial sector in Can Tho City

Table 1: Descriptive Statistics and Cronbach's Alpha for Human resources (HR)

Code	Items	N	Std. Deviation
HR1	Human Resource planning in Can Tho city is sufficient to needs for the financial development	275	.889
HR2	Human Resource planning is the task of business priorities of financial development in Can Tho city	275	.968
HR3	Capacity of forecasting labor demand and supply is good for financial development in Can Tho city	275	1.038
HR4	The training facilities, labor supply base has good solutions for human resources development of financial in Can Tho city	275	.941
HR5	Universities and traning centers have the best solutions for human resources development of financial and Can Tho city human resources meet the financial development demand such as English, soft skills...	275	.941

Reliability Statistics

Cronbach's Alpha	N of Items
.904	5

Item-Total Statistics

Code	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
HR1	13.36	11.318	.740	.887
HR2	13.46	10.709	.772	.880
HR3	13.28	10.159	.801	.874
HR4	13.25	11.021	.741	.887
HR5	13.31	10.982	.748	.885

(Source: The researcher's collecting data and SPSS)

Table 1 showed that there were 275 persons related financial sector processed and answered 5 questions. Besides, Std. Deviation is around 1.0 and Cronbach's Alpha is 0.904 (> 0.6). This showed that the Data is very good for the next analysis.

Table 2: Descriptive Statistics and Cronbach's Alpha for Political and economic environment (PE)

Code	Items		Std. Deviation
PE1	The political and natural environment of Can Tho city is very good for developing business operations of financial development	275	.988
PE2	Stable economic environment and good opportunities are for business development of financial	275	.999
PE3	Can Tho city GDP is growing annual and there many beautiful places for the development of financial in Can Tho city	275	1.094
PE4	Can Tho city is low Inflation and young population and security place	275	1.128
PE5	Income per month is growing in Can Tho city	275	1.133

Reliability Statistics

Cronbach's Alpha	N of Items
.925	5

Item-Total Statistics

Code	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
PE1	14.37	15.213	.756	.917
PE2	14.22	15.144	.756	.917
PE3	14.40	13.694	.881	.892
PE4	14.55	13.570	.864	.896
PE5	14.60	14.168	.770	.915

(Source: The researcher's collecting data and SPSS)

Table 2 showed that there were 275 persons related financial sector processed and answered 5 questions. Besides, Std. Deviation is around 1.0 and Cronbach's Alpha is 0.925 (> 0.6). This showed that the Data is very good for the next analysis.

Table 3: Descriptive Statistics and Cronbach's Alpha for the sustainable development of the financial sector

Code	Items		Std. Deviation
SDFS1	You are completely agreement with good policies, clearance in Can Tho city for the development of financial sector	275	.984
SDFS2	You are completely agreement with the high quality of human resource for the development of financial sector in Can Tho city	275	1.025
SDFS3	You are completely agreement with good political, economic environment in Can Tho city for the development of financial sector in the future	275	1.096

Reliability

Statistics

Cronb ach's Alpha	N of Items
.898	3

Item-Total Statistics

Code	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
SDFS1	7.33	3.930	.801	.855
SDFS2	7.20	3.647	.850	.811
SDFS3	7.36	3.663	.753	.898

(Source: The researcher's collecting data and SPSS)

Table 3 showed that there were 275 persons related financial sector processed and answered 3 questions. Besides, Std. Deviation is around 1.0 and Cronbach's Alpha is 0.898 (> 0.6). This showed that the Data is very good for the next analysis.

Exploratory Factor Analysis

Cronbach's alpha is computed in terms of average inter-correlations among items, which determine the concepts. Although Bryman and Cramer (1990) suggested that, it is just fine when Cronbach's alpha is 0.8 or above 0.8, while Nunnally (1978) stated that it is still acceptable with the value of 0.6, especially for initial investigation like in this research. Therefore, in this research, the value is confirmed when it is greater than 0.7.

Table 4: Total Variance Explained for factors affecting the sustainable development of the financial sector

Com.	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings ^a
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	5.682	56.820	56.820	5.682	56.820	56.820	4.770
2	1.856	18.564	75.384	1.856	18.564	75.384	4.671
3	.733	7.331	82.715				
4	.497	4.966	87.681				
5	.317	3.171	90.852				
6	.277	2.765	93.617				
7	.261	2.612	96.229				
8	.171	1.706	97.935				
9	.132	1.322	99.257				
10	.074	.743	100.000				

(Source: The researcher's collecting data and SPSS)

The table 4 showed that Kaiser-Meyer-Olkin Measure of Sampling Adequacy was statistically significant and high data reliability (KMO = 0.862 > 0.6). This result was very good for data analysis. Table 4 showed that Cumulative percent was statistically significant and high data reliability was 75.384 % (> 60 %). This is factors for independent variables.

Table 5: Rotated Component Matrix for factors affecting the sustainable development of the financial sector

Code	Component	
	1	2
PE4	.958	
PE5	.941	
PE3	.939	
PE1	.760	
PE2	.717	
HR2		.934
HR4		.850
HR3		.844
HR1		.819
HR5		.782

(Source: The researcher's collecting data and SPSS)

The table 5 showed that Structure Matrix for the factors affecting the sustainable development of the financial sector. We had two Components. Component 1 (X1) was the political and economic environment (PE) and Component 2 (X2) was the Human resources (HR). We can call Y: the sustainable development of the financial sector.

Table 6: Regression for factors affecting the sustainable development of the financial sector

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
	.894	.799	.798	.44981515	1.393

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	218.965	2	109.483	541.099	.000
Residual	55.035	272	.202		
Total	274.000	274			

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-3.642E-017	.027		.000	1.000		
X1	.815	.031	.815	26.011	.000	.753	1.329
X2	.142	.031	.142	4.531	.000	.753	1.329

(Source: The researcher's collecting data and SPSS)

The table 6 showed the coefficient of adjustment $R^2 = 0.798$ (verification $F = 541.099$, significance < 0.05); which means 84.3 % of the variable Y shift is explained by two independent variables (X_i). The coefficient of Durbin - Watson (d) = 1.393. Results showed that all independent variables affecting the sustainable development of the financial sector with significance level 5 %. Verifying the conformity of the model showed the multicollinearity did not violate ($VIF < 10$).

Conclusions and recommendations

Conclusions

The sustainable development of financial sector is essential to a well-functioning economy. Therefore, it should serve in improving the efficiency of the economy as well as increasing its productivity. In other words, it should be a means to the real economy. The financial sector (or system) has, in general, a very straightforward set of tasks: Firstly, it has to allocate capital, i.e. making sure that capital goes to areas where its return is highest. Secondly, it should manage risks in a way that, using the ability to absorb risk, it allows capital to go where higher return on investments can be made. Thirdly, it is also supposed to perform these tasks efficiently. The regression coefficients were positive. This showed that the effects of independent variables in the same direction with the sustainable development of the financial sector with significance level 5 %. We had two the findings following: First of all, we had the component 1 (X1): the political and economic environment (PE) affecting on the sustainable development of the financial sector with significance level 5 % with significance level of 5%. Secondly, we had the component 2 (X2): The Human resources (HR) affecting on the sustainable development of the financial sector with significance level 5 % with significance level of 5%.

Recommendations

Recommendations for improving Human resources

The managers of Can Tho City should continue to research, motor policy proposals, attract investment for multinational corporations as well as the privacy policy for each group and key partners such as the EU member countries, United States, Japan ... for training the financial sector of Can Tho City.

The managers of Can Tho City should continue to quickly complete the construction details of the project (project profiles) for national portfolio foreign investment call 2015-2020 to serve as a basis for calling for investor's foreign investment in this project (training the financial sector of Can Tho City).

The managers of Can Tho City should continue to improve the ministries, branches and provincial-level People's Committee continues to review and update the list of calls for additional

investment consistent with the needs investment and local development planning, sectors and services for training the financial sector of Can Tho City.

The managers of Can Tho City should continue to improve to look at the construction of legal documents on investment promotion mission to create a legal basis for the unified state management, mechanisms for coordination and implementation of investment promotion activities for training the financial sector of Can Tho City.

Recommendations for the improving the political and economic environment

The managers of Can Tho City should continue to perfect legal system, mechanisms and policies to ensure legal framework for the realization of the Can Tho City strategy for sustainable development of financial sector enterprises in the 2015-2020 period. Focus on improving the political and economic environment policies based on environmental protection, firstly the Law on Environmental Protection issued in 2005.

The managers of Can Tho City should continue to enhance effectiveness of the management towards accelerating administrative reform, improving transparency of national administration and fighting corruption; coordination among relevant stakeholders in implementing the strategy. Consolidate apparatus at all levels to undertake management work of sustainable development of financial sector enterprises.

The managers of Can Tho City should continue to integrate viewpoints, principles of sustainable development of financial sector enterprises in strategies, policies, planning schemes, and development plans; ensure that the development and implementation of national target programs must be combined with the Strategy approved by the Government, closely and regularly inspected and evaluated based on norms for sustainable development of financial sector.

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