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Enhancing financial risk managment in corporation – a case of some vietnam listed banks

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Abstract: Saigon Hanoi bank (SHB) and Sacombank (STB) are two big listed banks who opened lots of branches and hold big market shares in Vietnam. This paper use quantitative and quantitative methods in order to estimate risks of these two banks and make comparison. Study findings show that market risk, beta CAPM of SHB bank higher than those of STB bank during pre-low (L) inflation stage, but lower during post low inflation time. Based on above results we can propose risk policies for banks, bank system, State bank and relevant agencies.

Keywords: risk management, risk measurement, Vietnam, listed banks
JEL: M21, G30

INTRODUCTION

Our paper organized with introduction, literature review, method and data, main results, discussion and conclusion.

LITERATURE REVIEW

There many researches done to explore macro effects on risks, however there are 2 new perspectives of our study including:
- first, we measure macro effects on beta CAPM, a traditional model, both internal and external impacts
- second, we estimate in special period post-low inflation (L) time until China-US commerce war 2015-2020

Wang et all (2014) presented results showing that firms with long-term institutional investors receive significantly positive abnormal returns around the offering announcement.
Then, Gunarathna (2016) revealed that whereas firm size negatively impacts on the financial risk, financial leverage and financial risk has positive relationship.
Hami (2017) showed that financial depth has been affected negatively by inflation in Iran during the observation period.
And Kumaresan (2019) Indicates that compared to internal corporate factors, macroeconomic factors (exchange rate) have a greater effect on firm performance.

MAIN RESULTS

Overall results

We can see from below charts that beta CAPM of SHB bank higher than those of STB bank during pre-low (L) inflation stage, but lower during post low inflation time.

Main findings

We can see: below table 1 tells us that mean of beta of SHB bank is lower than 1 during 2011-2015 period.
Then below table 2 and 3 tell us that mean of beta of SHB bank during 2015-2020 period even much lower than that in 2011-2015.

Table 1: Market risk of SHB bank during pre -L inflation stage

	Variable	Variable	Beta SHB
Thg6-11	0.0017	0.0019	0.9035
Thg12-11	0.0011	0.0009	1.2547
Thg6-12	0.0016	0.0011	1.4567
Thg12-12	0.0010	0.0006	1.6489
Thg6-13	0.0007	0.0008	0.8252
Thg12-13	0.0001	0.0002	0.3051
Thg6-14	0.0007	0.0007	0.9483
Thg12-14	0.0000	0.0005	-0.0673
Thg6-15	0.0004	0.0005	0.9652
Thg12-15	0.0004	0.0006	0.6915
		Mean	0.893
		Median	0.926
		Max	1.649
		Min	-0.067

Table 2: Market risk of SHB bank during post -L inflation stage

	Variable	Variable	Beta SHB
Thg6-15	0.00044	0.00046	0.96520
Thg12-15	0.00042	0.00061	0.69153
Thg6-16	0.00030	0.00036	0.83755
Thg12-16	0.00040	0.00035	1.12624
Thg6-17	-0.00009	0.00006	-1.45896
Thg12-17	0.00024	0.00036	0.66306
Thg6-18	0.00161	0.00150	1.07258
Thg12-18	0.00054	0.00053	1.01044
Thg6-19	0.00014	0.00021	0.68703
Thg12-19	0.00014	0.00015	0.95598
Thg6-20	0.00056	0.00308	0.18174
Thg12-20	0.00049	0.00056	0.88630
		Mean	0.6349
		Median	0.8619
		Max	1.1262
		Min	-1.4590

Table 3: Comparison of Market risk of SHB and STB banks during post and pre -L inflation stage

Post – L inflation	Beta SHB	Beta STB	Pre-L inflation	Beta SHB	Beta STB
Thg6-15	0.965	0.936	Thg6-11	0.903	0.170
Thg12-15	0.692	0.835	Thg12-11	1.255	0.156
Thg6-16	0.838	0.850	Thg6-12	1.457	0.686
Thg12-16	1.126	0.560	Thg12-12	1.649	0.730
Thg6-17	-1.459	2.654	Thg6-13	0.825	0.516
Thg12-17	0.663	1.108	Thg12-13	0.305	-0.180
Thg6-18	1.073	1.115	Thg6-14	0.948	0.621
Thg12-18	1.010	1.434	Thg12-14	-0.067	0.008
Thg6-19	0.687	1.050	Thg6-15	0.965	0.170
Thg12-19	0.956	0.894	Thg12-15	0.692	0.156
Thg6-20	0.182	0.855			
Thg12-20	0.886	1.209			

Statistical chart results

We can infer from the below figure that: in Dec 2014 and June 2017 beta SHB goes down at lowest level while beta of STB goes up at highest number in June 2017.

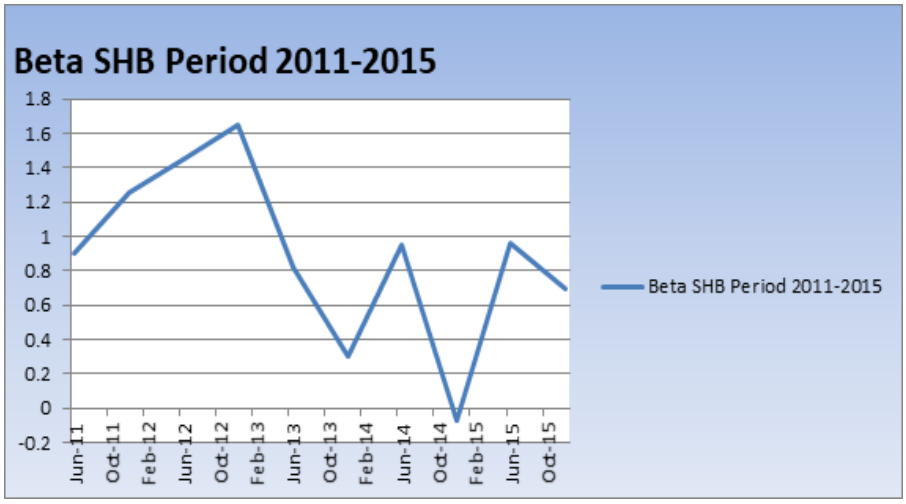


Chart 1: Volatility of beta of SHB during pre-L inflation period

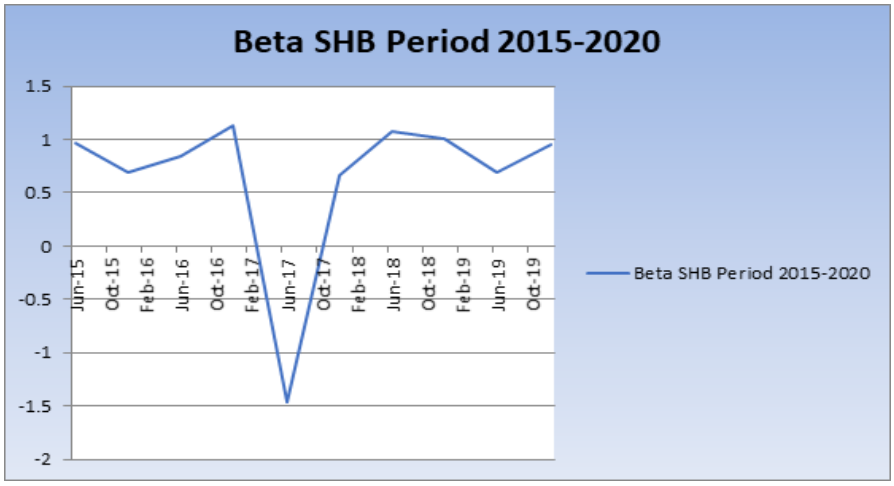


Chart 2: Volatility of beta of SHB during post-L inflation period

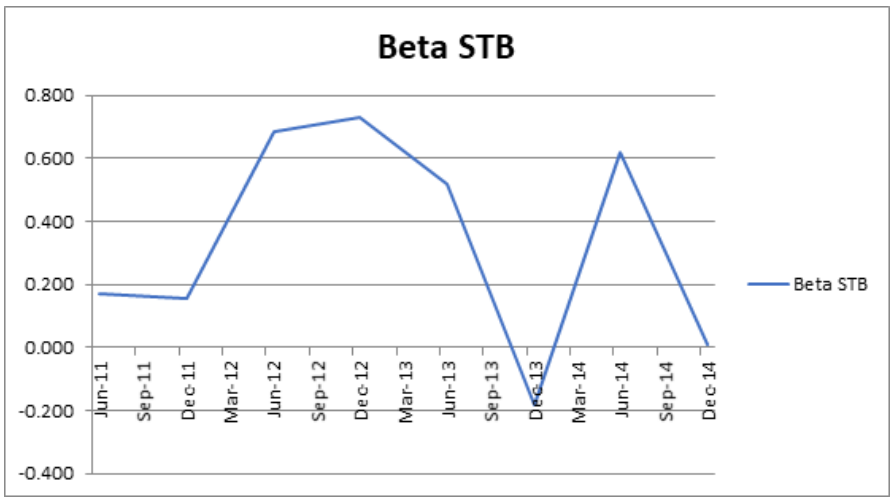
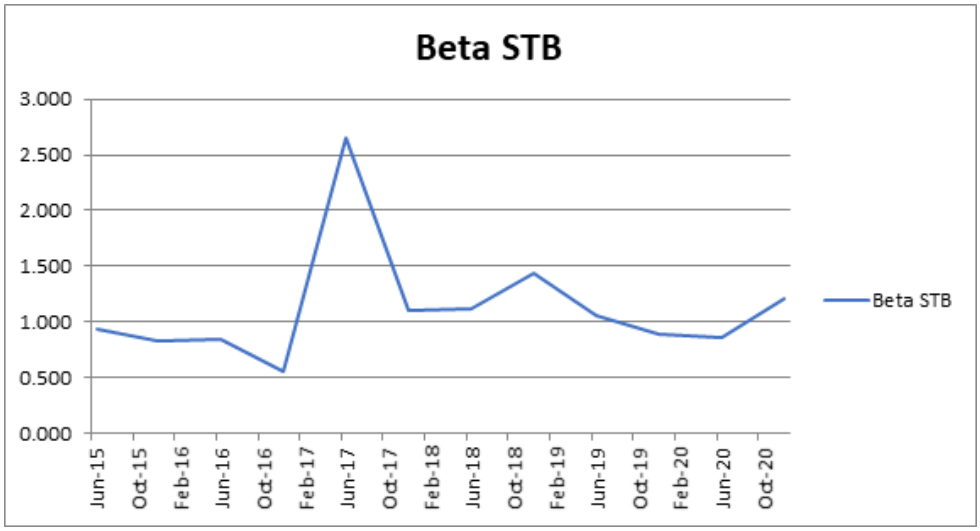


Chart 3:Volatility of beta of STB during pre-L inflation period



Chat 4: Volatility of beta of STB during post-L inflation period

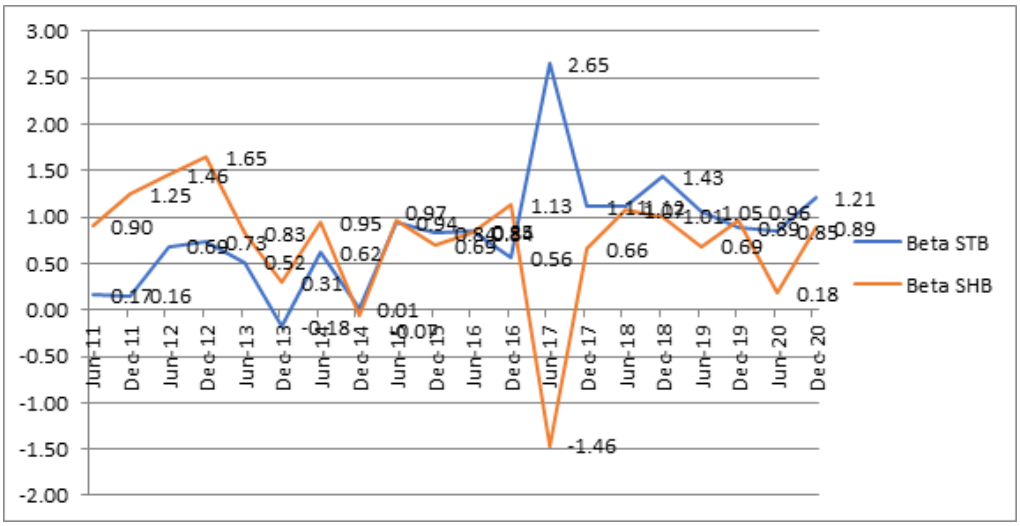


Chart 5: Comparing Volatility of beta of SHB and STB during 2 special stages

DISCUSSION

During pre-L inflation stage, market risk of 2 banks SHB and STB move in the same trend, and beta of SHB higher than those of STB.

However, during post-L inflation time from 2016, beta of SHB lower than beta of STB (see above chart 5).

CONCLUSION

For specific banks, we need to make comparative analysis of bank competitors and draw conclusions. For instance, STB need to identify reasons make beta CAPM higher than beta of SHB during post-L inflation stage and vice versa.

MANAGEMENT IMPLICATIONS

For bank system:

- Building a model to analyze the impact of macro variables on Beta CAPM for the financial services sector as described above.

Moreover, the government and relevant bodies such as Ministry of Finance and State Bank of Vietnam need to consider proper policies (including a combination of fiscal, monetary, exchange rate and price control policies) aiming to reduce the risk volatility and hence, help the bank system as well as the whole economy become more stable in next development stage.

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