



Enhancing operational efficiency in Vietnamese securities companies: Lessons from global practices and strategic recommendations

Tien Cao Minh *

Department of Banking and Insurance, Academy of Finance, Hanoi, Vietnam

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ABSTRACT

This study aims to improve the operational efficiency of Vietnamese securities companies by analyzing international practices and deriving pertinent lessons. Employing a research sample of secondary data, including audited financial statements and financial safety ratio reports from 70 Vietnamese stock market companies between 2013 and 2020, the study adopts analytical, synthetic, and comparative methodologies, underpinned by historical materialism. It meticulously investigates and evaluates practical aspects of business efficiency in securities companies, pinpointing specific challenges impeding operational efficiency in the Vietnamese context. The findings emphasize the need for substantial financial resources, advanced technical infrastructure, enhanced human resource quality and research activities, development of consulting services, and diversification of business operations and investor clientele. Additionally, it highlights the importance of flexible business strategies and effective utilization of company strengths. These insights offer a blueprint for Vietnamese securities firms to improve their performance and competitiveness in the global market.

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1. Introduction

The growth of the stock market has been significantly supported by the important role of securities companies, which are essential players in the market. Evidence shows that the expansion of the stock market is a necessary condition for the development of securities firms. This situation forces these firms to grow their business activities and improve their operational effectiveness in order to satisfy the growing needs of investors and adapt to the changing stock market (Alshubiri, 2021).

Over the past two decades since the Vietnamese stock market was officially established in July 2000, securities companies have had the opportunity to become acquainted with a completely new business area in Vietnam (Mateus and Hoang, 2021). This newness was experienced not only by market regulators and financial intermediaries but also by securities investors. As a result, activities have largely been experimental and faced many challenges in implementation and business growth,

leading to the operational efficiency of securities firms not achieving their highest potential. This situation is evident in several aspects: (i) The network of branches and trading offices is not widely distributed, mainly focusing on big cities and economic hubs like Hanoi and Ho Chi Minh City, making it hard for potential investors in other areas to access their services. This affects the market's growth, the acquisition of new customers, and the improvement of business efficiency. (ii) There is uneven development among Vietnamese securities companies, resulting in a significant disparity between them, with the top 25 firms generating over 80% of the market's revenue. (iii) Investments in technology and methods to support business operations and offer securities services to investors are still lacking, with poor system integration. (iv) The focus on specialization and professionalism in service delivery by securities firms has not been sufficiently strong. (v) The main business activities and specific target customer groups have not been clearly defined. (vi) Notably, the overall operational efficiency of Vietnamese securities companies is low, unstable, and varies significantly between firms.

Some reasons leading to the low business performance of Vietnamese securities companies include:

- Firstly, the financial market still has many shortcomings: Management agencies have not paid

attention to the close connection between parts of the market, between the stock market and the foreign exchange market and the bank credit market. Investors can choose capital mobilization channels by analyzing mobilization costs. In case the Government loosens the monetary market, it will be difficult for the stock market and vice versa. On the other hand, State agencies are still demonstrating the lack of determination of Ministries/Industries in handling issues related to the stock market.

- Second, the macroeconomy is not yet stable: Securities business activities are relatively sensitive to the environment; the stability and sustainable growth of the macroeconomy have a close relationship and direct impact on the financial resources of Vietnamese securities companies. Only when the economy develops, inflation is controlled, the value of the local currency, and interest rates are stable will the public feel secure and confident in investing in the stock market, and only under the above conditions will the public feel secure and confident in investing in the stock market. The new stock market brings high income to investors. During the period 2013-2020, there were times when the economy was unstable due to the process of deep integration into the global economy and the impact of political events. And especially in the period 2019-2020, the economy was affected by the COVID-19 pandemic, which impacted the economy in general and securities companies in particular.
- Additionally, in the future, as the Vietnamese stock market progresses towards becoming an emerging market and pledges are made to open up financial markets, including the stock market, securities companies will encounter growing competitive pressures. This competition will not be limited to local securities companies but will also involve Vietnamese firms competing with international ones. Given this situation, securities companies need to create plans and strategies to expand their business operations and secure their place in the stock market.

2. Research overview and theoretical foundation

The operational efficiency of securities companies is an economic domain that reflects the utilization of a company's resources, such as financial resources, human resources, technology, etc., to achieve specified economic objectives of the company in general or the economic efficiency of its specific business operations.

Like any other enterprise, securities companies consider operational efficiency as the most crucial criterion for evaluating their business activities. Therefore, securities companies aspire to achieve high operational efficiency. The operational efficiency of a securities company involves comparing the revenue generated to the costs incurred to achieve that revenue. Moreover, the distinction between securities companies and other

financial institutions arises from the specific business activities that securities companies undertake. These companies can specialize in brokerage services, advisory activities, proprietary trading, investment portfolio management, and more. Thus, the operational efficiency of a securities company is a comprehensive indicator of all these activities. Numerous studies around the world have examined the operational efficiency of securities companies. Yeh et al. (2010) examined the efficiency of 14 securities companies within Taiwan's financial system. Their findings indicated that a higher ownership percentage by major shareholders has a positive effect on operational efficiency. Additionally, earnings from stock sales also improve a company's efficiency, whereas the size of the board of directors does not play a significant role. The practice of one individual holding both the chairman and director positions also does not have a notable effect. These results imply that increasing the capital size and involving strategic shareholders could boost income and profitability for securities companies. Tas and Cevikcan (2017) utilized Data Envelopment Analysis (DEA) and panel data regression to evaluate technological advancement, efficiency, and productivity of securities firms in Turkey from 2010 to 2015. The outcomes indicated that the securities industry, in general, is less efficient compared to available technology. Foreign acquisitions positively contribute to the efficiency of securities companies. Smaller companies, lacking the capacity for technological innovation, experienced significant declines in both efficiency and productivity. Tran and Abbott (2020) studied how elements like size, regulations, and the structure of ownership affect the productivity and efficiency of 53 Vietnamese securities firms between 2009 and 2017. Their research showed that the size of securities companies and government rules have an impact on their functioning. A notable negative relationship was observed between the proportion of foreign ownership and operational efficiency, while a positive impact was seen from majority domestic shareholders and individual shareholders. The study found no meaningful relationship between ownership by banks and the efficiency of securities companies.

3. Business efficiency of Vietnamese securities companies

The article evaluates the business efficiency of Vietnamese securities companies using three main measures: revenue, expenses, and profits.

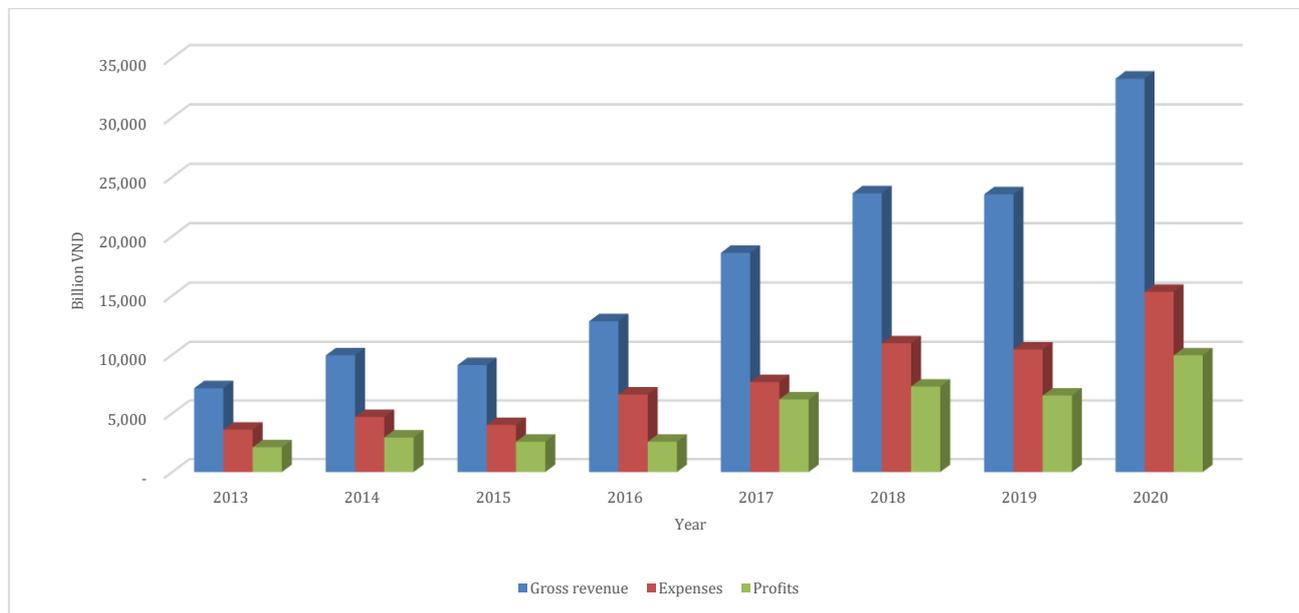
Based on Table 1, it is evident that the business performance of Vietnamese securities companies during the period 2013-2020 has shown a consistent upward trend across key indicators such as revenue, expenses, and after-tax profits. However, the number of loss-making securities companies has not significantly decreased. Specifically, the total gross revenue increased from 7,156 billion VND at the end of 2013 to 33,283 billion VND by the end of 2020.

Table 1: Business efficiency of Vietnamese securities companies in the period 2013-2020

No.	Indicator	Unit	2013	2014	2015	2016	2017	2018	2019	2020
1	Total net revenue	Billion VND	7.156	9.964	9.129	12.845	18.607	23.625	23.541	33.283
2	Total expenses	Billion VND	3.622	4.702	4.018	6.617	7.674	10.982	10.454	15.325
3	Total profit after tax	Billion VND	2.118	2.950	2.589	2.586	6.200	7.291	6.528	9.954
4	Number of profitable securities companies	Companies	55	64	54	47	58	58	55	56
5	Number of loss-making securities companies	Companies	15	6	16	23	12	12	15	14
6	Proportion of profitable securities companies	%	78.57	91.43	77.14	67.14	82.86	82.86	78.57	80.00
7	Proportion of loss-making securities companies	%	21.43	8.57	22.86	32.86	17.14	17.14	21.43	20.00

The total profit of these companies rose from 2,118 billion VND in 2013 to 9,954 billion VND in 2020, nearly a fivefold increase. The number of Vietnamese securities companies with negative business results slightly decreased. In 2013, there were 15 companies (accounting for 21.43%) with accumulated losses, and by 2020, this number decreased to 14 companies (20.00%). Upon detailed examination and observation of Fig. 1, it is evident

that the net revenue of Vietnamese securities companies has shown a consistent increase over the years. In 2013, the lowest growth rate was recorded at 7,156 billion Vietnamese dong. This can be attributed to the effects of the global economic crisis and domestic economic instability, leading to a contraction in the domestic economy (with the GDP of 2013 being the lowest at 5.42% among the study years).

**Fig. 1:** Gross revenue, profits, and expenses of Vietnamese securities companies (2013-2020)

Between 2017 and 2020, the net revenue of securities companies showed a consistent increase. Remarkably, in 2020, the net revenue reached its peak at 457.47 billion Vietnamese dong. This was a significant growth of 365.10% compared to 2013, and it also represented an increase of 41.38% compared to the net revenue in 2019, which was 336.30 billion Vietnamese dong. This growth can be attributed to several factors, including the economic recovery of the market overall and the vitality within the securities market. Furthermore, the beneficial impacts of government monetary policies and a stable macroeconomic climate also contributed to this continued increase in revenue. Conversely, the total operating costs of securities companies during the 2013-2020 period exhibited a decreasing trend in 2015, followed by significant increases in the remaining years. The total operating costs for the year 2020 amounted to 15,325 billion Vietnamese dong, representing a substantial 46.60% increase compared to 2019 (10,454 billion Vietnamese dong).

The primary reason for this sharp cost increase was attributed to higher custodial and other operational expenses of securities companies. However, during the years 2016, 2018, and 2020, the rate of cost increase consistently exceeded the rate of revenue growth. Specifically, the revenue growth rates for those years were 40.70%, 26.97%, and 41.38%, respectively, while the cost growth rates were 64.80%, 43.11%, and 46.60%. These findings indicate that during these years, securities companies did not effectively manage their costs, as their focus seemed to be on market expansion rather than cost-effectiveness.

During the period from 2013 to 2020, Vietnamese securities companies have seen a significant increase in post-tax profits from their business operations. In 2020, the total post-tax profit reached 9,954 billion Vietnamese dong, which was a notable increase of 53% compared to 2019, when it was 6,528 billion Vietnamese dong. This substantial growth in profit, especially in recent years, is largely attributed to the

positive developments in the securities market and a stable macroeconomic setting. However, it is important to acknowledge that some securities companies have been facing losses over the years. For example, by the end of 2020, Saigon Thuong Tin Commercial Joint Stock Bank Securities Corporation (STSC) had accumulated losses of 1,308.94 billion Vietnamese dong, DongA Bank Securities Corporation faced losses of 324.75 billion Vietnamese dong, Agribank Securities Corporation reported losses of 263.81 billion Vietnamese dong, Vina Securities Corporation showed losses of 234.19 billion Vietnamese dong, and Industrial and Commercial Securities Corporation experienced losses of 168.71 billion Vietnamese dong.

The business outcomes of Vietnamese securities companies are significantly influenced by external forces. Notably, the U.S.-China trade tensions have introduced substantial volatility to global trade, impacting business confidence, investment decisions, and global trade. Similarly, uncertainties related to Brexit and geopolitical instabilities in various regions have led to changes in the monetary policies of major global economies. These factors contribute both positively and negatively to the revenue and profit of securities companies. Although 2019 experienced modest growth in revenue and profit due to these external factors, the year 2020 saw various positive impacts on the securities market. The combination of favorable macroeconomic balances, stable fiscal policies, and expansionary monetary policies provided a conducive environment for economic growth, with GDP reaching 2.91%, while many countries experienced negative growth. Additionally, well-managed control of the COVID-19 pandemic and the effective implementation of the EU-Vietnam Free Trade Agreement from August 1, 2020, stimulated economic momentum. Consequently, the year 2020 witnessed significant increases in the revenue and profit of securities companies.

In summary, the efficiency of Vietnamese securities companies varies, with many facing challenges of consistent losses over the years. While efforts have been made to increase revenue and profit, achieving desired levels of growth and efficiency remains a challenge. External factors play a substantial role in shaping the business environment, but prudent management practices and strategic decision-making are essential for navigating the complex financial landscape successfully.

4. Enhancing the business efficiency of securities companies worldwide

Nomura Securities–Japan: Nomura Securities was established in 1925 and has expanded its operations to over 28 countries. With its headquarters in New York since 1927, Nomura operates extensively in the U.S. stock market. It maintains multiple representative offices across the United States, boasting a total capital of over \$2 billion and

approximately 1,000 brokerage advisors (Oji and Makin, 2013). Nomura is also active in Europe, with a base in London and in the Asia-Pacific region. While its branches operate independently, they maintain close collaboration through specialized expertise. These branches produce research reports on domestic and regional markets, which are then sent to Tokyo. Nomura's business activities are diversified and encompass securities trading, investment advisory, brokerage services, government underwriting, merger and acquisition consultation, banking, and asset management for entrusted portfolios and retirement funds. Its clientele includes individual and institutional investors, corporations, and governments (Nomura, 2018a).

Despite its global presence, Nomura's core market remains in Japan, where it operates 128 branches nationwide. Nomura's approach involves diversifying its securities business activities by advising investors to establish investment portfolios tailored to income and risk preferences (Watanabe, 2013). To counter the adverse effects of the 2008 market crisis, Nomura invested in savings assets such as entrusted investment bonds. As a result, despite the prolonged economic downturn until 2012, Nomura maintained 4.07 million active accounts (Gilson and Milhaupt, 2005).

Shinko Securities–Japan: Shinko Securities traces its origins back to 1917, but it officially became a securities company in the early 2000s. It later merged with The New Japan Securities and Wako Securities (Coleman, 1990). Headquartered in Tokyo with 99 branches, Shinko engages in diverse areas, including research, asset management, brokerage services, proprietary trading, underwriting, portfolio management, and securities consulting. While some branches operate directly under the main company, others function independently (Gilson and Milhaupt, 2005). Shinko places great emphasis on research and customer consultation, which is evident through its research and advisory departments at both the company and branch levels. It also focuses on investments in currency markets, foreign exchange markets, corporate securities, retirement funds, and entrusted investment funds. Faced with Japan's economic difficulties in the early 2000s, Shinko underwent restructuring and merged with Wako Securities. In October 2000, Shinko introduced the Shinko computer system, based on Japan's new computer system and the Wako computer system. This system accommodated broad trading needs, supporting a workforce of over 5,000 employees (Matsui and Matsuo, 2008). Table 2 shows some of the company's business performance indicators.

Table 2: Key indicators of Shinko Securities Company (Billion Yen)

Indicator	2011	2012
Revenue	135.362	98.304
Total assets	2,414.192	1,559.377
Total equity	265.468	242.173
Net profit	9.847	16.669

Dong A Securities–Hong Kong: Dong A Securities, established in 1985 as a subsidiary of Dong A Bank in Hong Kong, plays a significant role in payment settlement activities and trading at the Shanghai and Shenzhen Stock Exchanges. The company's core business involves trading listed securities and B-shares of Chinese companies (Hertz, 1998). Since implementing its trading system, the company has adopted a consignment approach for securities, depositing them into the depository and securities settlement center instead of physically holding them for investors. Additionally, the company provides services such as dividend collection, receiving bonus shares, and managing the rights to purchase shares on behalf of shareholders. The company places a strong emphasis on utilizing modern technology to enhance business operations, particularly in the realm of e-commerce. Dong A believes that leveraging e-commerce can improve order reception efficiency (Su, 2003). Brokers no longer need to write orders, as customers can directly input their orders into the computer system. The transaction details are automatically recorded, reducing transaction times. The company employs its computer system to advertise and provide services through an online network, ensuring the utmost convenience for customers. This system allows the company to securely and swiftly provide information about trading activities and account balances. Consequently, Dong A can enhance service quality, reduce costs, and attract a larger customer base. The company's adoption of e-commerce strategies has facilitated smoother operations and better customer service (Peng et al., 2021).

Tisco Securities–Hong Kong: Tisco Securities, a member of the Hong Kong Stock Exchange since 1993, offers a range of securities services across markets such as Australia, the United States, the United Kingdom, and the European Union. Its extensive operations, both domestically and internationally, enable the company to connect with brokers across different stock exchanges around the clock (Khanna and Palepu, 2005). When the trading session concludes in one exchange, the company can seamlessly transition to another exchange to serve investors. This setup maximizes the conditions for trading, brokerage, and securities business (Peng et al., 2021).

The company boasts a team of advisory experts who regularly produce reports on specific markets and conduct comprehensive research in the global financial market. The company's in-depth research activities contribute to enhancing the quality of advisory services and portfolio management, thereby enhancing its reputation and brand value (Nomura, 2018b).

Makinta Securities–Indonesia: Founded in 1988, Makinta Securities is a comprehensive and flexible company that focuses on the market for small and medium-sized enterprises. It serves as a valuable partner for these businesses, aiding in the construction of development strategies and product strategies (Deneen and Gross, 2006).

The services and activities offered by the company are geared towards long-term customer service. Makinta positions itself as a companion to investors throughout their journey, from market analysis and strategy development to asset management. The company enjoys the trust of various businesses in areas such as brokering, mergers and acquisitions, asset valuation, restructuring, and business reorganization. Its clientele includes non-bank financial institutions, banks, mutual funds, retirement funds, insurance companies, and more (Yamin, 2003).

Makinta's emphasis lies in research activities, with a specific focus on the application of new technologies. The company is considered a pioneer in equipping itself with the necessary infrastructure to facilitate online transactions for its customers. This forward-looking approach to technology highlights Makinta's commitment to staying at the forefront of industry trends.

5. Enhancing the business efficiency of global securities companies for Vietnamese securities firms

Lessons learned include:

- Firstly, securities firms need to possess substantial financial resources. Most securities firms are affiliated with or have significant shareholders, such as conglomerates, financial institutions, banks, etc. These stakeholders ensure that securities firms have robust financial capabilities to support the development and diversification of activities, thereby enhancing business efficiency.
- Secondly, securities firms should be well-prepared in terms of technical infrastructure, including a comprehensive network system. This infrastructure facilitates market expansion, efficient service to investors, and cost reduction for electronic, secure, and swift transactions.
- Thirdly, emphasis should be placed on enhancing human resource quality and research activities. Many securities firms have specialized research departments focusing on securities and market-related matters. In fact, numerous firms even maintain separate research departments across different branches, underscoring the importance of elevating workforce quality to serve these functions effectively.
- Fourthly, the development of advisory services should be prioritized. All securities firms attach significance to advisory activities, viewing them as bridges to connect with customers. The range of advisory services is quite diverse, encompassing restructuring and reorganization of businesses, mergers and acquisitions, management consulting, and more.
- Fifthly, diversification of business operations and client base is crucial. Securities companies operate in a variety of markets, both domestic and international, primary and secondary, encompassing stocks and bonds. These companies

engage not only in brokerage but also in proprietary trading, exhibiting diverse investment portfolios and portfolio management services for clients. The customer base includes individual investors, institutional investors, governments, financial intermediaries, funds, insurance companies, mutual funds, and more.

- Lastly, flexibility in business operations and adept utilization of company strengths are paramount. Business activities should adapt to market types and developmental stages, aligning with potential opportunities. Companies with multiple trading offices can combine research and trading activities logically to elevate advisory service quality, minimize costs, and enhance business efficiency.

6. Conclusion

This comprehensive study has thoroughly evaluated the performance of Vietnamese securities companies from 2013 to 2020 in the context of many fluctuations in the Vietnamese and world economies, thereby drawing insights. Valuable insights from global practice. The analysis shows that despite stable revenue growth, challenges in cost management and uneven development among companies still exist. The study emphasizes the importance of strong financial resources, modern technological infrastructure, and improved quality of securities staff human resources. Additionally, it emphasizes the need for diversified business operations, quality consulting services, and strategic flexibility. These findings provide strategic plans for Vietnamese securities companies to improve efficiency and competitiveness in the global market. Lessons learned from international practice provide practical guidance for these companies in addressing the complexities of the financial sector and exploiting opportunities for sustainable growth.

Compliance with ethical standards

Conflict of interest

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

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