

## **DISSERTATION INFORMATION**

PhD. Thesis: Determinants influencing the liquidity of Vietnam Commercial Banks.

Major: Finance – Banking                      Code: 62.34.02.01

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### **1. SUMMARY OF DISSERTATION**

The dissertation analyses determinants influencing the liquidity of Commercial Banks in Vietnam. Based on the basic theory on liquidity transformation generated by Diamond & Dybvig (1983) on the transformation of short-term debts into long-term assets, together with research conducted by Deep & Shearfer (2004) and other empirical studies in the world and Vietnam, the author creates model of determinants influencing the liquidity of Commercial Banks in Vietnam. These determinants are divided into two variable groups including internal variables: external funding dependence, equity to total assets, dummy-listed (or dummy non-listed), loans loss provision to total loans, return on equity, size; and external variables (macro-economic variables): gross domestic products, inflation, and supply money  $M_2$ . In addition, the research was conducted in the period of the global financial crisis, therefore, crisis was considered as a variable in the model under the hypothesis of influencing variable to the liquidity of Vietnam Commercial Banks.

The author has associatively applied both GMM regression and quantile regression to evaluate the determinants influencing the liquidity of commercial banks. The purpose of the application of GMM regression is to investigate interior variables in the model and evaluate the impact of variables to the liquidity (dependent variables) of commercial banks at mean value. Meanwhile, quantile regression was applied to evaluate the impact of variables to the liquidity of commercial banks at different percentile levels of dependent variables.

The results of this empirical research have constructed the foundation for recommendations which help management boards of commercial banks and Central bank build effective and safe policies on business operation and liquidity management.

## 2. THESIS' NOVEL CONTRIBUTION

A number of researches on liquidity has been implemented both in the world and Vietnam in recent years, especially after the period of the global financial crisis in 2008. It means that liquidity plays important role in the banking operations. However, there isn't any study in liquidity applying the combination of GMM regression and quantile regression for evaluating the impact of variables to the liquidity of commercial banks. In addition, in Vietnam, there isn't any research on liquidity which divides commercial banks in Vietnam into two groups to evaluate the liquidity situation and determinants influencing the liquidity of each separate group. As a result, the dissertation has devoted significant contribution on both theory and reality with following content:

- The dissertation has systemized the theory of liquidity from theory of bank's liquidity creation under research of Bryant (1980) and Diamond & Dybvig (1983) to present methods of liquidity measurement. Then, the dissertation has selected the appropriate method of liquidity measurement to commercial banks in Vietnam.

- The dissertation is the first one in Vietnam analyzing determinants influencing the liquidity of commercial banks under different groups of bank size. The division of banks is appropriate to the reality because each group has different characteristics. Therefore, the influence of variables to the liquidity of each separate group is very different.

- The dissertation is the first one applying the combination of GMM regression and quantile regression to evaluate determinants influencing the liquidity of commercial banks in Vietnam. The research results concluded that this combination is appropriate to the reality of commercial banks in Vietnam in which GMM regression revealed the influence of independent variables to mean value of dependent variable for the evaluation of determinants influencing the liquidity of commercial banks in general. Meanwhile, quantile regression presented the impact of independent variables to dependent variable at different percentile levels for the evaluation of determinants influencing the liquidity of commercial banks in detail.

- Based on the results of the empirical research, the dissertation suggested recommendations for liquidity management which are appropriate to each separate group of bank size and each percentile level of dependent variable.

### **3. APPLICATIONS / APPLICATION PROBABILITY IN REALITY AND RECOMMENDATIONS FOR FURTHER STUDIES**

#### **Limitations and further studies**

The research results have achieved the goals of the dissertation. However, there are several limitations that should be studied in further researches.

*Firstly*, unbalanced data were collected from 31 commercial banks in Vietnam in a rather short period of time – 11 years, it is a limitation of the dissertation.

*Secondly*, the dissertation applied the only method of liquidity measurement under liquidity transformation gap (LTGAP). However, this method contained certain limitation because it showed the unbalance of closing date between debts and assets. This method of measurement didn't specify the liquidity value created by banks for the economy (Berger & Bourwman method, 2009) while it has considered as the most reliable method of liquidity measurement nowadays. The reason derived from the fact that Berger & Bourwman method also used off-balanced sheet including credit engagement or security which aren't treated as an important part in commercial banks. There were almost no collection or uncompleted collection for this type of data. As a result, the author can't make the comparison in research results to expose objective judgements on determinants influencing the liquidity of commercial banks.

*Thirdly*, the dissertation used internal and external variables as dependent variables. However, the author didn't have enough time and method for collecting data of other external variables such as Official Supervisory Power Index (OSP), Private Monitoring Index (PMI), and Overall Bank Activities and Ownership Restrictiveness (BAR). They are variables interacting with macro-economic ones to measure the impact of policies and control in banks from governments. These variables have been mentioned in recent researches including studies of James R. Barth et al (2013) and Yi – Kai Chen et al (2014) in developed countries such as America, UK, Australia, and Japan.

*Lastly*, the dissertation investigated determinants influencing the liquidity of commercial banks in Vietnam only. The author didn't have enough conditions to make comparison the research problems with those in some homogeneous countries so that the research results emerge to be more general.

**THESIS SUPERVISOR**

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