

Sustainable Development of Vietnam Stock Market

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ABSTRACT

Vietnam's stock market is considered to be potential, developing strongly, and is an important capital channel of the economy. Through analyzing the collected data, it can be seen that the development of Vietnam's stock market such as capitalization value, newly added products, increased number of listed companies. Besides, with data analysis and processing methods, the research also shows that Vietnam's stock market is facing significant challenges such as lack of transparency, unsustainability. The study has suggested some solutions to improve the operational efficiency of Vietnam's stock market in the coming period.

Keywords: Bonds, Development, Stocks, Stock Market, Vietnam.

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I. INTRODUCTION

The stock market is an important part of the capital market as well as in the financial and economic system of Vietnam. Over the past time, Vietnam's stock market has become a medium and long-term capital channel for the economy, reducing capital pressure on the banking system. The performance of listed companies improved. After more than 20 years of operation, Vietnam's stock market has had a relatively strong development (Vung, 2020). In 2017, derivative products began to be deployed on the Vietnamese stock market, contributing to bringing the capitalization of the stock market to over 70% of GDP. In 2019, covered Warrant products were also officially added to products in the stock market. The bond market has also gradually developed, actively contributing to capital mobilization activities of enterprises as well as an effective tool to help the government implement economic policies (Anh, 2022). In 2022, Vietnam's stock market leaves many impressions. On January 6, 2022, VN-Index closed above 1,500 points for the first time in its history, with a market capitalization of over VND6 million billion. However, in April 2022, the market started to correct and there were times when the VN-Index fell below 1,000 points. Besides, the market also revealed many limitations: quantity of goods on the market, intermediary organizations in the market, corporate bond market, inspection and supervision activities, etc. (Ha, 2023; Lan, 2010). When the world economy has many fluctuations, it has had a significant impact on the domestic market. Therefore, it is necessary to study in general the activities of the stock market over the past time, on that basis, to have appropriate solutions, in order to sustainably develop the Vietnamese stock market in the coming time.

II. METHODOLOGY

The data is collected mainly from domestic and foreign scientific research related to the operation of the stock market. The secondary data is collected through published reports from the State Securities Commission of Vietnam, the Securities Depository company, etc. The published information of the Ho Chi Minh City Stock Exchange and Hanoi Stock Exchange.

The study uses descriptive statistics method used to analyze stock price indexes (VN-Index, HNX-Index and UpCom-Index) in the period of 2018-2022. Besides, the study uses the comparative method to understand the change of stock price index, number of investors participating in the market, capitalization value during the research period.

III. RESULTS AND DISCUSSION

Vietnam's stock market has become an important capital mobilization channel for businesses, as well as an investment channel for domestic and foreign investors. Market activity over the years has changed in terms of market capitalization, stock price index, number of listed enterprises, number of investors participating in the market.

A. Market Capitalization

In the period from 2018 to September 2022, the operation of Vietnam's stock market has a strong development. Total market capitalization has changed over the years (Table I).

TABLE I: TOTAL MARKET CAPITALIZATION FROM 2018 TO SEPTEMBER 2022

Market capitalization	HOSE	HNX	UPCoM	TPCP/TPDN Market	Total
Year 2018	2.875.544	192.136	893.777	1.121.307	5.082.674
Year 2019	3.279.611	192.029	911.940	1.189.085	5.572.666
Year 2020	4.080.757	212.320	1.000.696	1.385.867	6.679.640
Year 2021	5.838.114	510.027	1.418.465	1.543.282	9.309.889
September, 2022	4.504.509	297.621	1.111.987	1.642.409	7.556.527

Unit: VND Billion

Source: Data compiled from the State Securities Commission of Vietnam

In 2018, the total market capitalization reached VND 5,082,674 billion. In 2019 it reached VND 5,572,666 billion and in 2020, VND 6,679,640 billion, an increase of 19.86% compared to 2019. In 2021 compared to previous years, the market capitalization will reach VND 9,309,889 billion, accounting for 149.84% of GDP and an increase of 39.38% compared to 2020. In particular, in 2021, the Covid-19 epidemic continues to have a heavy impact on the world economy as well as Vietnam. However, Vietnam still strives to maintain a positive GDP growth rate, even reaching a new record in exports, entering the top 20 economies in terms of international trade. The dual goals of "repelling the epidemic and economic development", safe and flexible adaptation, and effective control of the epidemic have been on the right track, creating an important foundation for the economy to recover. In particular, the stock market is one of the important capital mobilization channels for the economy. As of September 2022, the total market capitalization reached VND 7,556,527 billion. Compared to the same period of the previous year, the market capitalization decreased by 18.83%.

B. Share Market

The share market is an important part of the stock market. In addition to the index of capitalization, the development of the stock market in general and in particular on the share market is clearly shown through the share price index. For Vietnam, three indexes including VNIndex, HNX Index and UpCom Index represent share price indexes of stocks traded at the Ho Chi Minh City Stock Exchange, Hanoi Stock Exchange and UpCom stock exchange. The evolution of the indicators is clearly shown in Fig. 1.

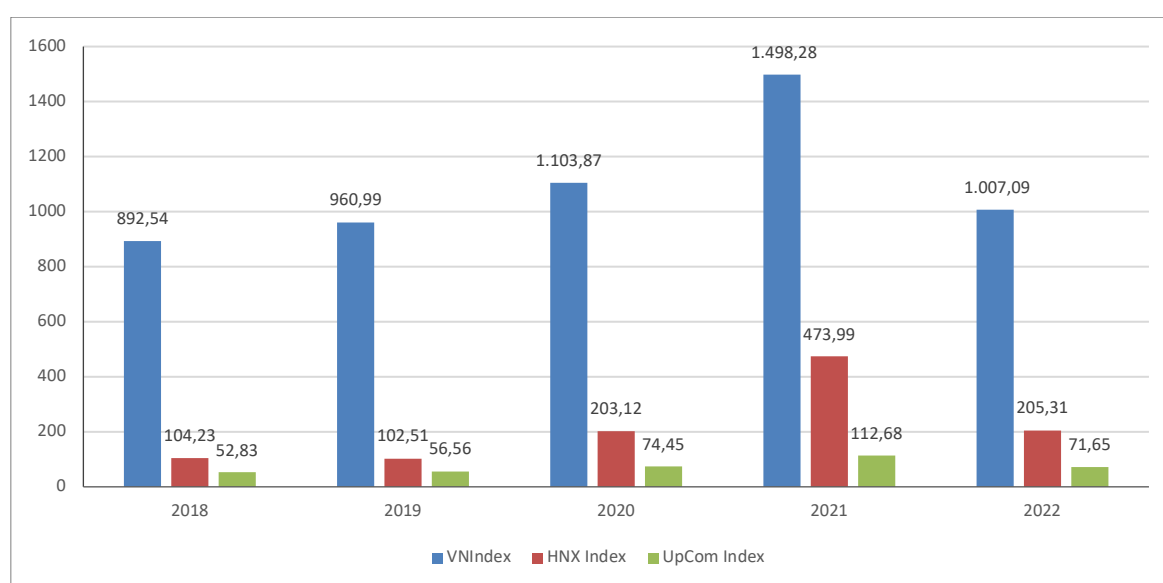


Fig. 1. Movements of VNIndex, HNX Index and UpCom Index from 2018 to 2022 (Unit: Point).

Source: Data compiled from the State Securities Commission of Vietnam

Based on the data collected in Fig. 1, it can be seen that basically in the period from 2018 to 2022, 3 VNIndex, HNX Index and UpCom Index have the same movement trend.

From 2018 to 2021, VNIndex increased from 892.54 points to 1,498.28 points. In 2021, overcoming difficulties due to the impact of the Covid-19 epidemic, VNIndex set unprecedented record levels in the market's 21-year history of operation. The VN-Index reached a record high when surpassing 1,500 points (reaching 1,500.81 points) on November 25 (an increase of nearly 36% compared to the end of 2020). By the end of 2021, VNIndex reached 1,498.28 points. However, by 2022, the index has decreased significantly to 1,007.09 points.

Similar to the volatility trend of the VNIndex, the HNX Index confirmed a point level of 473.99 points in 2021 and decreased to 205.31 points in 2022. As for the movement of the UPCoM Index, in 2018 the index reached 52, 83 points. In 2016 and 2017, the index stood at 56.56 points and 74.45 points, respectively. In 2021 compared to 2020, the index increased by 38.23 points to 473.99 points. And similar to the trend of VNIndex and HNX Index, UpCom Index also dropped in 2022, reaching 71.65 points.

In order to contribute to the development of the stock market, the participation of investors, including both domestic and foreign investors, is very important. The number of domestic and foreign investor accounts has increased dramatically over the years. This also shows that Vietnam's stock market is an attractive financial market for domestic and foreign investors.

TABLE II: NUMBER OF DOMESTIC AND FOREIGN INVESTOR ACCOUNTS, FROM 2018 TO SEPTEMBER 2022

Year	Domestic Individuals	Domestic Organizations	Foreign Individuals	Foreign Organizations	Total
2018	2.144.735	9.298	24.975	3.319	2.182.327
2019	2.332.560	10.119	28.511	3.704	2.374.894
2020	2.725.087	11.251	31.134	3.937	2.771.409
2021	4.257.724	12.977	35.374	4.136	4.310.211
September, 2022	6.556.224	13.187	35.676	4.154	6.609.241

Unit: Accounts

Source: Data compiled from the State Securities Commission of Vietnam

The data in Table II shows that the number of domestic accounts is 2,154,033 accounts, of which individual accounts are 2,144,735 accounts and organizations are 9,298 accounts. In 2019 the number of domestic accounts increased by 8.82% compared to 2018, reaching 2,342,679 accounts. By September 2022, the number of domestic accounts is 6,569,411 accounts.

The participation of foreign investors has also increased over the years. Specifically, in 2018 the total number of foreign investors' accounts was only 28,294 accounts. However, by September 2022, the number of foreign investor accounts has increased to 39,830 accounts. The result is partly due to state policies. The State Securities Commission has introduced a series of solutions to support the market, especially solutions to attract foreign indirect investment capital flows, such as regulations on the percentage of foreign investors' ownership, reducing and simplifying administrative procedures for foreign investors, shortening the payment cycle from T+3 (T+3 or any number after it refers to the number of payment days in stock exchange) to T+2, attaching equitization and publicization to listing and registration for trading on the stock exchange.

Besides the rapid increase of domestic and foreign investors participating in the market, the number of enterprises listed on the Stock Exchange is also a highlight that needs to be considered.

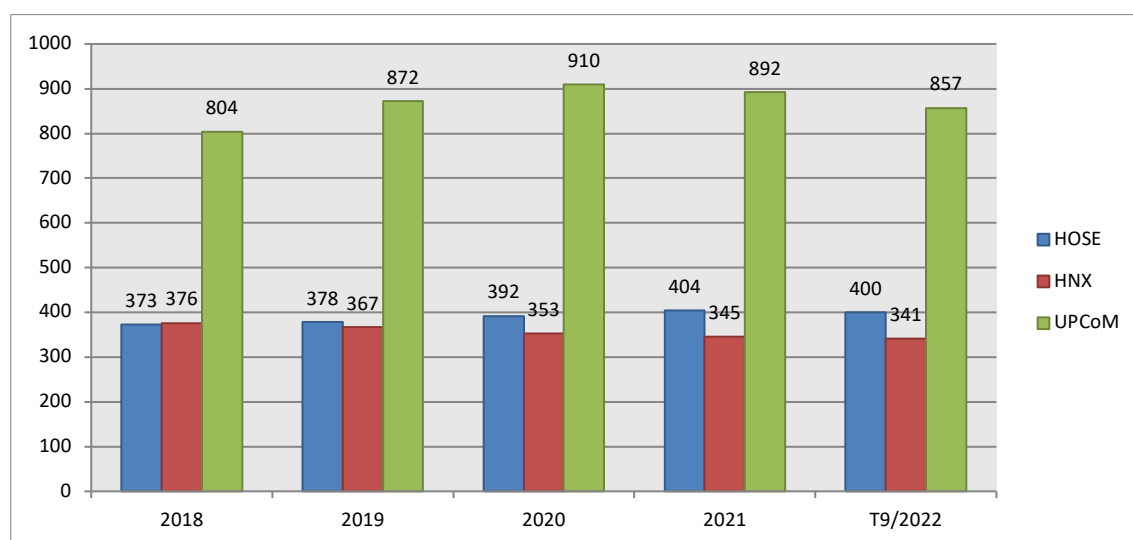


Fig. 2. Number of enterprises listed on Stock Exchanges from 2018 to September 2022.

Source: Data compiled from the State Securities Commission of Vietnam

The number of businesses listed on Stock Exchanges from 2018 to September 2022 has changed over the years. The number of businesses listed on UPCoM accounts for a large number of businesses, followed by the Ho Chi Minh City Stock Exchange and finally the Hanoi Stock Exchange. In 2018, the Ho Chi Minh City Stock Exchange had 373 listed companies and the Hanoi Stock Exchange was 376 enterprises, 804 enterprises listed on UPCoM. In 2019, the number of listed enterprises increased on two exchanges, only UPCoM floor number of listed enterprises decreased to 367 enterprises. It can be seen that businesses have gradually seen the importance of putting shares on exchanges. In 2020, the number of businesses listed on UPCoM has increased to 910. However, in the next 2 years, the number of listed companies tends to decrease. This movement was also shown on the Ho Chi Minh City Stock Exchange and the Hanoi Stock Exchange. Part of the reason is that the impact of the Covid epidemic has caused difficulties in the operation of businesses.

C. Bond Market

Vietnam's bond market was established in the 1990s and started to develop in 2000. The legal framework for the operation of the bond market has been fully and synchronously promulgated from Laws, Decrees to Directive Circulars. In the period from 2018 to September 2022, the bond market has developed strongly to meet the capital mobilization requirements of the Government, local authorities, policy banks and enterprises.

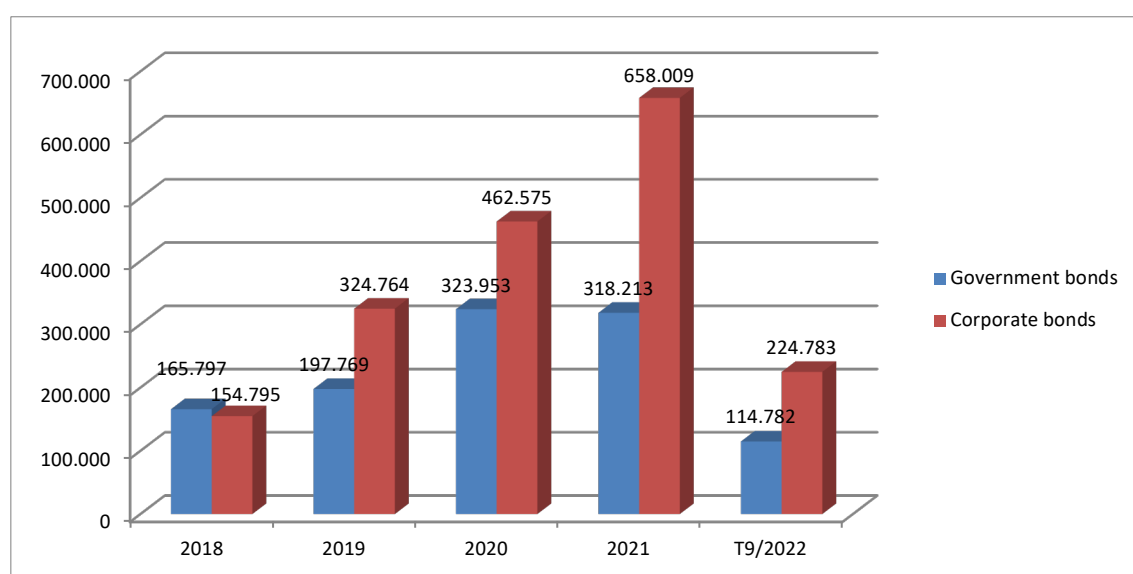


Fig. 3. Issuance volume of government and corporate bonds (6 Vietnam Bond Market Association, 2018-2022).
Source: Data compiled from the State Securities Commission of Vietnam.

In 2018, the issuance volume of government bonds and corporate bonds reached VND 165,397 billion and VND 154,795 billion, respectively. Since 2019, the corporate bond market has grown rapidly. Specifically, in 2019 the issuance value reached VND 324,764 billion, but by 2021, the value of corporate bond issuance has increased by 102.6%, at VND 658,009 billion. The corporate bond market has gradually developed to become an important medium and long-term capital mobilization channel for businesses and the economy, thereby helping to reduce pressure on the bank credit channel. However, at the beginning of 2022 with the rapid development of the corporate bond market, there were also some shortcomings such as: There are enterprises issuing large volumes, high interest rates while the financial situation is limited; some service providers do not guarantee service quality; some individual investors only care about interest rates, do not fully appreciate the characteristics and nature of corporate bonds, a part of investors intentionally violate to become professional securities investors. The value of private bond issuance as of September 2022 only reached VND 224,783 billion, down nearly 30% compared to the same period in 2021. Especially, when investors witnessed the incidents at Tan Hoang Minh Group and Van Thinh Phat. Declining confidence combined with the liquidity of cash flows to repay bonds of many troubled businesses has made this market riskier. In order to support the market and businesses to overcome the immediate difficult period, the Government and management agencies have taken many supportive actions. At the end of 2022, the Ministry of Finance submitted to the Government a draft Decree amending Decree 65/2022/ND-CP on private placement of bonds in the direction of delaying the application period by 1 year for the following regulations: professional securities investor status, mandatory credit rating requirements; and supplementing regulations that enterprises can convert bonds into loans, or other assets to pay bond principals and interests.

IV. CONCLUSION AND RECOMMENDATIONS

Over 20 years of development, with the results achieved, the stock market has gradually affirmed its role in the financial system of Vietnam. New products put into trading contribute to diversity for investors. The market capitalization value is constantly improving, the scale of the number of listed companies also increases. To ensure the goal of maintaining the stability and sustainability of the stock market, a number of solutions are given as follows:

Firstly, diversifying securities products, investment-linked products, and structural products; deploying derivative securities products, futures contracts on a number of new indices and government bond futures contracts; deploying covered warrant products; develop more underlying indices to serve as underlying assets for derivatives.

Second, complete and develop the bond market. In order for corporate bonds to be really a source of long-term capital for the economy, it is necessary to separate bonds of banks and financial institutions from bonds of production and business enterprises; it is necessary to complete the legal framework, in order to ensure the transparency and standards of the bond market. to diversify government bond products.

Third, strengthen the supervision and management capacity of the authorities to promptly detect investors and companies committing administrative violations on the Vietnamese stock market.

Fourth, further upgrade the information system. Building and forming a complete technology infrastructure, ensuring safety and security, as the foundation for the deployment of core applications throughout the industry.

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