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**LE THI NGOC**

**DEVELOPING GOVERNMENT BOND MARKET IN  
VIETNAM**

**Major: Finance - Banking**

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**SUMMARY OF THE THESIS**

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## INTRODUCTION

### 1. The necessity of the research topic

Developing the government bond market in Vietnam is an important issue, aiming at raising funds for the State budget and for investments and developments; exploiting the most effective ways of funding for the country's socio-economic development plan; restructuring and promoting the development of Vietnamese security and financial markets; implementing the State budget's restructure, managing the public debt in the direction of ensuring a safe and sustainable national financial background, contributing to macroeconomic stability and inhibiting inflation; recommendations of international organizations, conditions for integration with the international government bond market. The Fourth Industrial Revolution is changing the world economy with new and modern technological applications, forecasting a series of historic turning changes, the profound socio-economic impact in all countries, including the financial sector.

Developing the government bond market in Vietnam is also limited and must ensure the macro economic framework as well as the commitments with international monetary institutions. In term of the Vietnamese government bond market has not yet developed, it is necessary to diversify the government bond tools, diversify the methods of issues in order to mobilize the sources of idle savings internally for economic development, not only that the government can release bonds to the international market to mobilize capitals from the foreign investors. Despite of these, in overall, the size and scope of the market is still small; the liquidity is not quite high; the market structure is incomplete; the investor system, especially the long-term investment construction is thin; the service infrastructure system for the market is not developed. In addition, the unstable macroeconomic environment, the legal framework is incomplete, the financial market is not developed, so the development of the government bond market is limited and the government bonds have not yet become the standard for other debt tools. Researching and finding solutions to develop the Vietnam's government bond market is an essential requirement in terms of both theory and practice, consistent with Vietnam and the world practices.

From the aforementioned reasons, the author has chosen the topic “Developing the government bond market in Vietnam” as her research thesis.

### 2. Research objectives and tasks of the Thesis

**2.1. Research objectives:** Developing the theoretical framework of the development of the government bond market, researching on the government bond market development based on the factors that impact on the development of the market, thereby determining the content of government bond market development; studying international experience on the government bond market development and the experience lessons for Vietnam; Applying the theoretical framework for analyzing the reality of developing the government bond market in Vietnam in the period 2011-2017, analyzing the factors that impact on the development of the government bond market. Proposing solutions to develop Vietnam market in Vietnam to 2025, with the vision to the year 2030 having scientific basis for both theory and practice.

#### **2.2. Research tasks:**

- *In theory:* Clarifying the government bond market theory and developing the government bond market, researching the factors that impact the development of the government bond market; International experience of developing the government bond market and the experience lessons learned for Vietnam.

- *In practice:* Analyzing and evaluating the practical development of Vietnam's government bond market, in conjunction with the study of quantitative and quantitative analysis of the factors that impact on the development of the government bond market in the primary and secondary markets; thereby pointing out the results as well as the limitations and causes of the Vietnam government bond market focusing on the 2011-2017 period. Basing on the context, orientation and goal of developing the government bond market, the thesis proposed solution system and roadmap for developing the government bond market in Vietnam to 2025, with the vision to the year 2030.

- *To achieve the research objectives of the thesis, the research tasks will focus on answering the following research questions:*

(i) Building a theoretical framework of the government bond market and developing the government bond market?

(ii) Identifying the factors that impact on the development of the government bond market?

(iv) Studying international experience on the development of the government bond market and drawing any lessons for Vietnam?

(v) Analyzing the reality of the Vietnam's government bond market development and assessment of factors that impact on the development of Vietnam's government bond market?

(vi) Are there any solutions to develop the Vietnam's government bond market in Vietnam until 2025, with the vision to the year 2030?

### **3. The research subject and scope of the thesis**

The thesis's research subject is the government bond market in Vietnam, including: The legal framework system that impacts on the development of market, structure and market size, government bond release activity on the primary market, government bond trading operations on secondary markets, investor bases, intermediate financial institutions and market services. In addition, the thesis studies the international experience to complement the theoretical basis and the practice when proposing market development solutions.

Scope of contents: The thesis researches developing the government bond market; Identifying the factors that affect the development of the government bond market, thereby analyzing the government bond market development in Vietnam for proposing solutions.

Scope of space and time: Researching and proposing solutions to develop the government bond market in Vietnam. The thesis focuses on analyzing the actual figures of developing the government bond market in Vietnam in the period 2011-2017, suggesting the solution systems and proposing to develop the government bond market in Vietnam to the year 2025, with the vision to 2030.

### **4. New thesis contributions**

The thesis systematizes and analyzes to contribute to the development of the basic theory of the government bond market and the development of the government bond market.

The thesis summarizes the development experience of the government bond market of a number of typical countries in the world such as Britain, Japan, Germany, South Korea which are countries with huge economies and financial and government bond market development, influencing the global economy; Draws some lessons that are worth referencing for Vietnam.

The thesis analyzed and clarified the situation of developing the Vietnam's government bond market. On the basis of that issue, the thesis reviewed the achieved results and indicated the limitations and relating causes. By using the quantitative and quantitative research methodologies, the thesis rated the impact of the factors on the development of the government bond market in the period 2011-2017, in which the factor of product diversification has the strongest impact, followed by investors in the market, legal framework, information transparency, intermediate financial regulations and market services. Ultimately, technology infrastructure has no effect on the development of the government bond market.

From these findings, the thesis proposed two large groups of solutions with many specific solutions and conditions for the market development. Additionally, the thesis suggested a roadmap for implementing solutions to develop the government bond market to 2025, with the vision to the year 2030. The proposed solutions are systematic, theoretical and practical scientific basis.

## **5. The structure of the thesis**

In addition to the introduction, conclusion, the abbreviation category, the list of tables, figures, charts, references and appendices, the main content of the thesis is composed of 4 chapters:

**Chapter 1:** Overview of research situation and research methods

**Chapter 2:** Theoretical basis on the development of government bond market

**Chapter 3:** Situation of developing the government bond market in Vietnam

**Chapter 4:** Solutions for developing the government bond market in Vietnam

## **CHAPTER 1: OVERVIEW OF RESEARCH SITUATION AND RESEARCH METHODS**

### **1.1. OVERVIEW OF STUDY SITUATION RELATED TO THE THESIS**

#### **1.1.1. Research situation domestically**

*Studies in the form of doctoral theses:* Thesis refers to 3 doctoral theses relating to the development of government bond market, 1 thesis on the development of capital markets, 1 thesis on the development of bond trading and investing activities of commercial banks, 2 theses on the corporate bond market development.

*Studies in the form of scientific research topics:* The thesis also mentions 16 relevant research topics on the market of government bond.

*Studies in the form of scientific papers:* The thesis refers to 12 scientific papers relating to the development of the government bond market in Vietnam.

#### **1.1.2. Research situation internationally**

The thesis refers to 5 offshore research projects related to the bond and government bond markets.

#### **1.1.3. Overall review of the relevant research works and gaps for the thesis's research.**

Through research works relating to the thesis which has been elucidated by scientists, the author draws the issues that should be inherited as the basis for the author to construct theoretical basis, manipulate theories into research practices and propose solutions to develop the government bond market in Vietnam by 2025, with the vision to the year 2030. Additionally, the author affirms that the thesis does not overlap with any previous research works.

### **1.2. RESEARCH METHODOLOGY**

In order to implement the proposed research objectives, the thesis uses a mixed method combining both qualitative and quantitative, in which the qualitative method is based on interviews with experts to build information for the hypotheses to help developing the government bond market. Next, the quantitative method is used to re-test the hypotheses that had gained from the qualitative study.

- Theoretical methodologies: When solving specific problems, the thesis uses the synthesis of analysis-synthesis, statistics and comparison methods.

- Data and information collection methods:

- + Primary Data: Data for analysis and assessment is collected through expert interviews in the field of finance, currency, securities with the information collected by the survey leaflets, designed as a questionnaire in relation to the research content.

- + Secondary data: Financial sector documents, State treasury system, conference and training documents, summary reports; data sources are aggregated from Ministry of Finance, State Treasury, State Securities Commission, Hanoi Stock Exchange in relation to the market of government bond,... For other documents, the author using data taken from the scientific websites and magazines of the financial industry, IMF, WB, ADB,... to ensure the reliability and relevance of the methodology that the research thesis is conducted.

- Method of data analysis:

- + For primary data: processing by SPSS software.

- + For secondary data: The thesis uses methods of statistics, analysis, comparison and collation, modelling (diagram, tables) of data sources and the data collected during the research process.

### **Conclusion of Chapter 1**

Chapter 1, through screening the results of domestic and international research in the recent time of the government bond market development, the author summarized scientific value and practices inherited from such research works and found gaps to research deeper in her thesis topic. The study of the development of the government bond market is essential to the economic environment in Vietnam. The main objectives will be made in the thesis: (1) Building the theoretical framework of the government bond market and developing the government bond market; (2) Identifying factors that impact the development of the government bond market; (3) Studying international experience in the development of the government bond market and draw any lessons for Vietnam; (4) Analyzing the reality to develop the Vietnam's government bond market and assessing the factors that impact the development of Vietnam's government bond market; (5) Suggesting solutions to develop Vietnam's government bond market in Vietnam to 2025, with the vision to the year 2030.

On that basis, the author introduced the research methods in the thesis. The methods are largely based on the qualitative study to find hypothetical factors that impact the development of the government bond market (both primary and secondary markets). At the same time, the research uses quantitative research with descriptive statistical techniques, verifying the reliability of the factors, analyzing EFA to explore the factors with the author's data. For the factors that have impacts on the development of the government bond market, the author uses the standardized beta coefficient to find out which factors have the strongest and weakest impacts on the development of the government bond market. Finally the author will use the regression analysis to find the real impact factors in the government bond market development.

## **CHAPTER 2: LITERATURE REVIEW ON DEVELOPING OF THE GOVERNMENT BOND MARKET**

### **2.1. GOVERNMENT BOND MARKET**

#### **2.1.1. Government bond**

*Concept:* Government bond is a kind of debt securities, issued by the Government, which has deadlines, denominations, and interest, confirming the government's repayment obligation towards the bond owner.

The thesis specifies basic elements of the government bond, determining the value and profitable ratio of government bond, and the standard interest curve of the government bond.

The thesis specifies four characteristics of government bond: Firstly, it is the most reputable and secure bond in the market as the government is the most prestigious issuer; Secondly, it is low profitable; Thirdly, it is low risk because the due date capital's payment is guaranteed by the State budget source; Fourthly, it is high liquidity.

*Government bond classifications:* The thesis specifies 6 ways to classify the government bonds in issued term currencies and the purpose of issuance, bond dividends, bond forms, capital utilized forms and expression forms.

*The thesis specifies four government bond roles:* Government bond is a tool for the government to manage the economy. Government bond is a public investment tool. Government bond is as the standards for debt tools. Government bond provides important commodities to the financial market and is involved in the secretion of national monetary policy.

#### **2.1.2. Government bond market**

##### **2.1.2.1. Concepts and characteristics of the government bond market**

*Concept:* The government bond market is part of the financial market, where occurring the activities of listings, transactions, purchases and sales of all kinds of government bonds. If all technical conditions in accordance with the Department of Stock Exchange are met, the government bonds are listed and traded on the stock market. The government bond market is an organized activity market, which is a capital mobilization channel for the government. The government bond market is a place for conducting activities of issuing and trading on the government issued bonds.

*Government bond market characteristics:* Firstly, the bond market is a place of sale, exchange, trading of medium and long-term debt tools, including government bonds, bonds with warrants and corporate bonds. These bonds are guaranteed for payment by the issued entities, thus having a high safety, especially for government bonds. Secondly, the scale of bond market is very large. Thirdly, market participants are primarily financial intermediates, often traded in the agreed way, with flexible methods of payment and time.

##### **2.1.2.2. Classification of government bond markets**

Classification in the capital transfer process consists of the primary market and secondary market; The primary market is the market for the new issuances of government bonds, rather than the secondary market where conducting the purchases or sales of previously issued government bonds; The secondary market is the place to trade government bond types which have been issued in the primary market. Classification in the form of organizing market includes centralized markets and decentralized markets (Over The Counter Market – OTC). Classification in the form of trading represents spot markets and the term market.

### ***2.1.2.3. The role of the government bond market in economic development***

The thesis presents the role of the government bond market in economic development, expressed in aspects for the overall development of the economy, the subjects of bond issuance and capital markets.

### ***2.1.2.4. Entities participating in the government bond market***

Entities participating in the government bond market include the issued subjects; market management subjects; investor system; intermediate financial institutions and market service institutions; bond circulation and clearing entities; agencies implementing the function of organizing markets.

### ***2.1.2.5. Government bond market activities***

There are the government bond issuing and trading activities in the market.

## **2.2. DEVELOPING THE GOVERNMENT BOND MARKET**

### **2.2.1. Concepts, requirements, interests and conditions of the government bond market development**

***Concept:*** The development of the bond market, in general, and the government bond market, particularly, is the change of market elements in terms of both quantitative and qualitative in the positive direction for undertaking the roles of bond and government bond markets increasingly better.

***Requirements for the government bond market development:*** Meeting the demands of government capital; implementing the fiscal and monetary policies; promoting the development of capital and stock markets; Standardizing the debt market to other markets referenced.

### ***Government bond market development benefits***

Some countries still issue government bond despite the budget surplus, with the goals of: (i) providing the standard interest adjustment for the debt markets; (ii) supporting the liquidity management activities of the Centre Bank; (iii) providing investment alternatives with little or no risks to the investors; (iv) maintaining and developing effective financial markets; and (v) providing the market infrastructure through a complete payment system and legal framework.

A set of indicators to develop the government bond market: (i) For macroeconomic variables, including: GDP growth and inflation; financial balances and public debts on GDP; the current account and the level of capital flow volatility; household savings rate for GDP. (ii) For the market structure, consisting of: debt securities statistics; the return curve and structure of benchmarking tools; development of the investor base system; (iv) holding foreign government bonds; (v) other types of fixed income tools; and (vi) derivative markets and other types of hedging tools. (iii) For the market liquidity, representing: the volume of benchmarking tools; trading size and liquidity ratio.

### ***Conditions of the government bond market development***

For macroeconomic environment: They are macroeconomic stability, improving the stable and predictable legal framework, and the development of financial markets. For a microeconomic environment, they are the improvement of the market government bond organizing model, the capital potential of investors and the development of intermediate financial institutions, infrastructure and payment systems, bond custody, the organizational system for the bond credit rating evaluation.

### **1.2.3. Criteria for assessment of government bond market development**

On the basis of the research, the thesis launched 6 criteria for the government bond market development. They are: improving the synchronized legal framework, in accordance with the economic, political, social conditions of the country and international practices; developing bond investor systems; improving the government bond market structure; quality and diversity of goods on the government bond market; developing the intermediate financial institutions and market services; improving the technology infrastructure to serve the market.

### **2.2.2. Factors impacting on the government bond market development**

The thesis presents 7 factors that impact on the development of the government bond market: The legal framework, the investor system, the intermediate financial institutions and market services, the market infrastructure, the transparency of market information, products in the market, issuance activities in the primary market and trading activities in the secondary market.

## **2.3. INTERNATIONAL EXPERIENCE IN DEVELOPING THE GOVERNMENT BOND MARKET AND LESSONS FOR VIETNAM**

### **2.3.1. International experience in developing the government bond market**

The government bond market has grown in many countries in the world. Through the international experience surveys, the thesis studies the experiences of developing the UK government bond market as one of the most developed markets in the world and topped in Europe, and the market of Japanese government bond as the number one development market in Asia. In addition, the thesis presents the experience of developing the government bond markets in Germany and South Korea which consulted and supplied the trading systems for the Vietnamese government bond market in the previous time. The thesis will present the experience of developing the government bond markets in the UK, Japan, Germany and South Korea.

### **2.3.2. Some lessons of international experiences in developing the government bond market drawn to Vietnam**

The thesis draws 6 experience lessons for the development of the Vietnamese government bond market: *Firstly*, maintaining and stabilizing the macro-economy; *Secondly*, constructing a synchronized legal framework; *Thirdly*, standardizing the issuance of government bonds in the primary market; *Fourthly*, improving the trading transactions of government bonds in the secondary market; *Fifthly*, developing institutional investor systems; *Sixthly*, developing intermediate financial mechanisms and market services.

### **Conclusion of Chapter 2**

With the goal of building the theoretical framework for the study of the thesis, in this chapter the author has elucidated the theoretical issues relating to the thesis topic as follows:

*Firstly*, the fundamental theories of government bond and the government bond market, the classification and the role of the government bond market in the economic development, the subjects participating in the government bond market and fundamental activities in the government bond market; Theories in the government bond market development, requirements, benefits and conditions for the development of the government bond market.

*Secondly*, identifying factors that impact on the government bond market development and the criteria for the assessment of the government bond market development. These are the core theoretical basis and framework for the author to use as prerequisites to delve into the real-world development of the Vietnamese

government bond market, assess the results achieved, the limitations and causes of the limitations on the Vietnamese government bond market.

*Thirdly*, learning the international experience of developing the government bond market in some typical developed government bond markets in Europe and Asia, thereby withdrawing the six experience lessons with practical values for Vietnam.

## **CHAPTER 3: THE SITUATION OF DEVELOPING THE GOVERNMENT BOND MARKET IN VIETNAM**

### **3.1. INTERNATIONAL AND DOMESTIC ECONOMIC CONTEXTS**

The thesis presents an overview of international and domestic economic contexts.

### **3.2. THE REALITY OF DEVELOPING THE GOVERNMENT BOND MARKET IN VIETNAM**

#### **3.2.1. Overview of the development of the government bond market in Vietnam**

The government bond market began to form in the years 1990 when the government issued the public bonds for the national construction. In the early 2000s, the audiences who purchased more government bond were diversified, however they were mainly the commercial banks; The forms of the organized issuance were not diverse, mostly were guaranteed and retailed, while the organized bidding was limited. In 2009, when deploying the bidding at Hanoi Stock Exchange, the market began to thrive.

The government bond market is an effective capital mobilization channel for the State budget and the benchmark market for the financial market. The absence of the government bond market reduces the ability to mobilize the long-term capitals for the economy and does not create investment opportunities for residential classes. For the requirements of the economic development, especially the development of financial system requires the need of a capital market to mobilize the long-term capitals for investing in the economic development. Although the types of government bond are circulating in large volumes, mostly bonds and short-term treasury bonds; Because of issuing by retailing, the treasury bonds were not eligible to be listed on the centralized trading market. In this situation, the Government requires the issuance of bonds in large and long term amounts, and must be allowed to be listed and traded on the Stock Exchange. The Government also stands out to guarantee that the Foundation of development supports issues bonds to replenish the sponsored capital source.

The Vietnamese government bond market were flourished in the period 2011-2017 in size, value and quality with an average growth rate of 33% per year, which was evaluated as the leading growth in the emerging economies in the Southeast Asia and ASEAN+3.

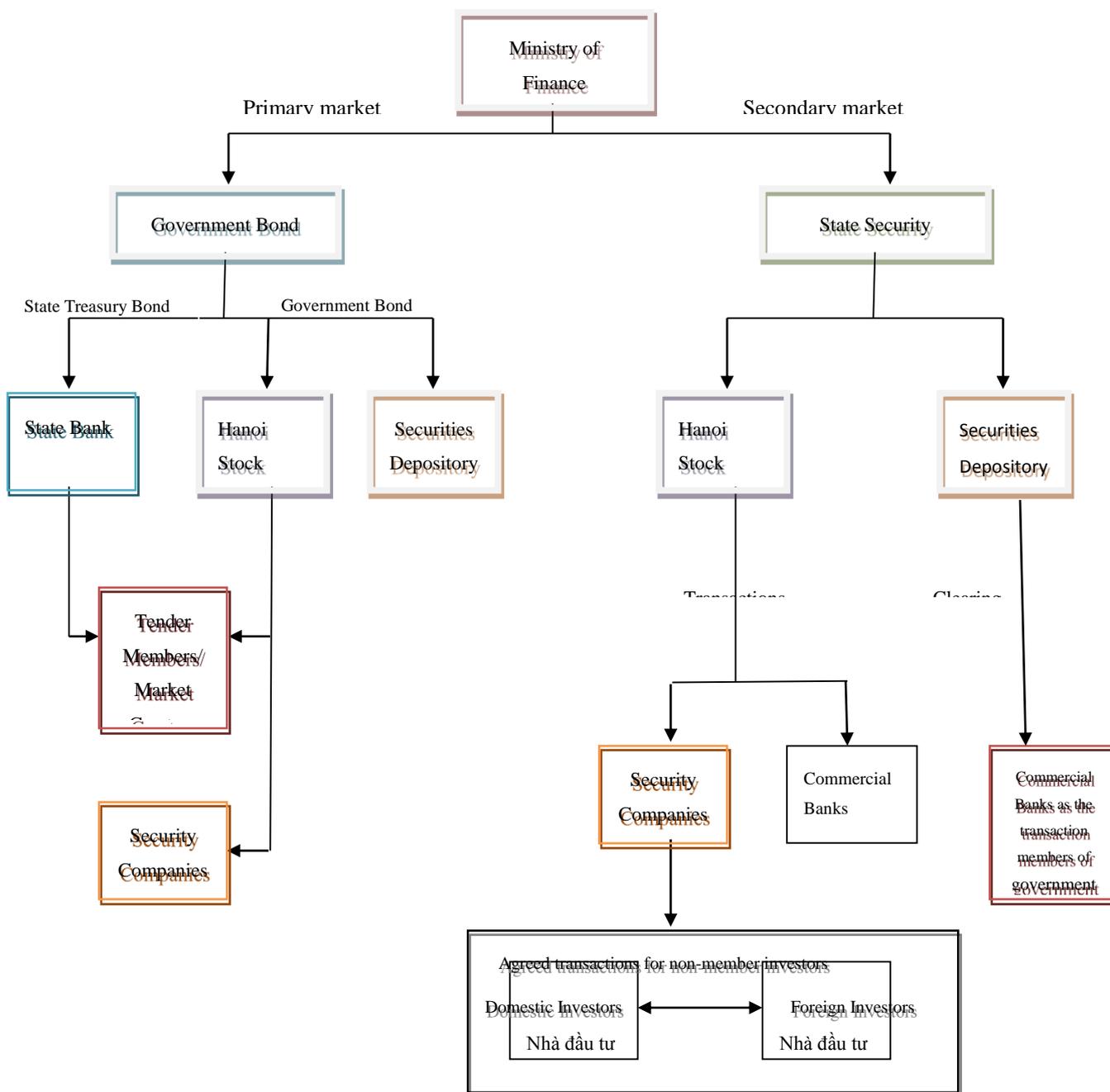
The government bond scale has risen from 19% of GDP and the balance of government bond was only about 9% of GDP in 2011; to 2014 was 14.32% of GDP, in 2015 the debt balance ratio of government bonds/GDP reached 24.13%, which balances market of government bond reached 16.19% of GDP; in the year 2016 reached 27.33% of GDP, in 2017 reached 27.59% of GDP, equivalent 1.3723.139 billion dongs and increased by about 6.6 times compared to 206.740 billion dongs in 2011.

A notable point in the issuance of government bond in recent years in Vietnam is about the term structure of the bond. Previously, short-term bonds (2-3 years) had taken up a larger proportion. The market investors focused on short term bonds due to the concerns of the lack of stability of the economy over the long term, or also the commercial banks only considered the investment channel to be temporary, while waiting for

the credit market to recover. Besides, the interest rate in winning bids was quite attractive (compared with the risks) at the short-term government bonds also contributed to attracting the commercial banks participated in the bond market.

In order to accomplish the goal of extending the loan term by issuing the domestic government bonds, the government bond term structure was issued through the Hanoi Stock Exchange was gradually shifted from the short terms to the middle and long terms (5-15 years). The frequency of bonds issued by 10-15-year term is strengthened, especially in 2017 conducting the adjustment of the 2nd issuance plan in the direction of reducing the mobilized volume in short term (2-3 years) and raising the mobilized volume for 3 terms: 5-10-15 years; the term of 15-year long-term bond issuance was increased by 40% compared with the year 2016.

**Figure 3.3. The Vietnamese government bond market structure**



### 3.2.2. The situation of developing the government bond market in Vietnam

#### 3.2.2.1. The legal framework for the development of the government bond market

Legal documents on developing the government bond market in Vietnam:

The Public Debt Law No. 20/2017/QH14 on 20/11/2017 specified the borrowing, use of loans and public transparency in mobilizing, allocating, using of loans, repaying and public debt managing. The State Budget Law No. 83/2015/QH13 on 25/6/2015 regulated on enforcing, auditing and finalizing of State budgets; the duties and powers of the agencies, units and individuals in the State Budget field, including the government's debt borrowing work. Securities Law No. 70/2006/QH11 of Congress on 26/6/2006 regulated on the sale of securities, listing, trading, doing businesses and investing in securities, securities services and stock markets. The Law of Credit Institutions No. 17/2017/QH12 on 20/11/2017 specified the rate of purchase, investment in government bonds, bonds guaranteed by the government.

Decision No. 261/QD-BTC dated 01/02/2013 of the Minister of Finance issued the development roadmap of the bond market to the year 2020, through the implementation process of goal-oriented, solutions to develop the bond market, to build the trust for investors to invest in the market. Decision No. 1191/QD-TTg on 14/8/2017 on approval of the development roadmap for the bond market in the period of 2017-2020, with the vision to 2030 had been issued, in order to bind the responsibilities of the related ministries, departments and branches towards the targets of specific market development, thereby enhancing the role of the government bond market, aiming for the world's good standards. In parallel with those, Decision No. 2035/QD-TTg on 6/2/2017 approved the scheme of domestic debt restructuring of the government in the period of 2017-2021.

Decree No. 95/2018/ND-CP dated 30/6/2018 on the issuance, registration, custody, listing and trading of government debt tools to develop the government bond market in a direction of stability, complete structure, expanding investor base, increasing the scale and quality of operations, ensuring that the funding channels are safe and effective for the State Budget, as the basis for the development of the bond market; Improving the issuance process for the guaranty and individual methods according to international practices.

In the government bond market, policies and mechanisms for developing intermediate financial institutions as well as improving the effectiveness of State treasury management. Decree No. 88/2014/ND-CP dated 26/9/2014 of the government regulated on trust ranking services; Decree No. 60/2015/ND-CP dated 1/9/2015 of the government revised and supplemented Decree 58/2012/ND-CP instructed some of the provisions of the securities law; Decree No. 88/2016/ND-CP dated 1/7/2016 of the government on voluntary supplemental retirement programs,... Additionally, the instructive Circulars in the direction of innovative methods and issuance processes to facilitate favorably for the government, policy banks and local governments to mobilize capital, in which focused on developing the government bond market to become a key market for developing the bond market.

Decree No. 60/2015/ND-CP dated 26/6/2017 of the Government amended and supplemented Decree 58/2012/ND-CP dated 20/7/2012 of the Government instructing a number of provisions of the Securities Law and the Law of revised, supplementing some provisions of the Securities Law in the direction of unlimited investments in bonds of foreign investors, while accelerating the simplified processes and investment procedures for foreign investors when participating in investments in the capital and government bond markets.

In addition, the instructive Circulars of Ministry of Finance specified the details of the implementation process, responsibilities and powers of the units in the issuance of the government bonds. In order to direct the development, specific objectives of the government bond market, and in addition having systematically solutions

from the legal framework, developing primary and secondary markets, diversifying of investors, intermediate institutions and market services.

### **3.2.2.2. The reality of government bond issuances in the primary market**

#### *a) The method and the subject of the issued government bonds*

The government bond is issued in four methods: bond bidding, issuing guaranty, issuing agencies and bond retailing. From 2011 onwards, the State Treasury is the only unit to issue government bonds.

#### *b) Government bond products in the market*

As the issued currency

As the term of issuance and the form of bond principal and interest payment.

#### *c) Quality of government bonds*

##### *- Term of issuance*

The term structure of the issued government bonds has improved over the years, the diversification of issued terms from less than 1 year to 30 years, especially in the period of 2013 to present. In the period from 2013 backwards, government bonds were mainly issued in the short terms for five years or less, causing the repayments of debts for the State Budget in the short terms. Particularly, in the 2013-2016 period, it was an increase in the portfolio for the market; the implementation of the bond issuance for terms of 15 years, 20 years and 30 years had met better the needs of investment funds, insurance companies, which extended the average loan terms of the whole government bond loan portfolio. Accordingly, the average term of issued government bonds in 2015 reached 6.98 years, increased by 2.14 years compared to the 4.84 years of the year 2014; in 2016 it reached 8.71 years; in 2017 it reached a record of 12.74 years, increased compared with 4.1 years of the year 2011 and increased by 8.83 years compared to 3.91 years of the year 2011.

##### *- Deposit Rates*

The interest rate of issued government bonds tended to drop drastically during the period 2011-2017. In 2017, the average interest rate of issued government bonds was 5.98% and was a half of the issued interest rate in 2011, 12.01%.

*- In issuance volume:* In the period of 2011-2017, the bond issued volume in the market had a step of clear growth. Accordingly, the issued volume in the government bond market in 2017 reached 244,221 billion dong, rose by 3 times compared to the year 2011.

*- In market sizes:* The market size continuously grew from 8.16% in 2011 and reached 27.59% of GDP in 2017, the balance of the government bond market reached 1,372,139 billion dong, increased by 6.6 times compared to 2011 reached 206,740 billion dong.

### **3.2.2.3. The reality of the government bond transactions in the secondary market**

The scale and structure of the secondary market had also evolved through the increase in the average volume of trades; however the limitation of trading subject was mainly the commercial banks, therefore it was affected by the currency market, with no market creators in the secondary market according to international practices.

Transaction results: The scale of trading in the market grew strongly over the years: In 2017 the total value of the transaction reached 2,249,964 billion dong, rose 24.6 times compared to the end of 2009. The average transaction value increased from the rate of 366 billion dong/session in 2009, 1,000-1200 billion

dongs/session in 2012, grew to 1.668 billion dongs/session in 2013, reaching 3.642 billion dongs/session in the year 2014, and increased by 9,214 billion dongs/session in 2017, by 0.67% of the government bond debt balance, rose 40% over 2016 and nearly twice as much as the liquidity across the stock market. The market capitalization was 997.5 trillion dongs, equivalent to 22% of GDP and increased of 7.2% compared to the year 2016. The market noted an explosion in transaction value of 50/250 sessions (20%) with a transaction value of over 10,000 billion dongs/session, including a record transaction session reached over 16,000 billion dongs/session on 26/9/2017.

**Repos Trading:** Along with the more and more increase in trading scale of the market, the Repo transaction density also tended to rise. Since 2015, the REPO transaction rate had risen to occupy more than 30% of the whole market transaction value. In particular two years 2016-2017, the light point in the market of government bonds was the proportion of the transaction Repos continued to increase significantly, accounted for 49.2% of the total market value, was 11.4% higher than the year 2016.

The trading yields in the secondary market showed that from 2012 to 2014, interest rates generally tended to decline. The 5 year term State Treasury interest rate decreased sharply from 9% since the beginning of 2013 to the bottom level of 4.8% in 2014. In the year 2015, the trading yields tended to rise, the 2 year, 3 year and 5 year terms increased from 30-50 base points compared to the beginning of the year 2015. However, the tendency to reduce interest resumed in the years 2016-2017, in which the year 2017 had a stronger decline than in 2016. By the year 2017, the trading yield was at the lowest since 2017 onwards. The trading yields of 2 year, 3 year and 5 year terms were stopping at 3.36%, 3.64% and 4.22%.

**Transactions of foreign investors:** In 2016-2017, the value of the transactions increased slightly compared to the year 2015; however, if considering the proportion, the market share of foreign investors continued to decline by 6.9% in 2016 and 5.9% in 2017. However, from 2016 to present, foreign investors tended to buy net, with the net worth of purchase of the year 2016 is 12,689 billion dongs, and the net buy value of 2017 was 20,565 billion dongs. Foreign investors mainly involved in trading Outright. The proportion of the Repo transactions of foreign investors only accounted for between 2%-4% of the whole Repo transaction market in the period 2009-2014. In recent years, the proportion of foreign investors' Repo trading even dropped to less than 1% of Repo transaction value of the whole market. If the general transactions of the Repo were calculated, then the proportion of the transactions of foreign investors in the year 2017 was only 3.1% of the total transaction value, net purchase 17.9 trillion dongs, rose by 5.2 trillion dongs (41%) compared to the year 2016, the total transaction value reached 133.2 trillion dongs, reduced 4.6% over the year 2016. At the end of 2017 and the beginning of 2018, foreign investors moved to the net sale status after 3 consecutive years of net purchase, the trading term was mainly less than 5 years, reached the proportion of 80%.

#### ***3.2.2.4. The reality of investor system in the government bond market***

The structure of investors in the government bond market has a positive change towards increasing the proportion of long-term investors such as insurance companies, social security, investment funds, decreasing the holding rate of the commercial banks. In 2017, the commercial banks held about 52.4% of the government bond mass, were down 29% from 78.1% in late 2015, sharply declining compared to 97% before 2011; Other long-term investors held approximately 47.6% of the volume of government bonds (including social security, insurance companies, investment funds), by implementing the scheme to convert the loans of the Vietnam Social

Security in the form of a loan contract to the form of government bonds, the investors' bond ownership ratio had a significant shift.

Besides the investor system is the commercial banks, there are credit institutions, insurance organizations, securities companies, fund management companies and other investors.

#### ***3.2.2.5. Intermediate financial mechanism system and the government bond market services***

The government bond derivative market with basic original products such as futures trading, options trading with the based asset such as government bonds were the necessary tools for investors to hedge risks on the government bond market, while diversification of products in the market, helping investors to have more choices and attract more investors to buy government bonds. The market lacked the risk-prevention tools for investors.

The government bond market recently has existed a member system for government bond bidding with benefits, basic obligations such as minimum government bond purchase, commitment to list the offered purchase and sale prices,... was the first step to build a market creator system.

Transparent bidding information; Modern bidding system; The published schedule from a weekly has evolved to be announced yearly in advance.

### **3.3. GENERAL ASSESSMENT OF THE DEVELOPMENT OF THE GOVERNMENT BOND MARKET IN VIETNAM**

#### **3.3.1. Achievements**

*The legal framework for the government bond market has been established*

*Primary bond market has been standardized*

*The market structure has been gradually being improved*

*The secondary bond market has formed and developed*

*The investor base has developed*

*Development of intermediate financial mechanisms and market services*

#### **3.3.2. Limitations**

*The legal framework has not been issued under international standards*

*The scale of primary government bond market has been small*

*The liquidity in the secondary market has been lacking the stability*

*The investor base and market participants have not been diversified*

*Intermediate financial mechanisms and market services have not been fully formed*

#### **3.3.3. Reasons for limitations**

##### ***Objective reasons***

*Firstly*, the macro economy was not stable; *Secondly*, the financial market had not yet developed; *Thirdly*, the domestic economy in the period 2011-2017 faced many difficulties and challenges; *Fourthly*, the financial market had not been developed due to the historical factors, thus the commercial bank system acted as the major capital distribution channel for the economy including medium and long-term capitals, while the deposit capital was mainly short-term and was still the principal investor in the government bond secondary market; *Fifthly*, the per capita income was low, saving and long-term accumulation habits of the population were limited; *Sixthly*, the implementation and coordinative operations of the capital market, the government bond

market with the currency-credit market, the real estate market were still slow and lacked of synchronization and rhythm. *Seventhly*, the payment infrastructure, registration, custody were still in the development process.

#### ***Subjective reasons***

*Firstly*, the legal framework for market development was incomplete; *Secondly*, the link of policy mechanism between the bond market and the currency-credit market lacked in synchronization; *Thirdly*, the financial potentials of investors and the bonds distributors were not strong enough, lacked the team of established market creators; *Fourthly*, the primary market focused on several short-term bonds, consistent with the market's capital nature at the present time; *Fifthly*, the development of secondary market was not firmly tied and covered the goals of monetary-credit policy; *Sixthly*, the management and administration of the State also carried a heavy administration; *Seventhly*, the credit ratings were still low.

### **3.4. ANALYZING THE FACTORS AFFECTING THE DEVELOPMENT OF THE GOVERNMENT BOND MARKET IN VIETNAM**

#### **3.4.1. Survey and evaluation of factors that impact the development of the government bond market**

To assess the factors that help developing the government bond market, the author conducted a survey poll for subjects participating in the government bond market. The subjects would be surveyed into 2 times with different survey tables for the primary and secondary markets. With 200 vouchers delivered to the primary market and other 200 to the secondary market. (According to the sampling rules are presented in the method of research: According to Hair et al. (2006), the minimum sample size for quantitative studies is 100; for studies using Tabenick and Fidell regression analysis (2007), gives the sampling formula:  $n \geq 50 + 8p$ , where  $n$  is the sample size,  $p$  is the number of independent variables. Applying this rule, the required sample size of the minimum study is:  $n = 50 + 8 * 5 = 90$ . Comrey and Lee (1992) gives the sample sizes with the similar viewpoint: 100 = bad, 200 = fair, 300 = good, 500 = very good, 1000 or more = excellent (cited by Maccallum et al., 1999). Therefore, the author's delivered number of samples was 200, and acquired more than 180 achieved the minimum number of sample requirements.

At the same time, with the convenient sampling method for the subjects involved in the government bond market. The author obtained 189 vouchers for the primary market and 180 vouchers in the secondary market. The valid vouchers would be encoded as the variable names and included in the SPSS software for analysis.

#### **3.4.2. Analyzing the factors that impact the development of the government bond market in Vietnam**

Through the survey data collected, the author utilized data into a scale trust analysis to consider the reliability of each factor when measuring through observed variables (questions in each factor) obtained from the qualitative study. Next, the factor analysis was implemented to help finding the real existing factors with the author's research data. Finally, to find a factor that had a meaningful impact on the development of the government bond market, the author conducted a regression analysis.

To assess the factors that help developing the government bond market, the author conducted a survey poll for subjects participating in the government bond market. The subjects would be surveyed into 2 times with different survey tables for the primary and secondary markets. With 200 vouchers issued to the primary market

and 200 vouchers to the secondary market, the author obtained 189 vouchers for the primary market and 180 vouchers in the secondary market. The valid vouchers would be encoded as the variable names and included in the SPSS software for analysis.

For primary market development: The factor analysis results indicated 6 original hypothetical factors that were formed the same with the hypotheses of the original observation variables. For these factors, the author conducted and analyzed the regression analysis to find the factors that had the real significance for the development of the primary government bond market. The results of the analysis also showed that 5 factors had a positive effect on the development of the market: (1) products; (2) the investors; (3) the legal framework; (4) Transparency; (5) Intermediate regulations. Besides, the factor of technology infrastructure did not affect towards the development of the government bond market.

For secondary market development: The factor analysis results indicated that the 5 original hypotheses factors that were formed the same hypotheses through the initial observed variables. The regression analysis results also indicated that 4 factors had a positive effect on the development of the government bond market: (1) Investors; (2) The legal framework; (3) Transparency; (4) Intermediate regulations (positive beta coefficient and P-value were less than 0.05). In addition, technology infrastructure factor did not affect towards the development of the government bond market.

The results of regression analysis for both primary and secondary markets indicated that the technological infrastructure factor did not affect the development of the government bond market. With a realistic assessment of the technological infrastructure, this factor was the only factor that was well-appreciated. Therefore, it could be seen that the technological factor was responding well to the market demand and this is not or is not really an important factor in promoting the government bond market in the present time as well as in the near future.

### **Conclusion of Chapter 3**

On the theoretical basis of the government bond market development has been built the theoretical framework for the study of thesis in Chapter 2, the author has had a deeper analysis of the development reality of the government bond market in Vietnam during the period 2011-2017. In this Chapter, the thesis has solved the following contents:

*Firstly*, it presents the macroeconomic context and the overview of the government bond market in Vietnam, which analyzes the capital needs of the economy and the development reality of the stock market has promoted the development of the government bond market in Vietnam.

*Secondly*, it analyzes the Vietnamese government bond market in the period 2011-2017 on the basis of construction and completion of the legal framework for the market, the actual status of government bond issuance in the primary market, the government bond trading in the secondary market, the operation of the investor system and the organization of intermediate financial institutions and market services.

*Thirdly*, the thesis has combined with the qualitative and quantitative analysis studies on the factors of market development of the government bond in the primary and secondary markets; based on the content of the government bond market development, the thesis analyzed the reality on the basis of evaluation criteria, thereby reviewing the results, limitations and causes of the development of the government bond market.

With the preliminary data collection through the survey leaflets, the thesis presented the implementation of multi-variable analysis techniques (situation descriptive statistics, factor analysis, regression analysis). The results indicated the factors (1) The legal framework; (2) Products; (3) Investors; (4) Transparency; (5) Intermediate institutions affecting on the development of the government bond market (positive beta coefficient and P-value were less than 0.05). Only technological system factor did not impact on the development of technological systems.

This is the scientific basis of building perspectives, objectives, proposed solutions, conditions and implementation roadmap to develop the government bond market in Vietnam more efficiently and more sustainably in the next period.

## **CHAPTER 4: BOND GOVERNMENT MARKET DEVELOPMENT SOLUTIONS IN VIETNAM**

### **4.1 BACKGROUND, PERSPECTIVES, ORIENTATION AND GOALS OF DEVELOPING THE GOVERNMENT BOND MARKET IN VIETNAM TO THE YEAR 2025 AND THE VISION TO THE YEAR 2030**

#### **4.1.1. Background of the development of government bonds in Vietnam and the capital demand of government**

In the period 2019-2020, the economy is predicted to grow steadily; the growth will create favorable conditions for the development of financial and government bond markets to meet the demands of capital mobilization of enterprises for the production and business development. In particular, the forecast of stable monetary sector, strong support for the corporate sector and macroeconomic stability. The process of restructuring the banking system will be promoted, giving more convenience to the capital approaches of the business sector when most Vietnamese enterprises still operate heavily on bank loans. M2 supply and credit growth will be controlled in the directions of supporting growth and ensuring the stability of money flow and inflation. The increased exchange rate pressure will be stronger in the context of the U.S. has maintained a strong dollar policy, which is to increase the public debt pressure, basically the exchange rate is adjusted flexibly according to the market signal but remains stable to ensure the other long-term macro objectives.

Expected for the period 2021-2030, the overspending rate of the State Budget will reduce to 3% compared to GDP and in 2030 onwards the rate of overspending rate of the State Budget will reduce to below 3% compared with GDP, and the due principal repayment, large capital demand will create the pressure for the capital mobilization duty from the market, in the context of the world economy still has had many difficulties and unpredictable instability. Therefore, in addition to meet the demand of large capitals for the development investment of the country, the diversification of government bond products is necessary to attract the interest of investors, transfer of investor structure, ensure the development of sustainable government bond market, thereby creating motivation and reference to develop other markets.

#### **4.1.2 Perspectives, orientations to develop the government bond market in Vietnam**

The perspectives and orientations of developing the government bond market in Vietnam which the managerial bodies have given are quite comprehensive. These are very important solutions and orientations in the development of the government bond market. Standing on a researcher's perspective, according to the

author, it is necessary to have more specific perspectives and orientations to develop the government bond market, including: *Firstly*, the orientation of developing the government bond market in a sustainable way, step by step approaching the world practices and standards; *Secondly*, mobilize funding for the State Budget and for investment and development, contributing to the social security, national financial stability, inflation control; *Thirdly*, improving the quality and diversification of products to create quality goods in the bond market in order to restructure and promote the development of the Vietnamese stock and financial markets; *Fourthly*, focusing on the development of investors to organize and increase the attraction of the foreign investors.

#### **4.1.3. Targets to develop the government bond market in Vietnam**

Developing the bond market stably, robustly, with completely structure and synchronization of supply-demand factors; Expanding the investor base, increasing the scale and quality of operations, diversification of products, transactions, ensuring the market operates openly, transparently and efficiently; Proactive international market integration, step by step of reaching out to international standards and practices.

The specific targets: The debit balance of bond market will reach about 45% of GDP in 2020 and about 65% of GDP in 2030, which the debit balance of the government bond market, bonds guaranteed by the government and local bonds with warrant reached about 38% of GDP in 2020 and about 45% of GDP in 2030; the debit balance of the corporate bond market reached about 7% of GDP in 2020 and about 20% of GDP in 2030. The average term of the issuance portfolio of the domestic government bond in the period of 2017-2020 reached 6-7 years, ensuring that the termed government bond issuance rate is at least 5 years or more at a minimum of 70% of the total issuance volume; Borrowing terms through the issuance of government bond in the 2021-2030 period on average of 7-8 years; Increasing the trading volume of government bonds, the government-guaranteed bonds and the local bonds with warrant on average session to 1% of the listed bond debit balance by 2020 and 2% of the listed bond debit balance by 2030; Increased the proportion of government bonds by insurance companies, social security, superannuation funds, investment funds and non-bank financial institutions held to 50% in 2020 and 60% in 2030.

The development of the government bond market in Vietnam aims to mobilize funds for the State Budget and for development and investment, consistent with the needs of payment, disbursement and stabilizing the floor of interest rate, contributing to the guarantee of social welfare, national financial stability, inflation restraint; Exploiting the most effective way of capital for the country's socio-economic development plan; Restructuring and promoting the development of the Vietnamese stock and financial markets; Implementing the State Budget restructuring, the public debt management in the direction of ensuring a safe and sustainable national financial background.

## **4.2. SOLUTIONS TO DEVELOP THE GOVERNMENT BOND MARKET IN VIETNAM TO 2025 AND THE VISION TO THE YEAR 2030 AND AFTER 2030 ONWARDS**

On the basis of context, perspectives, orientations and objectives of the development of the government bond market, from the results of qualitative and quantitative analyses of factors affecting the development of the government bond market and the content of the government bond market development, the strong impact of the factors as a basis for the author to propose 2 groups of large macro and micro solutions with specific strategic solutions and consistent with the trend of government bond market development and international practices.

### **4.2.1. Macro solution groups**

#### ***4.2.1.1. Building a stable macroeconomic environment, transparency of investments from budgets***

Macroeconomic environment stabilization is a necessary objective requirement to develop the general bond market and the government bond market in particular, improving the trust level of the Government, qualified to achieve the investment standards of the major fund sources in the world. In order to create a stable macroeconomic environment, it is needed appropriate economic and monetary policies in every stage of the country's development and a construction of a complete and synchronous legal framework to ensure the unified government bond market development.

#### ***4.2.1.2. Improving the legal framework***

Improving the legal framework on investment of key investors in the market, which focuses on the legal framework of investment mechanisms of credit institutions; Improving the legal framework for the investment mechanisms of insurance organizations; Improving the regulatory framework on investment regulations of the social security should be perfected in the direction of allowing the social security to be actively engaged in the market of the government bonds, promoting the maximum of idle funds, raising the return on investment ratio; Modifying the deposit insurance law towards expanding the investment range of deposit insurance, allowing the deposit insurance to be engaged without restrictions on both primary and secondary markets, enabling the deposit insurance to sell government bonds as needed; Market restructuring is tied to the public debt restructuring for the purpose of extending the term of the government bond debt portfolio, diversification of investors in the government bond market; Completing the legal framework for tools of preventive and handling public debt risks (including government debts); Proposing to allow credit institutions to use government bonds as part of the mandatory reserves when modifying the Law of State Bank and the Law of Credit Institutions; Completing the regulatory framework of the termed Trading (Repo) for government bonds to promote the liquidity of the secondary market; Issuing the standard government bonds, improving the infrastructure in the secondary market to implement a guaranteed offer price commitment, implementing the government bond swap; Completing the legal framework of the first level agent system with a full range of functions to create the market in both primary and secondary government bond markets; Completing the legal framework and technology infrastructure for the issuance of the government bonds, supporting the liquidity for the mandatory PDs biddings; Supplementing Circulars to regulate the trading instruments for extending the maximum trading period is 364 days under Decree No. 95/ND-CP has allowed no more than 1 year; The legal framework for the development of green bonds to facilitate for the subjects to issue for mobilizing capitals through bond issuance to implement the green projects.

#### ***4.2.1.3. Improving the government bond market structure***

In order to continue to develop the government bond market under the development route of bond market to 2020 and the orientation to 2030, it is necessary to complete the market structure of the government bonds. First of all, increasing the proportion of the medium and long term bonds in the market structure, extending the loan terms through the domestic government bond issuance in the period of 2016-2020, averaging between 6-8 years; It is necessary to study and issue the trading standards such as a sample Repos contract, facilitating easier for investors in the market to conduct trading.

In addition, it is necessary to conduct research on bond trading methods before bidding (When – issued) like in some developed markets such as Japan, USA, Singapore allowing investors to determine a reasonable price before joining the primary market.

*a) Completing and developing the primary market*

*b) Completing and developing the secondary market*

#### **4.2.2. Micro Solution Group**

##### ***4.2.2.1. Diversified development and standardization of government bonds***

Diversification of the term types will increase the capital mobilization and build a standard interest curve for other creditor tools to reference. The scale of the government bond codes also need to be enhanced to reduce the number of government bond codes, increase the liquidity in the secondary market, step by step bringing some Vietnamese bond codes into the international Bond Index basket. Restructure of government bond portfolio, reopen issuing government bond codes (issued in previous years). Expanding the issuance of government bonds to the international market.

##### ***4.2.2.2. Developing new products in the government bond market***

The bond issuance in accordance with the bidding method to enhance transparency, continue to complete the legal framework for the market, improve the process of providing bond information in order to the international standard practices, expand the investor base to the subjects of domestic and foreign investors, towards insurance companies, investment funds...Hence, the research and development of new bond products are also an important solution to attract investors to buy government bonds, enhancing the capital raising capacity for the State Budget.

Issuing bonds with the floating rate; issuing treasury inflation protected bonds; bonds have repurchase terms before maturity; issuing green bonds.

##### ***4.2.2.3. Developing institutional investor system***

*a) The development of bond investor system*

Solutions to enhance the operations of investors in the market: It is necessary to improve the quality of the commercial bank operations, implement the commercial bank restructure according to the roadmap to reduce bad debts in the system, thereby reducing the capital raising pressure in the market, facilitating for reduction of the floor of deposit interest rate, reducing the cost of capital to invest in bonds. Require the social security to participate in the purchase and sale of government bonds in the market to further restructure investors in the bond market; developing the foreign investors, interested in attracting long-term investors; developing the voluntary retirement funds, voluntary retirement insurance products; Diversification of the types of target investment funds, including bond investment funds; Encouraging the investment funds to strengthen investments in government bonds.

*b) Restructuring the bond investor system*

The purpose of the content to restructure investors in order to: (i) Gradually diversify the investor base, proceed to the structure of the investor base with large and stable demand, professional to create the stable liquidity; (ii) Maintain and foster the participation of the crowd of individual investors.

To implement the restructuring of the investor base in the bond market, it is needed to have the following synchronized solutions: *First*, to enact the synchronized guide documents of the securities investment

products for investors with the different degrees of risk acceptance, multi-target funds to connect between the insurance, bonds, real estate and currency markets with the stock market. *Second*, building the tax mechanism aimed at encouraging collective investments, encouraging the participation of investments in the bond market through investment funds; Having a preference mechanism for exemption and refund of income tax from investments in bonds through the investment of collective investments such as: the products of saving linked with investment, insurance linked with investment, retirement linked with investment to avoid double-imposing taxes on earnings. *Third*, improving the quality of training and ethics of the asset management officers. *Fourth*, facilitating the infrastructure and the convenience of trading operations for investors. *Fifth*, completing the information disclosure mechanism, ensuring the transparency in the operation of the bond market.

#### ***4.2.2.4. Developing intermediate financial mechanisms and market services***

Build a market maker system with full rights and obligations in the primary and secondary markets to support the liquidity for the market, plays a stabilizing role when the market has a strong volatility.

In order for the level I agent system officially to be deployed and entered into operations, one of the prerequisites is that the level I agents are supported in terms of liquidity as needed, participating in the open market, borrowing from securities. It is proposed to amend and supplement the legal framework and issue legal documents of the rights, obligations, and mechanisms of action of the level I agents.

Solution to improve the method of government bond issuance: In order to establish a system of level I agents, it is necessary to improve the method of government bond issuance in the direction of focusing solely on the tender and ensuring that the agent I is the only one who has access to buy government bonds in the issuance market, including treasury and government bonds.

The solution for the interest of government bond issuance: It is necessary to remove the operating mechanism of the framing and ceiling interest rates. The solution to promote the liquidity in the government bond market: Building a modern information technology system; Upgrading the trading system, monitoring system, disclosure system, information provision and the system of registration, custody, clearing, payment.

#### ***4.2.2.5. Innovating the interest rate operating mechanism and creating a standard interest rate curve***

*Innovating the interest rate operating mechanism:* The Government should adopt a floating interest rate for the government bonds. To increase the attractions of the government bonds, it should apply the adjusted interest rate to inflation, and apply the flexible interest payment method such as the advance interest payment, periodic interest payment,... so that the investors can minimize risks and diversify the investment portfolios; Building a really attractive interest mechanism for investors, including in terms of inflation or mitigation to ensure investor profits on the basis of the Government's benefits.

*Creating a standard interest curve:* The government bonds need to be mobilized in different terms, ranging from short, medium and long terms so that it is possible to create a standard interest curve for the market with the principle of the longer terms, the higher interest rates. At present, the government bonds have been still being mobilized in short and medium terms; hence it is necessary to take advantage with favorable market periods to mobilize long-term periods of 5 years or more. Even if the medium and long terms do not have much success in the capital mobilization, it is still advisable to maintain the issuance regularly so that it can create the signals for the market.

#### ***4.2.2.6. Building and developing the credit rating organizations***

With the trend of globalization, international economic integration and financial liberations, the formation and development of the professional credit rating organizations are very urgent issues to help the process of integration and development of the Vietnamese financial market are fast and sustainable. The investors will be easier in selecting the appropriate credit-rated bond products because they do not need to perform the credit risk assessment of each bond. The investors will be also easily to compare the bonds of the same credit rankings to select the most suitable bond.

#### ***4.2.2.7. Enhancing the quality of human resources of the government bond market management and strengthening the international integration***

Our quality workforce is one of the basic conditions for building, managing and operating the market.

Strengthening international integration is a good solution to develop the Vietnamese bond market.

#### **4.2.3. Conditions for implementing the solutions**

##### ***4.2.3.1. On the State's side***

*First*, stabilizing the macroeconomic environment is an objective and necessary condition to ensure the stable development of financial market in general and bond market in particular, is the basis for strengthening the issuance of government bonds to different groups of investors. *Second*, developing the currency and security markets synchronically, in particular completing tools and mechanisms for the prevention of risks for investors; The development of the markets will support the capital flows run strongly, supporting the development of the government bond market. *Three*, building and completing the mechanism and policy of developing the government bond market. *Four*, completing the transactional process of developing the government bond market. *Five*, completing the Information Technology infrastructure for the market.

##### ***4.2.3.2. On the investor's side***

The system of investors in the government bond market is improving the capacity and operative effectiveness of the current investor group in the market, including the commercial banks, insurance organizations, investment funds, encouraging organizations with long-term capitals such as Social Security, deposit insurance participate in the market in the professional, effective direction.

### **4.3. THE ROADMAP FOR DEVELOPING THE GOVERNMENT BOND MARKET IN VIETNAM TO 2025 AND THE VISION TO THE YEAR 2030**

#### **4.3.1. Period 2018-2025**

#### **4.3.2. Period 2025-2030**

#### **Conclusion of Chapter 4**

The government bond market is a middle and long-term capital channel for financial market; Allowing the mobilization of temporarily idle funds throughout the society to invest in the economic development. However, the current analysis of the Vietnamese market development of government bonds in the past periods shows that the remaining government bond market has not yet promoted its full roles. In order to develop the government bond market in the coming time on the basis of orientation and target viewpoints, Chapter 4 has concentrated to suggest the system of strategic solutions with two groups of macro and micro solutions. Besides, the thesis has proposed the market development conditions and the development of the government bond market to 2025, with the visibility to 2030.

## CONCLUSION

Developing the government bond market in Vietnam is an important issue, aiming at raising funds for the State Budget and for investment and development, contributing to the social security, stabilizing the national finance, controlling inflation; exploiting the most effective way of capitals for the country's socio-economic development plan; restructuring and promoting the development of stock and financial markets of Vietnam. The construction, completion and development of the government bond market in Vietnam has meaningful senses of scientific and practical significances, supporting the relevant State agencies in the process of operating, building the legal framework and operating the market.

The thesis has combined theory and practice to elucidate the research problem. In the course of the study, the thesis was essentially resolved to proposed requirements, including:

- From the theoretical basis of the government bond market and developing the government bond market, the international experience of developing the government bond market of developed countries and lessons learned for Vietnam are: (i) maintaining and stabilizing the macroeconomic stability; (ii) the construction of a synchronized legal framework; (iii) standardizing the issuance of government bonds in the primary market; (iv) completing of trading transactions on government bonds in the secondary market; (v) developing the institutional investor systems; (vi) developing the intermediate financial mechanisms and market services.

- Affirming the need to diversify bond products in the market to meet the investment needs of bond investors, in order to attract the participation of investors, increase the capacity to mobilize capitals in the domestic market according to the increasing demand for loans of the State Budget.

- Analyzing the reality of Vietnam's government bond market in the period of 2011-2017. The thesis was combined with the analyses of qualitative and quantitative, based on the results of quantitative research on the factors of developing the government bond market in the primary and secondary markets; Based on the content of the development of the government bond market, the thesis analyzed the status on the basis of evaluation criteria, thereby reviewing the achieved results, limitations and causes of the development of the government bond market. At the same time, through the collection of primary data through the survey polls, the candidate performed multi-variable analytical techniques (reality descriptive statistics, factor analysis, regression analysis). The results indicated that the factors (1) Legal framework; (2) Products; (3) Investors; (4) Transparency; (5) Intermediate institutions have effects on the development of the government bond market (positive beta coefficient and P-value were less than 0.05). Only technological system factor did not impact on the development of technology system.

- Based on that, building the viewpoints of orientation and goals of developing the government bond market, the thesis proposed two groups of macro and micro solutions with specific solutions that are strategic and suitable to the trend of market development of the government bond and international practices: The macro solution group needs to build a stable macroeconomic environment, improve the legal framework and improve the market structure of the government bonds.

The legal framework needs to focus on modifying the Law of the Credit Organizations No. 47/2010/QH12 on 26/6/2010 and No. 17/2017/QH14 on 20/11/2017 in the direction of allowing the credit organizations to use a mandatory reserve portion with government bonds as a safe asset, having a high liquidity equivalent to currency; On the basis of that amending the content on calculating the ratio of government bond

investments in Circular 19/2017/TT-NHNN on 28/12/2017. Amending Decree 73/2016/ND-CP in accordance with the regulation of the investment ratio of government bonds/total assets of the life insurance enterprises is minimum of 50%, the life insurance businesses that do not meet the rate will have the roadmap to exchange the other assets for the investments in government bonds. On the basis of Decree No. 95/2018/ND-CP dated 30/6/2018 on the issuance, registration, custody, listing and trading of the government's debt instruments on the stock market, supplementing circulars regulating of trading instruments to extend the maximum trading period is 364 days; Continuing to improve the legal framework of issuing government bonds in the primary market and trading government bonds in the secondary market.

Micro solution group needs to develop the diversified and standardized government bonds, develop new products in the market of government bonds, develop the institutional investor system, develop the intermediate institutions and market services, innovate the interest operating mechanism and create an interest rate curve, construct and develop credit rating organizations and improve the quality of human resources of the government bond market management. In order for the solutions to be deployed and feasible, the thesis has built the conditions for implementing the solutions, building the development roadmap of government bonds to 2025, with vision to 2030.

The Vietnamese government bond market has been developing in progress; the debt management in general and the issuance of government bonds in particular have been still being researched to improve the goal of building a Vietnam's bond market development to correspond with the potentiality of the country and meet the capital demands of socio-economic development increasingly, in which the government bond market plays a pivotal role, oriented to other markets. With a complex content that requires extensive research, wide range of problems, the topic might definitely have some flaws. The author wishes to receive constructive comments from scientists in order to improve the thesis and further study in the future./.

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