



# VIETNAM BANK FOR SOCIAL POLICIES

## OVER 1.4 MILLION ETHNIC MINORITIES ACCESS INCLUSIVE FINANCE SERVICES OF VBSP

*More than 1.4 million clients who are ethnic minorities, especially poor women are benefiting from preferential credit programmes and services at the Vietnam Bank for Social Policies (VBSP), with a total loan of VND 140,000 billion (US\$5.84 billion).*



*Some financial schemes for ethnic minorities in Vietnam*

## BACKGROUND

Vietnam has 54 ethnic groups, including 53 ethnic minorities with 14.6 million people, accounting for more than 14% of the national population. Most of ethnic minorities live in remote areas over 5,266 communes, 548 districts, 51 provinces and cities. Transportation and infrastructure is inconvenient and limited, unable to meet living standard and economic development of the family. Also, the percentage of poor ethnic minority households are still high and at low intellectual level.

According to a World Bank's report, just 31 percent of Vietnamese adults have had access to official financial

services, the lowest rate in the East Asia region. Attentively, most of the traditional banks are in urban areas. Therefore, VBSP is the only bank to expand the network nationwide with 63 provincial branches, 630 transaction offices at district level, nearly 11,000 fixed-date transaction points at commune and ward level, around 200,000 savings & credit groups at village level. This outreach has helped ethnic minority households, especially indigenous women have accessed to loans and savings services to meet the needs of their daily life and production as well.



*The VBSP inclusive financial services has reached to De Xu Phinh commune, Mu Cang Chai district, Yen Bai province.*

## **INCLUSIVE FINANCE SCHEMES SERVED BY VBSP FOR ETHNIC MINORITIES**

As of October 31, 2019 VBSP is conducting financial schemes mandated by the government and some loan projects funded by international donors with total outstanding loans reaching over 200,000 billion (~ 9 billion USD); 8.2 million loan accounts serving nearly 6.6 million customers who are mainly women coming from the poor, ethnic minority, persons with disabilities, business households, disadvantaged students, merchants in disadvantaged areas, microenterprises, SMEs, HIV carriers, detoxified drug addicts and rehabilitated prostitutes etc. Credit programmes under social policies have contributed positively to implementing national target programme on sustainable poverty reduction and social welfare assurance.

Over 1.4 million ethnic minority households are enjoying most VBSP's inclusive finance services to improve business, production, job creation, increase incomes and living standard which contributes to sustainable poverty reduction and gradually mitigate the gaps between indigenous, mountainous areas with others in the

whole country. To date, total loan portfolio for ethnic minority customers who are the poor and non-poor living in disadvantaged regions reached nearly VND 50,000 billion, accounting for 30% of the total. With the loan turnover is about VND 140,000 billion and the repayment volume of VND 86,061 billion. The average outstanding loan of each ethnic household was VND 34 million. Moreover, VBSP conducted some specific financial schemes only tailored for ethnic minority customers, such as: Lending program for production development for extremely disadvantaged ethnic households; Lending program for disadvantaged and poor ethnic households in Mekong river delta; Lending program on supporting production land and job change for disadvantaged and poor ethnic households; Loan for support socio-economic development in ethnic minority and mountainous areas in the period of 2017-2020 with 05 key areas as: support for residential land; support for production land; support for living water; support for population stabilization and support for preferential credit.



*Coffee plantation of Mr. KBRop's family in Kao Kuil village, Ding Lac commune, Di Linh district, Lam Dong province thanks preferential capital*

## **SOCIO-ECONOMIC IMPACT OF VBSP INCLUSIVE FINANCE ON LOCAL ETHNIC MINORITIES IN VIETNAM**

Over 16 years, the inclusive finance has reached to 100% of communes, wards and townships nationwide, with priority given to remote and extremely difficult communes. The majority of ethnic minority households living in ethnic and mountainous areas have enjoyed VBSP inclusive financial services. Accordingly, VBSP services has helped ethnic minority households to develop production, improve living standard and escape of poverty, including:

- ✓ Over **2 million** the ethnic minority customers escaped from poverty;
- ✓ Over **162,000** ethnic minority workers have have been provided with jobs, including **16,000** workers sent abroad for fixed term;
- ✓ Over **211,000** disadvantages ethnic minority students have accessed education credit to continue further education;
- ✓ More than **1.3 million** water supply and sanitation facilities in rural areas and **215,000** social houses have been built;

- ✓ Contributing to the national poverty rate decreased **from 8.23% to 5.35%** in the period of 2016-2018 (The statistics from the Ministry of Labour, Invalids and Social Affairs).

## FOCUS ON CUSTOMER IMPACT



*Ethnic minority customers raised questions to VBSP's officials for lending information at commune transaction point*

Inclusive finance has changed the perceptions of ethnic minorities, allowing them overcome their inferiority complex, low self-esteem to borrow a loan and improve their business efficiently. At the same time, it has helped to solve the basic and essential problems of life in ethnic minority and mountainous areas, helping ethnic minorities to gradually improve their quality of life, reduce illness, illiteracy and social evils. Ethnic minorities have started running business, creating jobs, gradually improving production management level and capital management level. They step by step get out of poverty and get rich in their own homeland, preventing evils of usury in rural areas and ethnic minority areas as well as become more confident and affirm their social status.

In the future, the VBSP will continue to carry out inclusive finance services for needy households and ethnic minority people, particularly in the Southwest region, Central Highlands and Northwest region.

## TYPICAL EXAMPLES THANKS TO VBSP INCLUSIVE FINANCIAL SERVICES

Mrs. Trieu Thi Nga's family of Dao ethnic group in Bac Kan province boldly borrowed VND 187 million from VBSP to raise animals, plant trees and raise 3 children to attend university. 10 years ago, her family's main income source relied on paddy fields but still lacked food for 3 to 4 months per year. Started borrowing since 2007, until now, her family has 6ha of well-developed acacia forest and 8 female buffaloes, annual profit after deduction is up to VND 70-80 million/year.



Y Thuot's family, M'Nong ethnic group live in the poor area of Dam Rong district (Lam Dong). At the early period, he faced many difficulties due to lack of production capital and facilities. In 2013, he borrowed VND 30 million from VBSP. Only in nearly two years, the assets formed from VBSP loans have grown, from 1 cow grown to 3 cows. The yield of 1.2 hectares of coffee increased from 2.5 tons to 4.5 tons. In 2015, Mr. Y Thuot's family got out of poverty and



paid all debts to VBSP. After that, in order to get out of poverty sustainably and become rich, in early 2016, his family was given a loan of VND 50 million from the post poverty program of VBSP to expand coffee area and diversify some other crops with high economic efficiency such as avocado, durian and mulberry.

Report on the effectiveness of the credit policies of Khanh Hoa province shows that, up to now, total outstanding loans from 11 credit programs for ethnic minority households are VND 243 billion, 11,250 ethnic minority households have accessed to the inclusive financial services. Overdue debt is only VND 492 million, accounting for 0.2% of total outstanding loans. Under report, the capital from VBSP helped ethnic minority households escape from poverty; have stable jobs and income to improve living conditions; repair and build new houses without the support of the Government.

