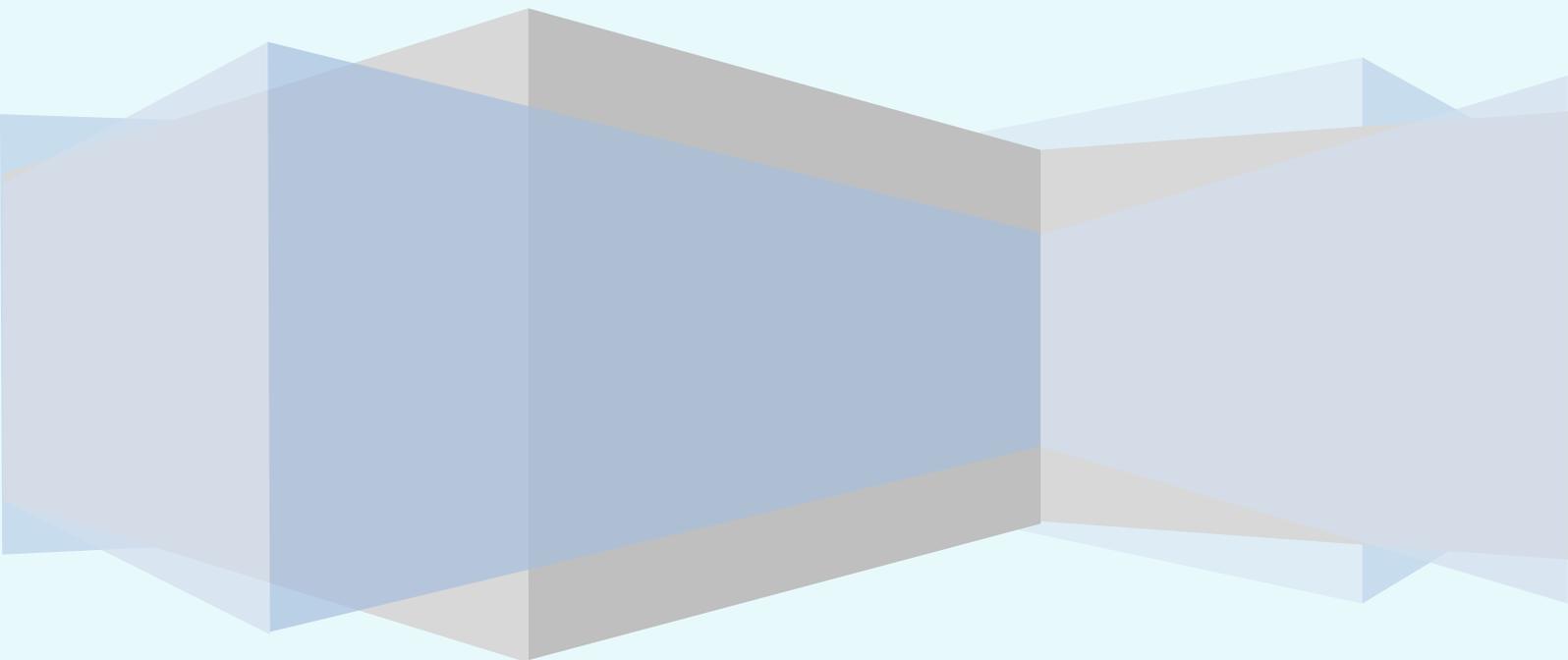




VBSP enhances the access of the poor and other last- mile populations to inclusive financial services



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1. Executive summary

Over 17 years of operation and development, Vietnam Bank for Social Policies (VBSP) has provided inclusive financial services for the poor and other policy beneficiaries. Since establishment, VBSP defines the most essential targets are sustainable poverty alleviation and people living quality improvement. As a public not-for-profit bank, VBSP aims to be one of the key financial institutions providing the most effective inclusive financial solutions for the poor and other policy beneficiaries.

VBSP has built and developed diversity of loan programs and aims to certain customer segment in each program for optimal efficiency such as: credit programs for production and business to create livelihoods and jobs (such as lending to poor and near-poor households, job creation program, program for ethnic minorities, etc) and credit programs for consumption needs (such as housing for the poor, clean water and rural sanitation, etc).

In order to monitor more than 20 credit programs, VBSP develops a unified and synchronous management and executive system throughout the country. VBSP's operation network stretches from the Headquarters down to provinces, districts and communes. With 10,956 fix-dated commune transaction points over 63 cities and provinces in Vietnam, VBSP can reach to the people in the last-mile areas as well as ethnic minority without the geographic obstacles.

Recent years, VBSP is aware of upgrading and developing available credit programs as well as other activities to improve the credit quality and reduce the cost or manual jobs. Firstly, the appearance of new credit program such as social housing and upgrade the loan size of current programs can meet the low income segment demands promptly. Secondly, VBSP develops savings products including flexible deposit and saving deposit at commune transaction point which encourage people in remote areas to step-by-step access the banking systems. Moreover, the deployment of mobile banking project has connected the customers, who do not have financial literacy, with VBSP easily in receiving personal account information. VBSP also enhance the corporation with external organization to implement some specific projects for certain subject, mostly in border and remote areas, where hardly access the financial services in convenient manner.



Over 17 years, VBSP has helped 36.5 million the poor and other disadvantaged groups access inclusive finance services; lending turnover reaches over VND 579 trillion, assisting more than 5.4 million households to across the poverty line; creating new jobs for nearly 4.1 million laborers, in which over 126,000 migrant workers; lending to more than 3.6 million disadvantaged students; building 12.8 million clean water supply and sanitation works; nearly 105 thousand houses over flood for households the Mekong River Delta, 603 thousand houses for the poor, 13 thousand flood shelters for poor households in Central region.

To contribute to improving accessibility to banking services for the economy, VBSP has implemented some key areas:

- ✓ Broaden banking service network and channels
- ✓ Provide various credit schemes for the poor and other last mile population
- ✓ Products are always designed towards convenience for customers
- ✓ Develop digital financial service based on technology modernization
- ✓ Enhance customer protection and procedure simplifications to increase financial service accessibility for the poor and other last mile population

2. Broaden banking service network and channels

Opposite to other commercial banks which mostly focus on profitably operational approaches, VBSP aims to reduce poverty and improve living quality first. Thus, VBSP spreads out its services network to commune level instead of district level where most commercial banks hardly access due to high cost and low profit. Moreover, VBSP develops the credit model with Savings and Credit Groups (SCGs) operation to support the bank in communicating and promulgating to village and hamlet residents.

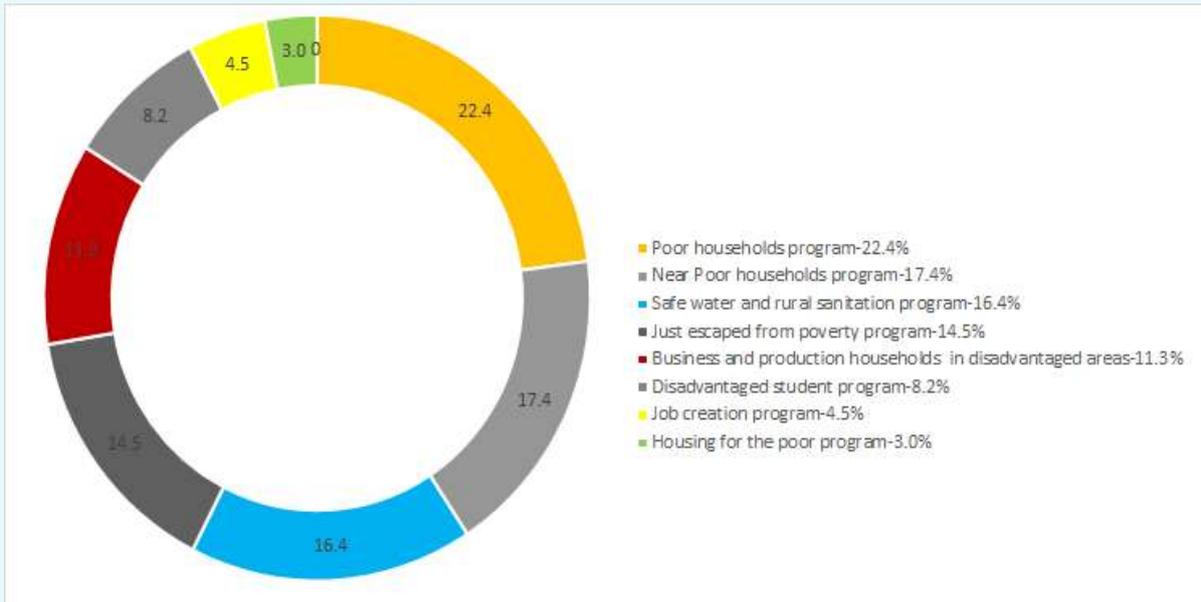
To date, VBSP has established such a wide network with 63 provincial branches, 631 district transaction offices and 10,956 commune transaction points throughout the country. Commune transaction points enhance access to financial services for poor people and policy beneficiaries; reduce transaction costs and travel time for customers.

To support VBSP in financial services delivery, VBSP has coordinated with local governments and mass organizations to set up and manage nearly 200,000 Savings and Credit groups assembling the poor, near poor households and other policy beneficiaries who have demand for loans. Through this model, the poor and other policy beneficiaries have access not only to preferential funds of the Government but also other financial services such as payments and deposits...Nowadays more than 6.6 million customers who are the poor and policy beneficiaries in rural areas maintain savings and transactions with VBSP.

With the widest network bank in Vietnam banking system, VBSP has improved the customers' easy access to banking and financial services especially in rural, mountainous and remote areas.

3. Provide various credit schemes for the poor and other last mile population

Since VBSP's inception, the credit programs have changed over the time to adapt the market need. With the primary target of providing loans to the poor households, after 17 years of operation, VBSP has developed various programs to cover the demand of poor and last mile segment as much as possible. As the decline of the number of the poor households, VBSP launched a number of new programs to support the poor and other beneficiaries demand in many aspects. The below figure show the major products running in VBSP with the large client bases.



Besides developing the additional programs, VBSP considers to increase the loan size for available programs. Particularly, in 2019, the poor program and job creation program has been raised in its loan size up to VND 100 million. The addition of capital and the increase of the limit and the loan term have raised access opportunities and promoted the efficiency of loans for the local people. The maximum loan size for disadvantaged students will increase from VND 1.5 million/month/student to VND 2.5 million/month/student. This is a credit program with meaningful purposes in terms of economics, politics and society, contributing to creating human resources for the country.

4. Products are always designed towards convenience for customers

VBSP has studied and developed appropriate services for its customers who are vulnerable population living in rural and disadvantaged areas and have limited access to commercial bank products and services. In addition to implementing Government-designated credit programs to various clients, VBSP has designed savings products specifically for the poor through Savings and Credit Groups. In 2019, VBSP's savings outstanding balance reached VND 22,340 billion (USD 971 thousand). In which, the deposit balance from Savings and Credit Group members is VND 10,098 billion, accounting for 45% of total savings outstanding balance, with 6 million members participating. The balance of savings deposits mobilized at commune transaction points reached VND 3,345 billion, accounting for 15% of the total saving outstanding balance.

The savings from SCG members



The micro-savings deposit service for the poor through savings and credit groups on one hand helps the borrowers practice saving habits, increases income and repayment ability, on the other hand, create favorable conditions for the poor and policy beneficiaries to access banking services. The figure shows the increase in saving amount from SCG members very quickly, which indicates the positive efficiency of VBSP target on savings products.





In addition, since 2016, Vietnam Bank for Social Policies has implemented a savings mobilization service for residents at commune transaction points. Instead of going to a bank office, which is far away from place of living, people in rural areas can deposit their savings into the Social Policy Bank at the Commune Transaction Point. This product brings convenience to customers living away from the urban centers, contributing to mobilizing resources from the public and providing banking products and services to rural areas..

The latest product has been launched in 2019 is the flexible saving deposit. The product is designed for all eligible customers to deposits many times during the saving terms with the flexible amount each. With the favorable condition, the poor and low income segment even are not active borrowers at VBSP can access to VBSP services and practice saving with a small amount on demand.





The ethnic women are viewing the SMS banking service in Thai Nguyen province

Moreover, VBSP are developing the mobile banking service to provide for the poor, low-income populations and women to access other add-on services such as money transfer, savings deposit, bill payment, insurance etc in the coming time.

6. Enhance customer protection and procedure simplifications to increase financial service accessibility for the poor and other last mile population

VBSP establishes mechanisms to ensure interests of customers through a well-controlled process. The Bank for Social Policy's lending programs are applied preferential interest rates or approaching market rates to reduce financial difficulties for the poor and policy beneficiaries. In addition, lending, debt collection, interest collection and savings taking of VBSP are provided in a convenient and fee-free at commune transaction points. This approach therefore saves time and travel expenses for customers. Set of procedures for handling work; information about lending rates, deposit rates, policies related to policy credit are open published at commune transaction points, in VBSP offices at all levels and at VBSP website to ensure information transparency, facilitating the supervision of the Government and people on the activities of VBSP. Besides, VBSP has set up a hotline phone number and arranged a suggestion box at all

bank offices and transaction points; open the "Questions and Answers" category on the Website to receive feedback from people and customers.

VBSP has strengthened the capacity of officials in credit procedures for individuals and businesses, as well as promptly updated on website for people easily accessing information. To simplify the lending procedure, VBSP allows the borrowers to send the notarized copies or copies with original document to reconcile instead of verified documents by competent authorities as before.

7. Conclusion

The above result can show the effectiveness of each programs deploying in VBSP. Determining the important objective is poverty reduction and living quality improvement, VBSP always focus on the customers' interaction and customers' experience especially the vulnerable group. In the coming time, VBSP will continue to research and issue the new approaches which can match the poor and others' current situation.