



JUNE 2019

# NO POOR LEFT BEHIND



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VIETNAM BANK FOR SOCIAL POLICIES

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Submission by Vietnam Bank for Social Policies, Vietnam

## I. OUR BACKGROUND

Vietnam has experienced high and well sustained rates of economic growth over the past three decades. From a closed economy with per capita income around \$100 in the 1980s, Vietnam has managed to liberalize and achieve per capita income over \$2,300. The economy that used to rely heavily on agriculture gradually became services and manufacturing oriented with only 17% of GDP generated from agriculture sector, 39 from industry sector and the remaining from services. The national poverty rate reduced remarkably from 58% in the 1990s to 5.35% in 2018.

One of the successful factors contributing to both poverty reduction and economic development is the establishment of **Vietnam Bank for Social Policies** in Vietnam.

VBSP is a policy bank established by the Vietnam Government in 2002 to provide financial programs and improve livelihoods for the poor and other disadvantaged groups for a non-profit purpose. The mission aims at sustainable poverty alleviation, job creation, combat climate change, water and environment sanitation, gender equality, disability inclusion and social security.

VBSP is currently providing over 20 financial schemes for around **7 million households** (out of which 3.5 million are women) who are poor, disadvantaged students, ethnic minority, people with disabilities, business households, merchants in disadvantaged areas, microenterprises, SMEs, HIV carriers, rehabilitated drug addicts and reformed prostitutes. One of the key schemes is the program of improving livelihoods for the poor that was launched since VBSP's establishment. To help the poor lift from poverty in a sustainable manner, the program has been extended to serve the near poor since 2013 and the newly-poverty-escaped households since 2015.

## 2. OBJECTIVE OF THE PROGRAM

The program of improving livelihoods for the poor aims at helping them access financial literacy training and microfinance services for improving their production and business, consumption demands, raising income, then gradually lifting from poverty and approaching with the market economy.

## 3. PROGRAM SUMMARY

*VBSP has performed the program of improving livelihoods for the poor, the near-poor and newly-escaped-poverty households since its establishment and continue conducting until no poor is left behind. The program includes four key components.*

### 3.1 Conduct training and financial literacy for program participants

VBSP collaborated with four local mass organizations to establish and manage **savings & credit groups (SCG)** at village or hamlet. On average, each group includes from 5 to 60 clients who are the poor and other vulnerable groups and voluntarily join in SCG. The group operates under the rules set by VBSP. Each group has an elected board of management led by a **group leader**. Group leaders are elected by group members and are trained yearly by VBSP in terms of banking products and services, skills of group and individual financial management. Then, they help VBSP to train group members and collect loan interests, micro-savings and especially guide members to arrange loan applications, repayment reminders, urge proper loan use and communication.

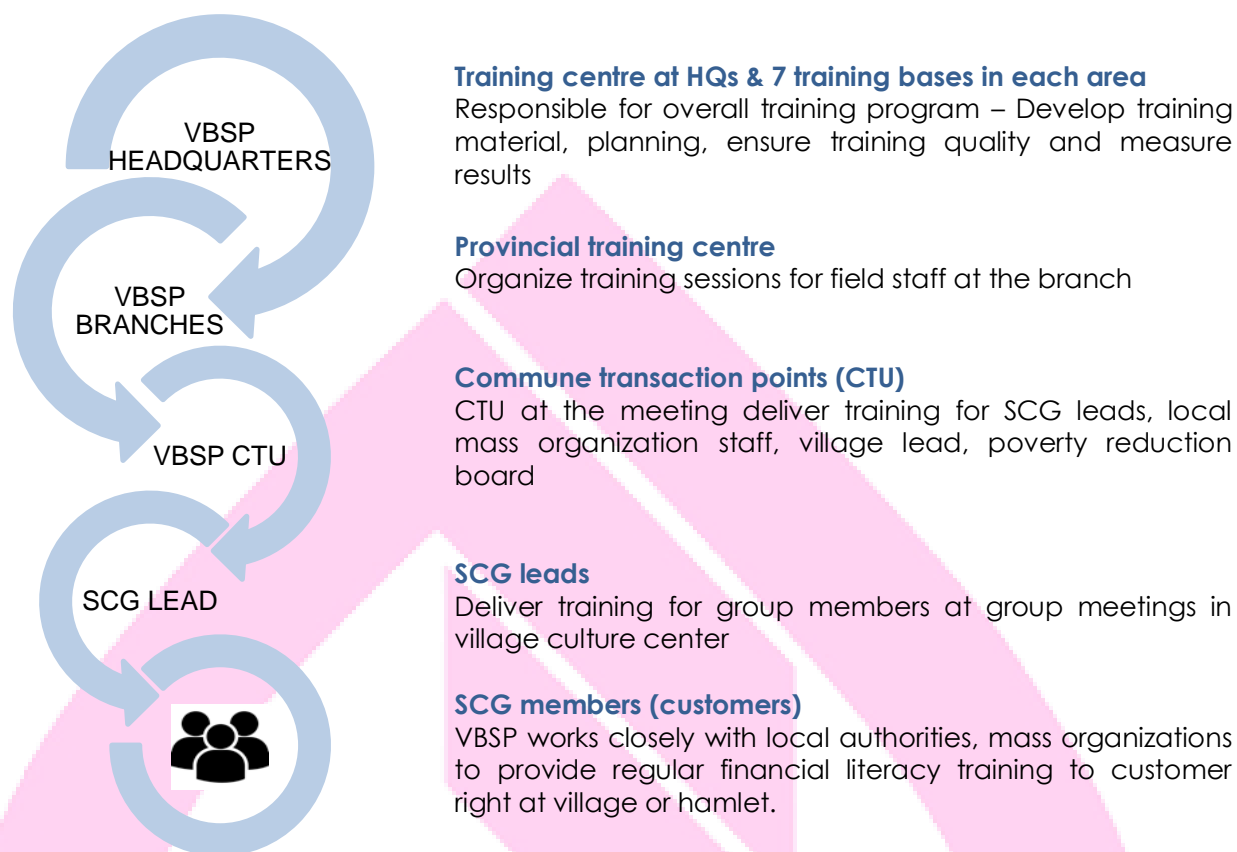
To date, VBSP is the only institution in Vietnam establishing the operation network covering to the grass-root level with 63 city, provincial branches; 631 district transaction offices; around 11,000 transaction points at communes, wards and towns; nearly 200,000 savings & credit groups at villages and hamlets. VBSP has also a training center located in Hanoi and 7 training bases

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nationwide.

Each year, VBSP embarks on an extensive training program provided to every tier within the VBSP service line, group leads and customers. Its foundations are based on the **"train-the trainer" methodology** and the flow is shown in following figure:



## 3.2 VBSP designed and provided for the poor several loan schemes which are suitable for the poor, environmentally friendly and adaptable to climate change

VBSP provides a wide range of credit products to serve the poor in their development process, assisting people not only to escape from poverty on a short-term basis, but to escape from poverty **sustainably**. The loan schemes respond with their livelihood demand in terms of business and production as well as consumption demands.

**Loan for production and business** to support the production and business for the poor, and improve their living standards in contribution to the implementation of the National Target Program on Hunger Elimination and Poverty Reduction, and Social Stability.

**Loan for housing** to support poor households to have steady and safe house, gradually improve their living standards in contribution to sustainable poverty release.

**Loan for education** to support disadvantaged students to finance their study and living expenses at universities/colleges.

**Loan for clean water supply and rural sanitation** to improve health and living conditions and promote socio-economic development in rural areas

To contribute to the target of sustainable poverty reduction, VBSP has extended **loans for the near-poor and newly-poverty-escaped households** who don't have access to commercial bank, in order to improve business and production.



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To boost the access to loan schemes, VBSP applies the lending methodology suitable with the capability of the poor in Vietnam. VBSP conducts documentation simplification and creates favorable procedures for the poor to access financial services (preferential interest rate, provision of non-collateral taking loan, guaranteed by local community). Especially, VBSP delivers services right at customers' address. VBSP established around **11,000 transaction points at communes, wards and towns** where VBSP assigns a field staff team including 3-5 officers to manage to transact with customers at least once on fixed date monthly. Also, SCG leads help VBSP to collect monthly loan interests, micro-savings, guide members set up loan applications, repayment reminders, urge proper loan use and communication. VBSP pay commission fees for SCG leads' work.

### **3.3 Design and provide micro-savings deposit products for the poor**

During the early 2000s, most poor people wished to participate in the formal savings system but found it difficult to make deposit with tiny amounts. At that time, none of the formal financial institutions offered a solution to make savings a practical product for poor community although the poor in Vietnam were getting to be familiar with savings. However, there was hardly any product suitable for them from formal financial institutions or such product from some NGOs could not be accessible nationwide. The lack of services and formal savings products resulted in the rise of informal services throughout Vietnam. Studies indicated that most poor people wished to participate in the savings system but could not find any reliable, simple and convenient savings 2 product to deposit their small amount of money (in 2003, the number of small savings deposit amount of less than \$ 31.39 only accounted for 2% of total deposits). The formal credit institutions only offered "opportunity to access loans" as tools to improve livelihood of poor households without recognizing that savings was also an effective way to help the poorest people getting the habit for a financial service to be able to actually have the ability to effectively use other financial services. Many of NGOs projects intended to diversify sources of income among the poor while promoting savings habits and rules. These programs consistently demonstrated that the poor were disciplined savers.

As the bank serving the poor and other disadvantaged populations, VBSP has implemented savings mobilization in the poor community through savings & credit groups. This savings product requires the members to save minimum two or three dollars per month with monthly interest. The general purposes of the micro savings mobilization program are to (I) meet with the demand of the poor and low-income households based on voluntary savings, build savings habit for the poor to help them create their own capital for incident expense and future investment as well as get familiar with formal financial services served by VBSP, and to (II) grow more capitals for VBSP to provide credit for rural community, contributing to poverty reduction, job generation, improve local likelihood and ensure social security.

### **3.4 Help the poor access information through CTUs & SCGs network and SMS notification services**

To help the poor access information about financial services and policies benefited for them, VBSP communicates information on billboard at commune transaction points and field staff disseminated to customers at CTU meetings at least once per month.

VBSP has been gradually deploying digital technology into banking operations, starting with SMS service. This is the first step to help poor people get acquainted with digital technology and to help VBSP diversifying its products and services, improve the efficiency of banking operations in order to serve customers better and better, bringing services not only to customer's home but also 24/7.

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At present, VBSP SMS notification service reminds about payment schedule, debt and monthly account balance. Thus, VBSP can enhance transparency and efficiency, give customers the access to comprehensive financial services, improve credit quality and increase cost effectiveness for both customers and VBSP. Simultaneously, it teaches customers about liability repayment, savings deposit which helps saving a lot of time and printing costs.

### 4. SUMMARY OF OUR ACHIEVED EFFORTS AND ACHIEVEMENTS

*As mentioned above, VBSP conducted the program improving livelihoods for the poor with the target of financial inclusion development. As of December 31, 2018 VBSP achieved following efforts and achievements.*

#### 4.1 Conduct financial literacy training for the poor

Thanks to the close coordination with mass organizations, communal boards for poverty reduction and management boards of SCG, VBSP annually organizes training on personal finance education (savings and spending management, family budgeting, business start-up), financial banking products and services (tracking debts, loans, lending methods and effective use of loans). Thereby, it helps the poor broaden their knowledge and improve their access to formal financial services, especially in rural and remote areas.

#### VBSP ACHIEVEMENTS OVER 16 YEARS OF OPERATION



**14.5 million** poor households are trained in personal financial education and banking finance



**1.9 million** near-poor households are trained in personal financial education and banking finance

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697.000 million newly escaped from poverty households are trained in personal financial education and banking finance



3.2 million turns Group's leaders and Management Board of Savings and Credit group are trained in opening books, taking notes of monitoring debt, results of paying debt, paying interest of each member in the group

## 4.2 VBSP designed and provided for the poor diverse loan schemes which are suitable for the poor, environmentally friendly and adaptable to climate change

Besides training, VBSP provides a series of preferential credit products to serve the poor according to their development process (from poor households to near-poor households, newly escaped from poverty households with the purpose of covering beneficiary groups). With the goal of sustainable poverty reduction, the design of this credit product chain has created conditions for poor households to access preferential loans of VBSP to stabilize and develop production and business, thereby contributing to sustainably escaping from poverty and not falling into poverty again. VBSP provides credit programs for production and business to create livelihoods, jobs for poor, near-poor and newly escaped from poverty households; serving consumer needs in housing, education, safe water and rural sanitation.

4.2.1. Credit programs for Business and Production (agricultural and forestry production, aquaculture, small-scale trade services, handicraft, daily-life needs for electricity and water, housing repair, and education at high school levels) :



14.5 million turns poor households borrowed loans with total lending turnover reaching over VND 156,000 billion, debt collection turnover reaching over VND 123,000 billion, outstanding loans reaching VND 40,000 billion with nearly 1.5 million active borrowers to 31/12/2018



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**1.9 million** turns near-poor households borrowed loans with total lending turnover reaching over VND 49,000 billion, debt collection turnover reaching nearly VND 20,000 billion, outstanding loans reaching VND 30,000 billion with nearly 1.1 million active borrowers to 31/12/2018



Nearly **700,000** turns newly escaped from poverty households borrowed loans with total lending turnover reaching over VND 21,000 billion, debt collection turnover reaching nearly VND 2,000 billion.

## 4.2.2. Credit programs tailored for consumer demand



Nearly **568,000** houses for poor households and the disadvantaged people



Nearly **13,000** houses prevent the poor in the Central of Vietnam from storms and floods



Over **3,6 million** disadvantaged students borrowed loans for studying



Over **11.3 million** safe water and sanitation facilities are built in rural areas

## 4.3 Design and provide micro-savings deposit products for the poor

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Field staff proceeded micro-savings procedures at commune transaction point

In addition to the implementation of credit programs for poor households to escape poverty sustainably, VBSP also provides savings deposit services through Savings and Credit Groups. Accordingly, poor households practice savings from daily expenditures to deposit a certain amount to VBSP each month (popular is VND 30,000 – VND 50,000 etc). Group leads are allowed by VBSP to collect savings from members but each member has his/her own separate account to perform transactions: deposit, withdrawals, transfers to pay principal and loan interest or receive money. This activity aims at helping the poor create habit of saving, have capital for business and production and be able to quickly pay off bank loans. By January 31, 2018, the mobilization

results are as follows :

**6.7 MILLION** POOR HOUSEHOLDS AND DISADVANTAGED PEOPLE PARTICIPATE IN SAVINGS DEPOSIT SERVICES THROUGH SAVINGS AND CREDIT GROUPS WITH NEARLY VND 9 TRILLION

### **4.4 Help the poor access information through CTUs & SCGs network and SMS notification services**

#### **a) Commune transaction points and savings & credit group network**

VBSP is the only institution in Vietnam to reach the poor at rural, remote and mountainous areas through the innovative model of fixed-date transaction at commune/ward/town nationwide. It is one of the most effective and efficient delivery channels that help the last mile population in Vietnam access inclusive finance served by VBSP, mitigate travelling time and costs for borrowers. At communal transaction points, all inclusive finance programs including lists of active borrowers, outstanding loans and delinquency are publicized to ensure transparent, public and adequate information at all level. On a fixed day of the month, the field staff of VBSP will come to the commune to initiate direct transaction with borrowers in terms of savings deposit, loan application and loan payment for customers.

Currently, VBSP has established nearly 11,000 commune transaction points at 11,162 communes, wards and towns in the country. Nearly 90% of VBSP's business have been implemented at the commune transaction points. Field transactions team go to do transaction with customers right at commune transaction points at least once a month on a fixed day (including weekends and holidays).

VBSP also disseminate and communicate information through the network of SCGs. VBSP staff coordinates with group leads and local mass organizations to provide technical training and information on financial schemes and social security for the poor not only at CTUs but also at group meeting weekly or monthly.



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Group members trained about borrowing process and procedures



Ethnic customers looking up financial schemes information served at commune transaction point



Field staff is conducting transactions with customers at the commune transaction point

### b) Sending SMS notifications to customers through mobile phones



Field officer guiding customers to use SMS service

Since early 2017, VBSP has launched the service of SMS notification for customers at 63 provincial branches throughout the country in order to inform them balances (loan, savings), repayment schedule, overdue debt transfer and customer care information. This service initially helps the poor conveniently check their transactions with group leads and have access to digital finance technology. At the end of 2018, VBSP sent 14.5 million SMS notifications for over 5 million customers.

## 5. SOCIO-ECONOMIC IMPACT

Over the years, programs supporting the poor have reached 100% of communes, wards and towns throughout the country, especially focusing on remote, mountainous and disadvantaged areas. VBSP helped customers to access loans to invest in livestock, poultry, aquaculture, planting

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forests, industrial, fruit and timber trees. The program contributes to enhance the quality of life, raise awareness and improve business methods for more than 17 million poor, near poor and newly escaped from poverty households, helping them to be more confident and boldly borrow loans to invest in production and business in order to increase income, improve the quality of life, gain position in society, and gradually approach to market mechanism.



Thanks to VBSP's loans, the poor Van Than has capital to raise goats and cows

In the past 16 years, the program has contributed to helping nearly 5 million households to escape from poverty, with an average reduction of over 300,000 poor households each year. VBSP has contributed to reducing the national poverty rate from 14.2% in 2011 to 5.35% in late 2018.

Through cooperation with VBSP, its partners such as mass organizations enable to strengthen and improve both the quantity and quality of the movements, increase the number of members, contribute to strengthening the grassroots political system. Moreover, the poor have conditions to work with mass organizations in many activities such as exchanging experience of production, family planning, health care.

Last but not least, VBSP's SMS service via mobile phone also helps the poor to access and become familiar with information technology, raise the awareness of modern financial services and contribute to promoting socio-economic development.

The program has impacted comprehensively on all aspects of people's lives throughout the country, especially in ethnic minority, mountainous and poor areas. The material and spiritual life of ethnic minority are increasingly improved, contributing significantly to the goal of sustainable poverty reduction, new rural construction, social security, political stability, social order.

**For more details, watch the video clip on the VBSP Successful Financial Inclusion Model link at <https://www.youtube.com/watch?v=gp4Jt-3UvLI>**

### **6. CONCLUSION : DEVELOPMENT ORIENTATION OF VBSP**

With the development strategy of VBSP which is improving capacity and efficiency to implement the goal of poverty reduction, social security, VBSP must focus on effectively performing the program to support reducing poverty rapidly and sustainably for poor households and disadvantaged people. Therefore, in the coming time, VBSP will continue to focus on mobilizing resources and organizing the program to ensure that 100% of poor, near poor and newly escaped from poverty households can access to products and services provided by VBSP.

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