

# A case study on financial inclusion for **ETHNIC MINORITY WOMEN**

Linking rural savings and loan groups to formal financial services in Vietnam



## **CARE INTERNATIONAL IN VIETNAM**

Project: Financial Linkages for Inclusion - Remote Ethnic Minorities (FinLINK)

Funded by: Visa



## PROJECT SUMMARY

# Financial Linkages for Inclusion - Remote Ethnic Minorities (FinLINK)



PROJECT LOCATION:  
Dien Bien province, Vietnam



INVESTMENT:  
\$325,000



TARGET POPULATION:  
Thai ethnic minority group



FINANCIAL LITERACY &  
BUSINESS SKILLS

829 women gained  
knowledge on financial  
literacy

799 women & 12 men  
gained knowledge on  
business skills



PROJECT DURATION:  
Jul, 2015 – Mar, 2018



VILLAGE SAVINGS &  
LOANS ASSOCIATIONS

829 women directly helped  
via 31 VSLA groups



SAVINGS & LOAN GROUPS  
LINKED WITH BANK

6 groups with 172 women  
piloted the Vi Viet e-wallet



## I. EXECUTIVE SUMMARY

In 2015, CARE, with generous support from Visa, launched one of Vietnam's first initiatives on financial inclusion for ethnic minority women based on a digital technology platform. With a view to linking ethnic minority women's savings and loan groups to formal financial services, CARE entered into a partnership with Lien Viet Post Bank to customize the ViViet e-wallet and tested it across six Village Savings and Loan Associations (VSLAs) in Dien Bien. The initiative was recognized by the community and project partners as a valuable experiment on digital financial services for remote ethnic minority women. *This case study details CARE's experience to date with VSLA-Bank linkages and draws lessons, challenges and learning for banks, NGOs and other relevant actors to advance financial inclusion in Vietnam.*



Zone of intervention: Dien Bien province in northern Viet Nam

## II. INTRODUCTION

### A SNAPSHOT ON FINANCIAL INCLUSION IN VIETNAM

The Vietnamese economy has been growing quickly, becoming more efficient and vibrant every day. Accenture analysis estimates that this growth can give rise to USD \$3.9 billion<sup>1</sup> in potential revenue by banking under-banked individuals and micro-enterprises by 2020.

Data from the Global Findex database reveal that as of 2014 only about one-third of adults in Vietnam indicated they had a transaction account with a formal financial provider, far below the regional average of 69%. Less than 15% of the population saves at a financial institution. Only 18.4% of the population access credit from financial institutions, which includes banks and other micro financial institutions.

Some of the most important barriers to accessing and using formal financial services include: Financial services are too far to access; Financial services are too expensive to use; Documentation requirements are prohibitive to open an account; and Lack of trust in the financial sector<sup>2</sup>. This is particularly true for rural poor and remote population. Although the Vietnamese government has made tremendous efforts in promoting financial inclusion, financial services available for the poor are still limited and not high quality. Ethnic minority women are particularly vulnerable to financial exclusion given cultural, financial illiteracy, technical and awareness barriers that they have to face.

With a view to demonstrating a high potential in investing in rural poor market, CARE – with support from Visa Inc. - has implemented the project Financial Linkage for Inclusion (FinLINK) from July 2015 to March 2018, targeting ethnic minority women. The overall goal of FinLINK is to increase EM women's access to formal financial services by creating a financial product that links CARE's network of Village Savings and Loans Association (VSLAs) to formal financial institutions using a group based digital solution. This initiative is a further reflection of a shared commitment by CARE and Visa to expedite financial inclusion for disenfranchised populations that included programs in Ghana, Bangladesh and Kenya.

<sup>1</sup> Within reach – How banks in emerging economies can grow profitably by being more inclusive, 2015, p.5, Accenture and CARE; [https://www.careindia.org/sites/default/files/Within-Reach\\_CARE-Accenture-2015.pdf](https://www.careindia.org/sites/default/files/Within-Reach_CARE-Accenture-2015.pdf)

<sup>2</sup> <https://blogs.worldbank.org/voices/vietnam-s-financial-inclusion-priorities-expanding-financial-services-and-moving-non-cash-economy>

### PROJECT PARTICIPANTS

FinLINK's primary target participants are 829 ethnic minority women living in the frontier areas of Hua Thanh and Thanh Nua commune of Dien Bien District. Majority of the population here are from Thai ethnic group who rely largely on small livestock rearing and agricultural production - especially rice, maize, vegetables - for their livelihoods. VSLA was introduced in this location more than four years ago, and the network has been growing to more than 110 groups, including 3,000 members, with an annual savings up to USD US\$9,000 per group. (A VSLA is an informal, self-selected group of people, mainly women, who pool their money into a fund from which members can borrow. The money is paid back with interest, enabling the funds to grow. VSLA product attributes can include loans, savings, financial education and micro-insurance.)

### III. DEVELOPING A DIGITAL FINANCIAL SOLUTION FOR VSLAs

#### IDENTIFY GROUP NEEDS AND READINESS

From 2013 to 2015, 46 VSLAs were established in Dien Bien with support from CARE. Among those, 31 VSLAs in Thanh Nua and Hua Thanh communes continued to operate and as the groups matured they expressed their need to link with formal financial services. CARE conducted a maturity and needs assessments to fully understand the desires and capabilities of VSLA members and to identify opportunities for linkage. The assessment showed that all 31 VSLAs in the target location were prepared to be linked to formal financial institutions. However, despite the group members' interest, banks and microfinance institutions in the project location did not offer products or services appropriate to their needs.

**TABLE 1: RESULTS OF VSLA NEEDS/READINESS ASSESSMENT**

***Maturity assessment shows that 31 groups had scored of 80 and above with the quantitative and qualitative criteria:***

- More than two years of saving cycle.
- Saving volume of the previous cycle < \$1,000.
- Utilization of loan fund >75 percent.
- Amount of loans written off: less than 2 percent.
- Active loan member: 40 to 60 percent.
- Discipline, member attendance, awareness about group's norm, quality of record keeping

***Needs and readiness assessment shows:***

- 90 percent of VSLA members deposit at the Vietnam Bank for Social Policy (VBSP), but not regularly.

- Members mainly borrow from VBSP – usually in small loans for buying agricultural inputs (seeds, fertilizers, and pesticide), health care and school fees.
- No commercial banks provide small loans and target low-income households, and VSLA members must have collateral to quantify for a bank loan, which is a challenge for many.
- Convenience of saving services decides the saving behaviour and practices.
- Cash transaction still are the most popular choice of service, while bank transfers and money transfer services (eg: post office) are the second and third choices.
- Local people experienced difficulties with using ATM (electrical transactions).
- There is a high need for putting saving into banks for security.
- 95 percent of VSLA members have a mobile phone (71 percent basic feature phones; 24 percent smartphones).
- VSLA members also use mart phones also for “reading news and watching films on YouTube”
- 82 percent of members interviewed had never used or do not even know about the internet.

#### PREPARING FOR LINKAGES

Although 31 VSLAs were mature and had high demand for linkage, their members still needed financial literacy to be fully ready for formal financial services. CARE adapted existing financial education documents to reach these ethnic minority women. The financial literacy training package covers basic contents - savings, budget management and loans - in four modules designed for training over two-days. A business skills training followed as complementary knowledge for famers to apply their financial management skills.

To fully utilize the local resources and build capacity among the women, CARE took the training-of-Trainers (ToT) approach to VSLA leaders and key trainers. Six key trainers from different VSLAs were selected and capacity-building sessions, so they could train others

in financial literacy. Training sessions were conducted in VSLA meetings to maximize the number of women attending. CARE and our local partner, Dien Bien Centre for Community Development (CCD) provided coaching and support when needed during the training.

- Two TOT trainings and 31 sharing events were conducted, with 829 group members participating.
- Six key trainers, who are Thai women, were trained to deliver trainings to their members.



Financial Literacy Training: Lesson Plans for Facilitator

## FORMING A PARTNERSHIP

In order to develop the linkage solution, it is crucial to work with a banking partner that shares CARE's values in serving rural ethnic minority customers. After careful consideration of a number of banks operating in the area, CARE selected Lien Viet Post Joint Stock Commercial Bank (LienVietPostBank), which has been operating in Vietnam since 2008 and is now one of the Top 10 largest private banks in Vietnam in terms of total assets and owner equity.

To date, LienVietPostBank has 1,198 transaction points, including 131 bank transaction offices and 1,067 postal transaction offices across 63 cities/provinces of Vietnam; more than 10,000 nationwide post offices that can be upgraded to postal transaction offices. In the next 10 years, the Bank's goal is to expand full banking services to at least 80 percent of this network throughout Vietnam. LienVietPostBank's vision is to become a leading retail and universal bank targeting the mass market. It also is committed to the Universal Finance Access 2020 Goal proposed by the World Bank Group to promote financial inclusion worldwide.

Given the strong alignment between the project focus and LienVietPostBank's vision, on September 28, 2017, the two partners entered into a Memorandum of Understanding on a joint pilot that supports ethnic minority women with access to formal financial services through the bank's ViViet e-wallet. For the bank, this pilot has helped increase outreach to rural remote customers, developed the ViViet distribution channel and sent out a positive message on financial inclusion for ethnic minority women in line with the organization's "Bank of Everyone" strategy.

## DEVELOPING A PIONEERING PRODUCT

After signing the MoU, two partners worked together to customize ViViet e-wallet to make it relevant for VSLA members.

Through the customized product, VSLA members are able to access the ViViet e-wallet for the group (shared ownership), the Vi Viet e-wallet for individual members, and group savings accounts linked to group e-wallets.



In order to maintain the VSLA structure, LienVietPostBank also introduced three one-time passwords to mimic the three keys of the lockbox. Money can be transferred from the group e-wallet to individual wallets only when three members enter the three passwords.

With ViViet, women can deposit money, make peer-to-peer transfers and use existing services such as mobile phone top-ups, utility bill payments, insurance premium payment and online shopping.

**LAUNCHING  
VI VIET**

The customized Vi-Viet was piloted in November 2017 when 172 women from six VSLA groups were selected to begin testing the e-wallet and used it to make deposits, access loans and use other services.

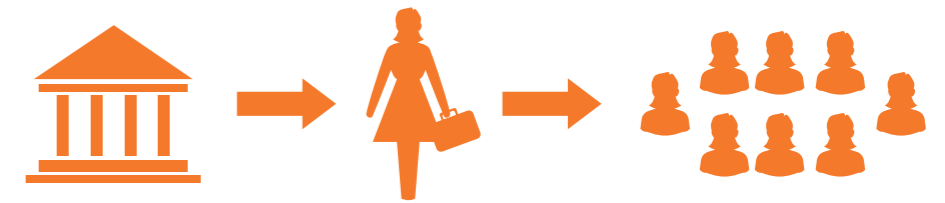
The pilot took place within the context of the Government of Vietnam's development of its National Strategy on Financial Inclusion. There have been some positive moves around agent banking, including the Governor of the State Bank of Vietnam signing Decision No.328/QĐ-NHNN to establish the Steering Committee on Financial Technology.



*"At first, I was afraid that it would be difficult to use Vi Viet and I will lose my money. However, after the training, I am now able to use the app. I can top up my mobile phone without having to go out to buy a phone card" - Ms. Lương Thị Nhung, VSLA Cỏ May, Hạ Village, Thanh Nưa commune.*

*"When transfer money, I really like the QR code transactions. We just need to put 2 mobile phones close together. It is so easy and high-tech!"- Ms. Lò Thị Hường, VSLA Mây Trắng, Tàu village, Thanh Nưa commune.*

**HOW VI VIET  
WORKS WITH  
VLSAs**



*LienVietPostBank sends Vi Viet Officer to VSLAs to introduce Vi Viet e-wallet and*



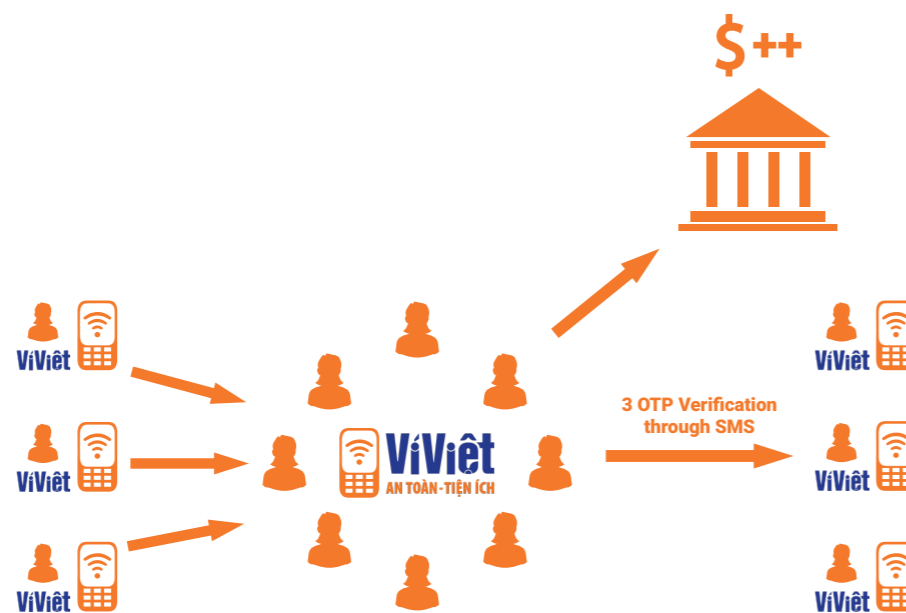
*VLSA members submit their documents to Vi Viet Officer to open their wallet*



*At regular VLSA meetings, women buy shares and add their savings in a lockbox, with three keys kept by three group members. Money from the lockbox will be lent out to members at an agreed interest rate. If no one requests a loan, money will stay in the lockbox until the next meeting.*



With ViViet, VSLA members each have their own wallets. They do “cash in and cash out” transactions through ViViet merchants who are VSLA leaders.



At VSLA meetings, instead of putting money in the lockbox, members send money from their e-wallet to the group e-wallet. If there is no request for loans from members, the money in the group wallet will be transferred to the group savings account to earn extra interest. If someone needs a loan, money will be transferred from group e-wallet to the member’s individual wallet. However, the transaction is successful only when three one time passwords (OTP) are entered by three pre-assigned VLSA members. This mimics the VSLA lockbox to ensure that no one can steal money from the group wallet.

## IV. OVERVIEW OF TRANSACTIONS

In the pilot, 2,151 transactions were conducted via ViViet with a total value of 396,527,226 Vietnamese dong (US\$18,024). VSLA members now are able to use ViViet to deposit and take loans from their groups. Also, ethnic minority women used ViViet to transfer money from their e-wallets to local bank accounts, to top off their mobile phones, and to make multiple person-to-person transactions.

TYPE OF ACTION	RESULTS
Number of ViViet accounts March 31, 2018	172 individual accounts, six group accounts
Number of transactions	1,581 in Q4 2017 570 in Q1 2018
Transaction volume	335,503,000 VND (US\$14,729) in Q4 2017 61,024,226 VND (US\$2,679) in Q1 2018
Transactions to and from group wallets	1,499 in in Q4 2017 507 in Q1 2018
Transaction volume of group wallets	318,927,000 VND (US\$14,001) in Q4 2017 42,830,266 VND (US\$1,880) in Q1 2018
Transactions within groups	1,548 in Q4 2017 508 in Q1 2018
Transactions volume within groups	330,383,000 VND (\$14,504) in Q4 2017 43,080,266 VND (\$1,891) in Q1 2018
Transactions outside groups	33 in Q4 2017 54 in Q1 2018
Transaction volume outside groups	5,120,000 VND (US\$225) in Q4 2017 10,360,000 VND (US\$455) in Q1 2018

## V. RECOMMENDATION FOR NEXT STEPS

### VSLAS' READINESS FOR LINKAGE

- Viable financial solutions depends heavily on the flow of capital. It is important to link ViViet solution with income-generation activities to improve user's cash flow. Solutions may involve the LIG model - Livelihoods Interest Groups – which convenes people from different groups who are pursuing the same type of livelihood. Ethnic minorities in agriculture value chains would be a good fit for this model.
- The project team needs to develop advanced training content targeting livelihood-based groups and use coaching/mentoring methodologies rather than focused training only.
- Financial literacy training showed quite good results. To enhance the effectiveness – and reach members who are illiterate but can read numbers - printed calendar posters/notebooks with easily understandable symbols could be provided to each members for use year around for reference and reinforcement.

### VIVIET SOLUTIONS

- The VSLA groups are mature enough for the self-help activities phase through self-financing and revolving loans. So the project needs to diversify its lending portfolio from outside the group. LienVietPostBank should quickly deploy microloans through ViViet and have dedicated staff to support VSLAs to access those loans.
- Redesigning ViViet interface to includes fingerprint or face image recognition rather than complex passwords for log-in could simplify access.
- There is significant opportunity for enhancing the usability of the ViViet e-wallet, showcasing its convenience and security over cash. This can be facilitated by creating a dense ecosystem for the wallet to be easily used, meaning more transaction/merchant points and opportunities. The members may be educated that their wallet use history could serve as a good proxy for potential formal credit products.
- A micro-savings product – a visual product that women can see and check on their smartphones – that accepts payment through the ViViet wallet also could be a good incentive, as the women like to save.



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