



**AUS4EQUALITY**

# Enhanced Access to Finance of Ethnic Minority Women

*Experience of GREAT via cooperation with VietED, VN Bank for Social Policies and Lien Viet Post Bank*

Program funded by:



**GREAT**

**VietED**  
*Community Connection*



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# The importance of “Access to finance” for “Women in production and service provision”

From the “Women themselves” :

- ✓ Legal: No fixed assets, no ownership rights of fields and land, lack of ID papers;
- ✓ Education/skills: Lack of information, illiterate/can't speak Kinh language, lack of understanding of local financial products;
- ✓ Cultural norms: customs and practices with limits on women, limited communication; and
- ✓ Psychological: Lack of confidence, shyness and hesitation to access new knowledge.

Women face difficulties in “Access to financial services”: This is a major obstacle for them to achieve their expected productive potential.



From the “financial institutions”:

- ✓ Market: have not considered/assessed the **Small and micro-market segments as potential markets**; and
- ✓ Target customers: have not recognized the role of **women** in access to finance based on "Gender", especially ethnic minority women, therefore there are not many suitable **products** for them.

# Current status of “Access to Finance” for “Production and Business Households” in Vietnam: The Story of Son La

**In Son La Province  
→ The demand for  
“Credit” of the  
Households is High,  
but there is no  
suitable “Product”  
from the formal  
Financial Institutions**

- ✓ **1/2 of the surveyed households** have a need for loans for agricultural production;
- ✓ **Over 85% of farmer households** are interested in receiving input credits from agricultural companies, with advances being deducted at the time of product purchase/collection;
- ✓ Among those who borrowed, loans from **informal sources** i.e. friends/relatives amounts to 34%. Especially among **women**, this loan source accounts for 44%; and
- ✓ With formal sources of loans, mainly from VBSP and Agribank.

# Current status of “Access to Finance” for “Production and Business Households” in Vietnam: The Story of LAO CAI

- ✓ 1/3 of the surveyed households have borrowed capital from VBSP, Agribank, Women's Union and People's Credit Fund;
- ✓ However, their **loan demand** is **higher** than the level of credit granted by financial institutions – micro-limit;
- ✓ VBSP’s loan products: limits on borrowers; and
- ✓ Loan products: not suitable for demand and production cycle.

**In Lao Cai → The demand for “Credit” of the households is high, however the formal financial institutions must comply w the limits in terms of “eligible borrowers”**



# GREAT's approach

1. Cooperation model: three-side cooperation associated with the supply chain
2. Innovative loan mechanism:
  - In Son La: Ramie chain-based loan product, of which the **disbursement and debt collection/repayment mechanism engages the enterprise (HTM Dragon) and the input material suppliers.**
  - In Lao Cai: Loan products for 02 Agriculture & Tourism chains with a **repayment schedule suitable to their production/business cycle. Use local resources (People's Committees).**
3. Implementing partner: Select reputable and appropriate financial institutions:
  - In Son La: Lien Viet Post Commercial Joint Stock Bank
  - In Lao Cai: Vietnam Bank for Social Policies
4. Technology application: Disseminate knowledge of financial management to households and manage loans. Especially during COVID.
5. Gender Integration: gender lens in **lending and household financial management.**



# Approach: Diagram of three-side partnership – SON LA

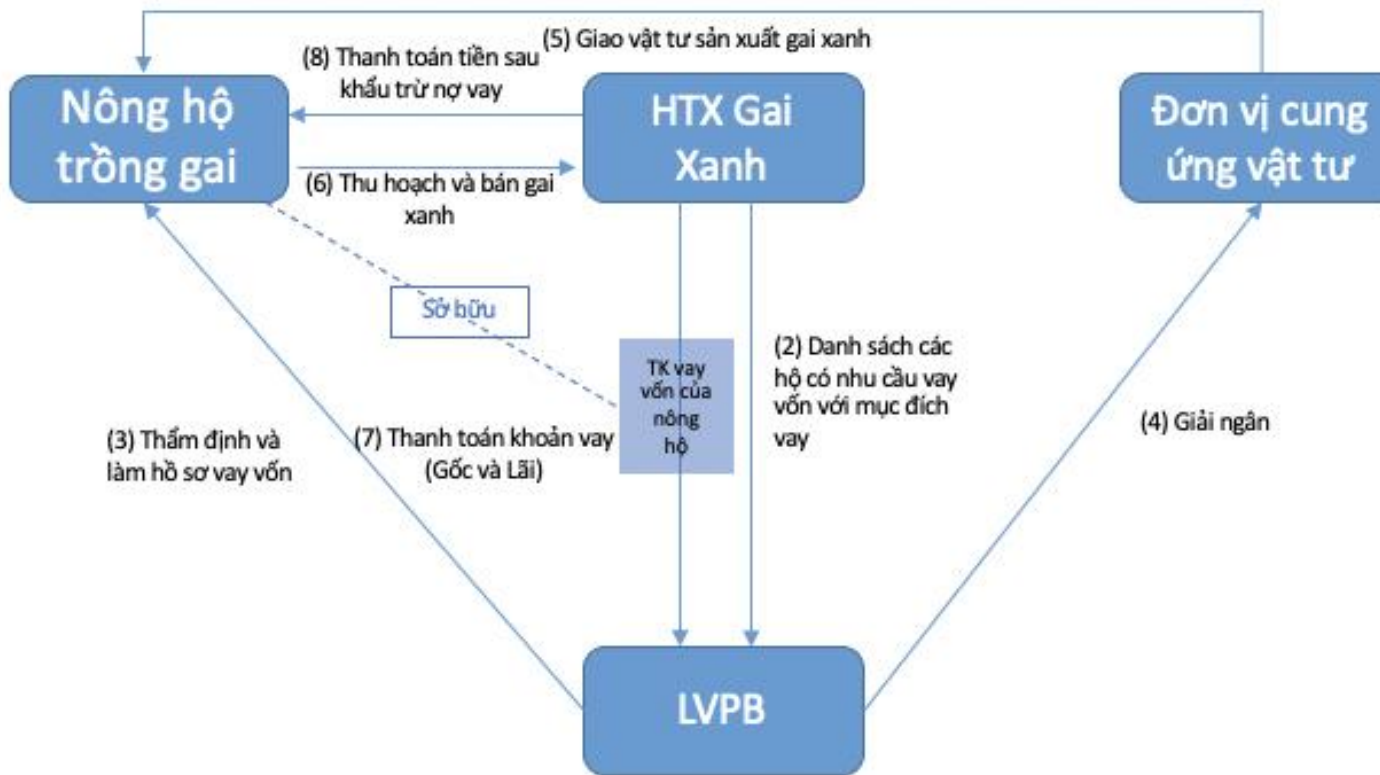
(1) Nông hộ, HTX gai xanh, LVPB ký thoả thuận hợp tác 3 bên

(A) Develop cooperation framework and three-side cooperation agreement

(B) Advice, and support to collect loan documents

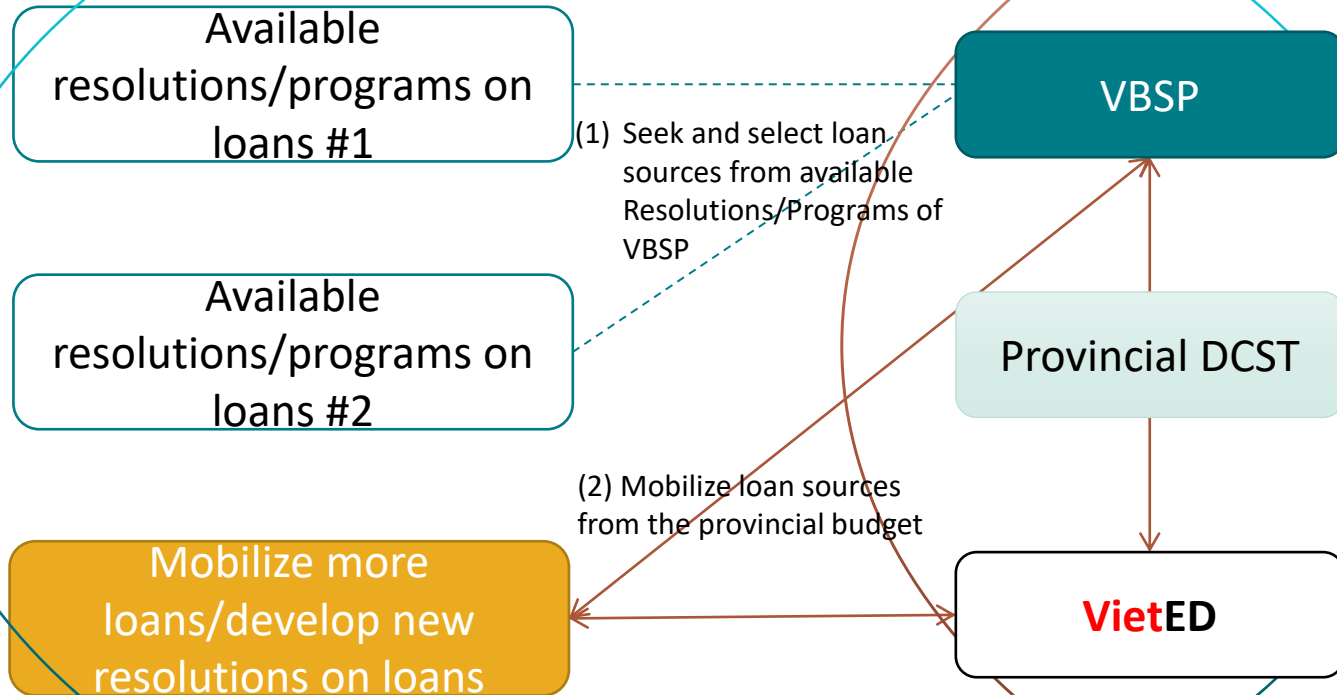
(C) Three-side collaboration to monitor the use of loans.

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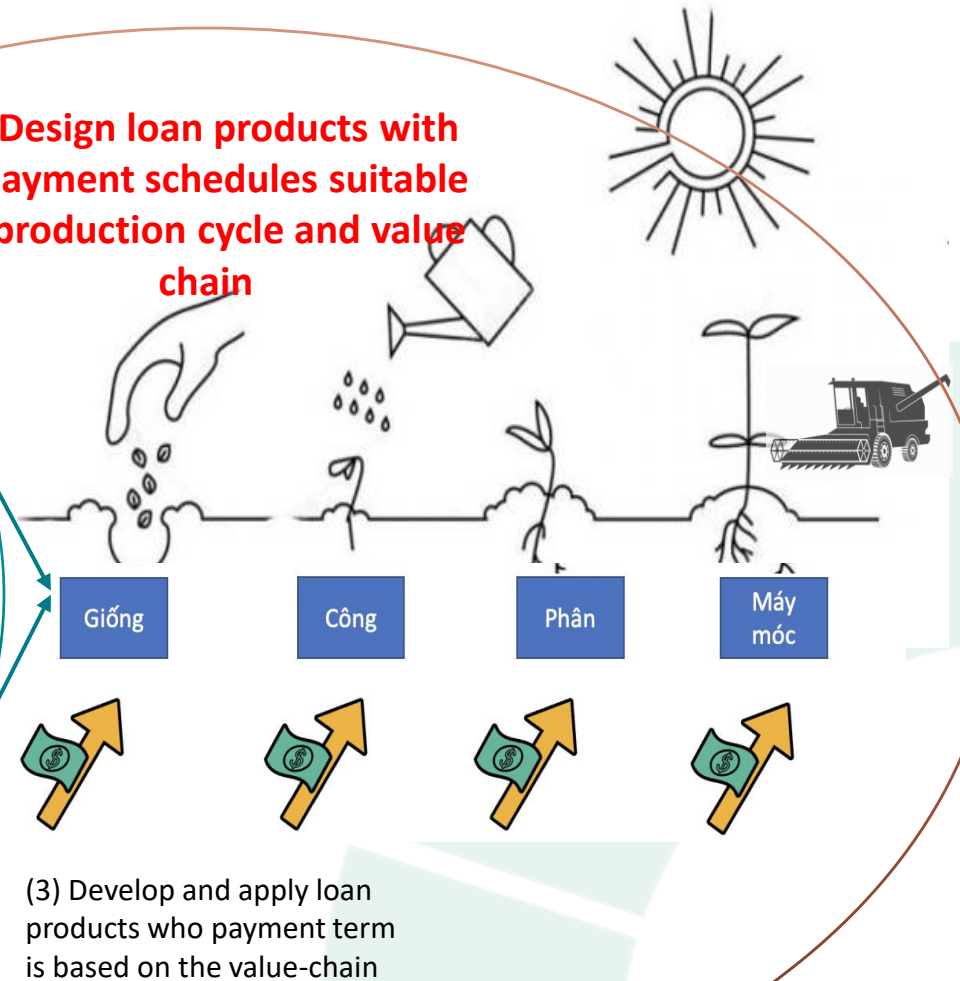


# Approach: Diagram of three-side partnership – LAO CAI

## A. Connect and select suitable loan sources



## B. Design loan products with repayment schedules suitable to production cycle and value chain





# Approach: value chain-based loan mechanism

Characteristics of loan	VBSP – in Lao Cai	LPB- in Son La
Loan amount (VND million)	20-100	20-50
Term	Max 60 months	3-4 months
Annual interest rate	6.6% -7.92% (as applied to the poor and near poor)	11.1%
Disbursement method	In cash, at the People’s Commune office	By bank transfer or in cash at the bank’s branch
Repayment method	Interest paid on monthly basis Principal at the end of loan cycle or upon availability. The payment made in cash through group leader at the commune level.	Interest paid on monthly basis Principal at the end of loan cycle. The payment is made to the bank in cash or via bank transfer.
Loan procedure requirements	<ul style="list-style-type: none"> <li>• ID card</li> <li>• Residency book</li> <li>• Loan application</li> <li>• Power Of Attorney (only if the husband or wife carries out transactions)</li> </ul>	<ul style="list-style-type: none"> <li>• ID card</li> <li>• Residency book</li> <li>• Loan application</li> <li>• Loan list – verified by HTM Dragon</li> </ul>
Target clients	Households of poor and non-poor, who are participating in GREAT supported models such as medicinal herbs (Red Dao), tea (Ban Lien) and tourism (DCI Sapa). Pilot in Ngu Chi Son, Ban Lien and Ta Phin Communes, Lao Cai Province.	Smallholder producers having a contract for sourcing with HTM Dragon. Pilot in Song Ma district, Son La Province
Collateral requirement	No collateral for loans below 100M for individuals and 200M for cooperatives/businesses specializing in tourism.	No collateral required for smallholder producers, provided they belong to the target client cohort described above.

# Approach: Application of IT in financial management and loan management



- In Son La – LVPB:

- ✓ Apply the Disbursement and Debt Collection process: Use Mobile Banking to pay the Principal + Interest payables (ViViet/Viet-24H); and
- ✓ Research and apply technology to manage credit records of cooperative members having a loan, integrate with HTM Dragon's material zone management app.

- In Lao Cai – VBSP:

- ✓ Upgrade and develop the VBSP - financial literacy app: Interface, develop lecture modules in the form of videos, with ethnic minorities language;
- ✓ Implement training on financial literacy for small production households through the VBSP - financial literacy app. Online training during COVID 19; and
- ✓ Support Lao Cai provincial VBSP to replicate Mobile-App: Policy credit management app. Apply in Program loan management and supervision.

# Approach: gender integration

- ✓ Program conducted trainings on gender integration in lending with both LPPB and VBSP credit officers;
- ✓ Encouraged and created favorable conditions for women to have names on the loan document and to be the owner of the bank account;
- ✓ Trainings on women's rights in household financial management and in production and business activities were implemented in both GREAT provinces, with >50% participants being ethnic minority women; and
- ✓ Encouraged women, or both husband and wife, to participate in the training courses on “Business planning and guidance on developing debt repayment plans”.



# Results and initial “figures”

TARGET	LVPB – SON LA			VBSP – LAO CAI		
	Target	Actual	%	Target	Actual	%
1. No. of customers (farmer households)	150	49	33%	100	152	156%
2. Debit balance (VND1b)	1,491	1,060	71%	NA	9,248	NA
3. Repayment (%)	-	100%	-	-	100%	-
4. Outstanding figures	<ul style="list-style-type: none"> <li>✓ <b>&gt;600 smallholder farmers</b> were assessed for credit needs;</li> <li>✓ <b>15 LVPB staff</b> were trained to improve value-chain-based and gender-responsive loan capacity; and</li> <li>✓ <b>&gt;1,000 smallholder farmers</b> received training on financial literacy. With <b>70% are ethnic minority women</b>.</li> </ul>			<ul style="list-style-type: none"> <li>✓ <b>01 Resolution</b> on loans for tourism development: was developed and deployed to give loans to the participants of the Program;</li> <li>✓ <b>&gt; 1,000</b> agricultural and tourism business <b>households</b> attended capacity building trainings from the Program; and</li> <li>✓ Financial literacy app, Mobile-App are replicated to nearly <b>20 communes</b> in Lao Cai.</li> </ul>		



# LESSONS LEARNT: SUCCESS FACTORS– SON LA



1. **Loan products** were designed suitable to the **three-side agreement** (Bank – Business – Borrower)
2. **Procedures and forms were simplified** to reduce the burden and time for paperwork
3. **Flexibility** in working with smallholder farmers. For example: LVPB staff went to villages to conduct training sessions on loan products and assist farmer households in completing paperwork in the evenings;
4. **Clearly defined roles** of each stakeholder in line with the core missions of the lending mechanism; and
5. **Coordinating role** of the Project Management/Implementing Organization (VietED): the Coordinating agency must have understanding of the expertise and needs/missions of each partner in the model. Especially, the Project engaged many parties, and their implementation mechanisms, policies and methods are different. It took a long time for the coordinating agency to consider and balance the interests to negotiate/agree on appropriate changes for each stage of implementation.



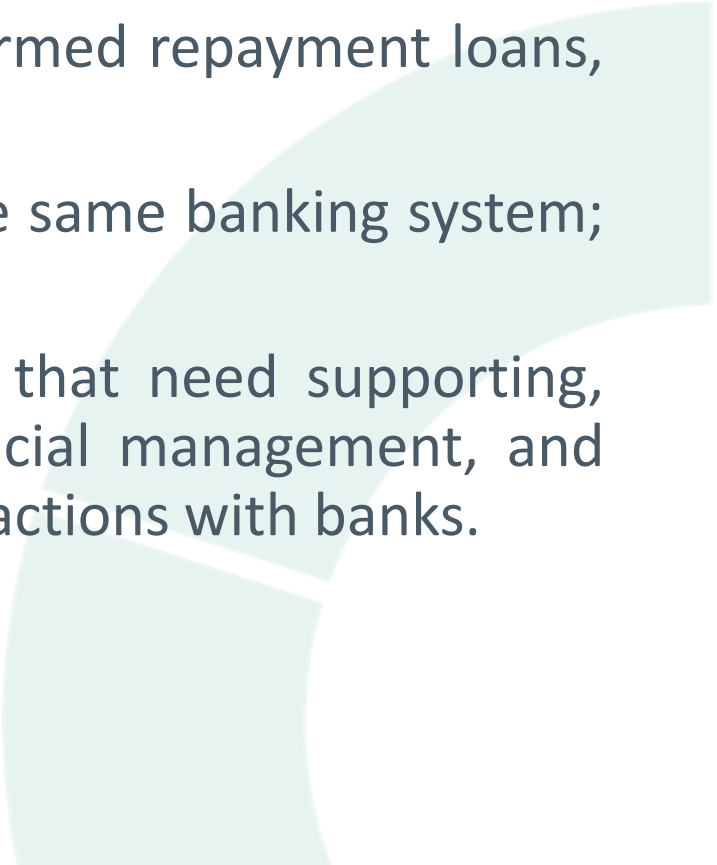
# LESSONS LEARNT: SUCCESS FACTORS– LAO CAI

1. **Linking** the value chain loan concept to the **existing credit scheme** of the bank to increase access to loans for smallholder producers
2. **Use of evidence from the credit needs assessment** to facilitate successful advocacy for a new policy to promote tourism.
3. **Commitment from the headquarters** of VBSP in introducing new products and combining **capital resources** with provincial funds from the People's Council of Lao Cai province; and
4. **Financial literacy training (finlit)** for small farmer households and application of technology-based training, especially in response to COVID.



# Key messages

We want to focus on 04 KEY MESSAGES, as follows:

- Value-chain based loan with a three-side partnership is a suitable product that can be replicated with chains having close and stable linkage;
  - Smallholder farmers comply very well with regulations of termed repayment loans, and are a large potential customer pool of commercial banks;
  - Value-chain based loan products can be replicated within the same banking system; and
  - Ethnic minority women have many fundamental demands that need supporting, such as improving their Vietnamese language ability, financial management, and cash/loan management before they can do more direct transactions with banks.
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# Prospects for GREAT Phase 2

## LVPB

- The commitment of the bank's leaders to piloting a new product demonstrates the potential to develop a new market segment for the bank in the long term, despite the small scope of the pilot; and
- The branch/transaction office network covers the whole country, is ready to deploy the loans on large scale in different locations.

## VBSP

- Value chain-based loan is one of VBSP's strategies in the coming time;
- VBSP in Lao Cai province is ready to replicate the model in Lao Cai to other areas; and
- VBSP assesses that Lao Cai market has many potential value chains.

## VietED/FACS

- VietED always accompanies partners to strengthen the connection of agricultural and tourism value chains, improve farmers' understanding of finance and formal financial products;
- VietED has an ecosystem that connects financial institutions with the poor and low-income people; and
- VietED has in-depth experience in finance/banking and value chain.



Thank  
you!

