



FACTORS AFFECTING POOR PEOPLE'S ACCESSIBILITY TO THE MICRO CREDIT FROM VIET NAM BANK FOR SOCIAL POLICIES - TRA VINH BRANCH

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ARTICLE INFO

Article History:

Received 18th August, 2018

Received in revised form

21st September, 2018

Accepted 24th October, 2018

Published online 30th November, 2018

Key Words:

Micro credit, poor people,
Accessibility, poverty reduction,
Social policies, and banks.

ABSTRACT

The study on factors influencing poor people's accessibility to micro credit from Viet Nam Bank for Social policies - Tra Vinh branch was conducted with a survey of 385 poor people in the districts of Cau Ngang, Duyen Hai, Chau Thanh, Tra Cu and Cang Long in Tra Vinh province. With the use of the Logistic regression method, the research result found that there are five factors affecting poor people's accessibility to micro credit, including household size, level of education, average income, dependency ratio, and household savings. Based on the research results, the author proposes practical solutions to improve poor people's accessibility to micro credit from the Viet Nam Bank for Social Policies (Tra Vinh branch), which helps the local poor people improve their livelihood due to this source of capital.

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Citation: Ha Hong Nguyen and Hien thu thi Pham, 2018. "Factors affecting poor people's accessibility to the micro credit from Viet Nam Bank for Social Policies - Tra Vinh branch", *International Journal of Development Research*, 8, (11), 24402-24406.

INTRODUCTION

Tra Vinh is the second poor province after Soc Trang province in the Mekong Delta, with low starting point. There are approximately 31.5% of the Khmer ethnic people. In 2017, the poor households in Tra Vinh accounted for 16.64% of the total poor households in the Mekong River Delta. Specifically, the total number of poor households in the area was 23,078 households, representing 8.41% of the total number of households in Tra Vinh province. Of 23,078 poor households, there were 20,397 poor households in terms of the income criterion, accounting for 88.38% of the total poor households. 2,681 households had limited access to basic social services, accounting for 11.62% of the total poor households. Also, the number of the Khmer poor households reached 13,859 households, accounting for 15.7% of the total Khmer households (accounting for 60% of the total poor households in the province) (Decision No. 2441/QD-UBT dated 29/12/2017). The Viet Nam Bank for Social Policies (VBSP) - Tra Vinh branch provides over 90% of the amount of micro credit to the poor people in the province. Actual activities of VBSP branch in Tra Vinh show that a number of problems exist.

The first one is that the average loan amount of the poor has not met the demand. Secondly, if the poor people could take out micro credit from the bank, they would have to contact the representative, which would cost the poor some money, commission, for example.

Literature Review

According to Grameen, microfinance is the provision of basic financial services that meet the needs of the poor, including savings deposits, loans, payment services, money transfers and insurance, and even very poor people with the goal of helping them get access to micro credit capital at preferential interest rates for production and business and other financial services to improve their livelihood. Li Xia *et al.* (2011) conducted a survey on household access to micro credit in China. The authors collected data by interviewing 424 households directly. The results of Logistic regression model show that in addition to factors such as family size (number of members) and level of education, the main factors affecting the households' access possibilities to micro credit include income, asset value, self-employment, dependency ratio, savings, status, and substitution of credit sources ... In addition to the demand factors, it is argued that the factors that affect the supply of micro credit such as interest rates, procedures, and loan

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processing time also determine the household's micro credit access. Nathan Okurut (2006) found that the poor and people of color are limited in their ability to develop these resources. Within the national context, the access is strongly influenced by gender, age, family members, education, expenditure and race of the household. Poverty has a negative impact on access to financial resources. In the informal sector, access to these funds is positively influenced by the number of household members, household expenditures, and rural location. At the same time, factors that have a negative impact on access to informal credit include men, rural areas, poverty and poverty. Mohamed (2003) conducted a study on semi-subsistence and semi-subsistence farming of small farmers and fishermen: *The case of Zanzibar*. Data were collected from an interview with 300 households. The author used T-test to classify borrowers and did not borrow in poultry, dairy and fish farming. Logistic regression results confirm that in addition to the socio-economic characteristics of the households, income and information on credit programs also have an impact on the development of formal credits of farmers in Zanzibar. Diagne (1999) conducted a study on determinants of access and participation in the TDI and informal markets in Malawi using the logistic value of the approximate function, the author shows that the source of formation. Therefore, the asset is the decisive element of the household's income. In particular, the higher the value of land and the value of livestock in the total value of assets of the household, the more likely it is that the value of the household's income will be affected. However, the area of land held by the household also has access possibilities to informal sources. Nguyen Van Vu An and *et al.* (2016) conducted a study on the assessment of household credit in Dai An Commune, Tra Cu District, Tra Vinh Province. The author used the Probit model to identify individuals. The effect of farm households' credit capital on formal credit and the use of Tobit model to determine the factors influencing the amount of farmer loans reached the official source. As a result, the factors land area, ability to borrow from informal and ethnic minority sources, and social relations affect the household's development of formal credits. Upon the access to formal credit sources, the amount of loan received by households is affected by factors such as mortgaged assets, average income, social relationships, and the number of loans.

Trinh (2015) examines the factors influencing the access of Vietnamese farmer households to credit. The main data from 64 provinces with 9,181 observations were obtained from the VHLSS 2009 - 2011, Vietnam Bank for Agriculture and Rural Development, and the State Bank of Vietnam. The results of the probit model show that the age, qualification, household size, income, ethnicity, region, health and health expenditures affect the access of farmer households to credit. Bui *et al.* (2014) conducted a study on "The analysis of the access to official credit sources": Case of Shrimp Farmers in Tra Vinh Province". The author conducted a survey of 242 households including 206 households participating in credit and 36 households did not borrow in any form. By using the Binary Logistic regression, the authors concluded that household income, production experience, household loan rates, distance from household to district center, number of borrowings credit organizations and local credit organizations have a direct impact on the access to official credit sources. Nguyen (2012) studied the official credit needs in the development of tortoise raising by farmer households in Kien Giang province. The author used the logistic regression. The research results show that households are influenced by factors such as the age of the household head, the social status of the household, the number of laborers involved in the production, the level of education of the household head, production land and collateral. In particular, the social relationship of the household has the strongest influence on the official credit needs of the household.

MATERIAL AND METHODS

The topic is to use the Binary Logistic model to determine the factors affecting the poor households' financial support for micro credit at the VBSP branch in Tra Vinh. Binary Logistic model is a binary model in which the dependent variable is a dummy variable, accepting only one of two values of 0 or 1 ($Y = 1$ if the poor have access to micro credit and $Y = 0$ if the poor do not get access to micro credit sources). The model is formulated as follows:

- X_i ($i = 1, k$) are the determinants of the poor people's equity of micro credit at the Viet Nam Bank for Social Policies -Tra Vinh branch (independent variable).

Table 1. Significance of variables and expectations of β_i coefficient of the logistic model

Variable codes	Names of variable	Interpretation	Expectation of variables	Basics of variable selection
X_1	nationality	Dummy variable, 1 is the Kinh people, 0 the ethnic minorities	+	Trinh (2015), Nguyen and <i>et al.</i> (2016), Nathan Okurut (2006)
X_2	Sex of the house holders	Dummy variable, valued at 1 if male, 0 if female	+	Li Xia and <i>et al.</i> (2011), Nathan Okurut (2006)
X_3	Size of the household	Number of household members (people)	+	Li Xia and <i>et al.</i> (2011), Nathan Okurut (2006), Trinh (2015)
X_4	Level of education	Dummy variable, valued 1 if householders finished secondary school and lower, and valued 0 if vice versa	-	Li Xia and <i>et al.</i> (2011), Nathan Okurut (2006), Vaesaen (2000), Trinh (2015), Nguyen (2012), Nguyen (2016)
X_5	Average annual income	Average annual income of the household (VND million)	+	Li Xia and <i>et al.</i> (2011), Trinh (2015), Bui and <i>et al.</i> (2014)
X_6	Dependency ratio	Rate of household members without income/total number of members	+/-	Li Xia and <i>et al.</i> (2011), Nguyen (2012)
X_7	savings	Dummy variable, valued at 1 if the household has deposited money at the Viet Nam Bank for Social Policies, Tra Vinh branch, and 0 if vice versa	+	Li Xia and <i>et al.</i> (2011)
Y	Access to micro credit	Valued at 1 the poor have got access to micro credit sources Valued at 0 the poor have not got access to micro credit sources	0/1	Summary of studies and surveys from experts

Source: the authors' summary from other sources

In this model, there are 10 variables ($k = 10$). The model is rewritten as:

$$\log \left[\frac{P(y=1)}{P(y=0)} \right] = \ln \left[\frac{P_i}{1-P_i} \right] = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \epsilon_i$$

The observation for the subject $n = 385$, this sample size is determined by Hoang *et al.* (2008), and the formula for determining the sample size was based on stratified random sampling method. Stratification by poor people was based on poor people with and without the access to micro credit from Tra Vinh branch. After grouping, the authors selected random samples in each group.

RESEARCH FINDINGS AND DISCUSSIONS

Result verification from Wald

Table 2 shows the Sig value of variables $X_1, X_2 > 0,1$, so the relationship between poor households' financial status of TDVM at Tra Vinh branch is not statistically significant. - The Sig value of the variables X_3, X_4, X_5, X_6, X_7 are 0.008, 0.071, 0.005, 0.061, 0.064 < 0.1 respectively < 0.1 , so the relationship between dependence and remaining independent variables: family, education level, income, dependency ratio, savings are statistically significant.

Table 2. Result Verification From Wald

		B	S.E.	Wald	Df	Sig.	Exp (β)
Step 1	X1	-0.883	0.768	1.323	1	0.250	0.414
	X2	0.016	0.466	0.001	1	0.973	1.016
	X3	0.371	0.141	6.970	1	0.008	1.449
	X4	-1.898	1.051	3.263	1	0.071	0.150
	X5	-0.039	0.014	7.733	1	0.005	0.962
	X6	-2.290	1.223	3.506	1	0.061	0.101
	X7	1.262	0.682	3.422	1	0.064	3.533
	Constant	-1.295	1.573	0.678	1	0.410	0.274

Source: Logistic regression results with SPSS 23.0 software

Results from the regression model

The results of the model estimation in Table 3 show that among the seven variables included in the model, five variables were statistically significant at less than 1% and 10%.

Table 3 Binary logistic results

Variables	Estimated coefficient	dP/dX	Wald
Constant	-1.295	-	0.678
Nationality (X1)	-0.883	-	1.323
Sex of the household (X2)	0.016	-	0.001
Size of the households (X3)	0.371	1.449	6.970*
Level of education (X4)	-1.898	0.150	3.263***
Average annual income (X5)	-0.039	0.962	7.773**
Dependency ration (X6)	-2.290	0.101	3.506***
Savings (X7)	1.262	3.533	3.422***

Model: Sig. = 0.000; - 2LL = 139,257; Observed number: 385; Percent of exact forecast: 92.7%

Notes: *, **, *** meaning 1%, 5%, and 10% respectively

Source: Results from the logistic regression model

In particular, the "dependency ratio" has the strongest impact on the poor people's financial position of micro credit at Tra Vinh branch of VBSP followed by "education"; "Savings", "household size" and finally "average income" variable.

- "Household size" X3: the regression result shows that the estimated coefficient is positive at 1% meaning that the household size and the micro credit effect of the

poor at the Viet Nam bank for Social Policies (VBSP) - Tra Vinh branch have a relationship with each other. The more households with more members are, the higher the level of micro credit is, and the higher the number of household members per household is, the better the probability of poor people's micro credit accessibility at the VBSP (Tra Vinh branch) will increase 0.371 times. As with the initial expectation, the more family members are, the higher the probability of generating income from debt repayment is, and the inheritor of the loan should be easily accessible to micro credit from VBSP-Tra Vinh branch.

- "Education level" X4: This independent variable has the opposite effect of the poor household's Micro credit accessibility at the 10% level in Tra Vinh. It is true that with the initial expectation, when poor people have lower secondary education, there will be higher levels of micro credit than those with only lower secondary education. The more educated the poor are, the more likely they are to be aware of the significance and the role of their own funds, and they will be more likely to receive information about their loans compared with those with low education.
- "Average annual income" X5: Regression results show that the estimated coefficient negative at 5% means that the mean annual income variable and micro credit value of the poor The Viet Nam Bank for Social Policies (VBSP) of Tra Vinh province has a negative relationship. Unlike the initial expectation, the poor households have higher average income, and the accessibility of micro credit sources at the branch of VBSP Tra Vinh reduced. Specifically, when the average annual income of the household increased to 1 VND, the accessibility of the micro credit at the VBSP branch decreased 0.039 times. This result can be explained as follows: poor people with higher income will not want to borrow money because they themselves have income to start production business, not need to borrow. This partly evaluates the effectiveness of micro credit funding, which will be available to the poor with lower incomes.
- "Dependency ratio" X6: This ratio is negatively correlated with the catastrophic value of micro credit of poor people at the VBSP branch at a significance level of 10%. Poor households with the highest number of income / income members will have lower accessibility. This is appropriate because, according to experts who are heads of loan management group, poor households with elderly people who do not have an heir will not be considered for loans because they will be permanently degraded and local subsidies will be available. Specifically, when the dependency ratio is increased to 1 unit, the accessibility of micro credit will decrease to 2,290 times.
- "Savings" X7: This independent variable has the same effect on the poor households' micro credit outlook at the VBSP branch at 10% significance level. This is in line with the initial expectation, as the majority of the poor borrowing from the Viet Nam Bank for Social Policies (VBSP) -Tra Vinh branch has deposited savings at the VBSP branch in Tra Vinh to accumulate a portion of their debt at maturity. Monthly income is too low. However, the monthly savings deposit is quite low so the repayment pressure at the end of the term is quite large.

Solutions to improve poor people's access to micro credit at the Viet Nam Bank for Social Policies – Tra Vinh branch

A set of solutions based on research findings

Based on the results of the study, the author would like to propose some solutions to improve the quality of micro credit sources for the poor in the Viet Nam Bank for Social Policies - Tra Vinh branch as follows:

Universal education enhances the educational level of the poor. It is necessary to strengthen the propagation and dissemination of the significance and role of the source of micro credit in poverty reduction so that the poor are aware of the importance of this source of funds. If so, the poor will not find usury loans when they need capital to produce the business. It should be noted that diversification of savings deposit products and other microfinance services for the poor are important. Also, banks should provide attractive forms of savings to encourage the participation of the poor. This is also one of the contributions to reduce debt repayment at the end of the period. At the same time, there should be a greater variety of repayment options, for example, periodic repayment rather than a one-time repayment. Currently, the poor borrowing from the VBSP branch in Tra Vinh has only one repayment method, which is paying monthly interest, the principal paid at the end of the period, which causes the poor to borrow heavily to repay the bank loan in order to get a new loan. The result is that debt lays on debt, and poor people cannot get out of poverty. It is necessary to increase the amount of loan capital so that the poor can have sufficient capital for production and business, so that the loans for the poor are not enough for them to buy equipment, plants and animals for production. The extra profit will lose the meaning of the role of micro credit for the poor. At the same time, after escaping from poverty, the bank needs to provide additional capital for people to develop their economy. It is necessary to create more business models and guide the poor to learn to use the loan effectively, which helps poor people secure the source of repayment in the future. Also, it is of great importance that more jobs for the poor should be created in order to help reduce the dependency ratio and increase income for the poor.

Solutions based on the current situation of the poor people throughout Tra Vinh province

Based on the situation of the poor in the province, a large number of poor people still do not receive adequate information on their loan conditions, lending procedures, interest rates, payables, rights and obligations when taking out loans from the bank, and so forth. To help poor people get better access to the micro credit sources, the banks should help poor people understand the lending activities through the frequent dissemination, and propaganda. In addition, banks can set up more customer care teams. There should be training activities to raise awareness, understanding for the poor and deep concern to help the poor eliminate the fear of debt that leads them to not dare to taking out loans from the bank. The access to micro credit sources depends on the number of loan cycles, or indirectly depends on the borrower's creditworthiness (because of good repayment only, people can get the next loan), but the borrowers can only repay the debt well when they have stable income. Therefore, poor people should actively seek their appropriate direction to avoid mass

production not in accordance with the market supply and demand, causing product prices to fall seriously in the harvest and this can affect people. Farmers are the ones who are seriously affected, making the ability to repay debt reduced. In addition, the poor should conduct cooperative production in order to capture and utilize the opportunity to enter the market in a more stable posture. More importantly, the poor need to use the correct amount for the purpose of applying for an absolute loan without using the loan amount for debt repayment or using it for a purpose other than loan application, in order to bring about economic benefits. Incorrect use of funds leads to insolvency when it is due. The poor need to share information with one another. The disadvantage of rural areas is that conditions are not well developed, and transportation is difficult. Also, communication and telecommunications are rudimentary, which is not able to bring into full play the power of technology. However, there is a remarkable advantage, the enthusiasm from each local farmer. Words of mouth information go quickly. If one household in a village knows something in a short time, all people in the village know. Therefore, poor borrowers can share their experiences of helping the poor who have not yet had access to credit. At the same time, the poor can share their knowledge and experiences with one another, and discuss and help each other to solve difficulties in order get out of poverty and develop their economy. In addition, the poor need to join groups or self-help groups in the community through mass organizations such as the Farmers' Association, the Women's Union, the Youth Union, and the Veterans Association. When joining a group, associations, cooperative groups, farmers will take out loans from banks more easily thanks to the guarantee of the association, cooperative. If the group's activities are delayed, the repayment will be delayed, and so it is difficult to borrow the next time. Therefore, the group should support the planning of borrowing and use of funds for members, and urge the implementation of the plan to ensure the ability to repay. To further promote the role of the leader of the group in guiding the poor people to use the fund effectively, which helps reduce poverty and create a source of repayment in the future. Bank representatives need to take into account the recruitment of local people to work because they are well versed in the area as well as borrowers to reduce the negative impact of information asymmetry on the amount of loan.

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