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**DEVELOPING MICROFINANCE ACTIVITIES
IN THE KEY ECONOMIC REGION OF THE CENTRAL**

Major: Finance - Banking

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SUMMARY OF ECONOMIC DOCTORAL THESIS

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**The thesis can be found at the National Library
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INTRODUCTION

1. The necessity of the thesis

Poverty has always been an important issue that has been deeply concerned by countries around the world. Poverty is the cause of income inequality, lack of diversity in economic development, lack of social security and affects politics. The financial access will help the poor to create jobs, improve incomes, and improve their living standards. Since its establishment, microfinance has played a particularly important role in the socio-economic development of each country through the support of poverty reduction and comprehensive financial economic development. Microfinance always accompanies poor households, near-poor households, low-income individuals, and microenterprises, which are the most vulnerable in the society.

According to Decision No. 1874/QĐ-TTg, dated October 13, 2014 of the Prime Minister “Approving the plan on socio-economic development of the Key economic region of the Central to 2020, with a vision to 2030” has set a target to strive for an economic growth rate of about 9% / year in the period 2016 - 2020. GDP per capita by 2020 will reach about 80 million VND (3,600 USD), equivalent to about 1.1-1.2 times of the national average level. Income per capita in recent years has grown mainly in cities and urban areas, whereas in rural, remote, mountainous and coastal areas and islands, the income is very low. While the ability to access financial services is limited, it has a huge impact on capital investment in production, job creation, and improvement of material, cultural and spiritual life. As a result, it will affect the effectiveness of the implementation of poverty reduction in the region, as well as the comprehensive economic development goal of the country. From aforementioned reasoning, I chose the topic: *“Developing microfinance activities in the key economic region of the Central”* for my doctoral dissertation.

2. Research objectives

Building a theoretical framework to assess the current status of Vietnamese development in the key economic region of the Central, proposing solutions to develop microfinance operations in the key economic region of the Central.

3. Research subject and scope

3.1. Research subjects

Theoretical and practical issues about developing microfinance activities in the Key economic region of the Centrals.

3.2. Research scope

- Regarding the content: The thesis focuses on research on the development of microfinance activities of organizations that provide microfinance services to customers with micro-credit and micro-savings activities in the key economic region of the Central.

- Regarding space: The research focuses on the development of microfinance activities in the Key economic region of the Central

- Regarding time: The thesis analyzes the current status of microfinance activities in the Key economic region of the Centrals in the period 2015-2019, proposing solutions for the coming time.

4. Research method

To achieve the research objectives and answer the aforementioned questions, the thesis uses a combination of the following methods:

- Dialectical materialism method and historical materialism: used to clarify the problems of microfinance and develop microfinance activities in key economic region; to use the assessment of the current status of microfinance development in the key economic region of the Central.

- Methods of data collection and analysis: (1) Methods of collecting and analyzing secondary data; (2) Methods of collecting and analyzing primary data.

- The method of synthesis, comparison and analysis: is used to synthesize and compare data from the microfinance activity reports of microfinance providers to analyze the current development of microfinance activities. .

5. New conclusions of the thesis

New academic and theoretical contributions

The thesis has supplemented and completed the scientific basis for developing microfinance activities for key economic regions in order to contribute to poverty reduction, associated with the financial strategy of the Government, which includes: The perspective of microfinance development of organizations involved in providing microfinance services; Building development targets for microfinance activities aimed at influencing beneficiaries; Factors affecting the development of microfinance activities; The importance of developing microfinance activities for the key economic region of the Central.

The thesis has systematized a wealth of previous experiences in the development of microfinance activities of some countries in the region and

around the world. Thus, the thesis draw some valuable lessons thereby drawing some valuable lessons for reference on developing microfinance activities model for the Key economic region of the Central in particular and for Vietnam in general

New proposals drawn from the research results

The thesis has analyzed quite completely, comprehensively and systematically on the current situation of microfinance development in the Key economic region of the Central in the period 2015-2019. The study clarifies the current situation through 3 aspects, which are operational development through the scale and service quality of microfinance service providers; Operational development through customer service accessibility; Evaluate the impact of microfinance development on poverty alleviation of microfinance customers. The thesis has outlined the results achieved, pointed out the limitations and the cause of the limitations.

From practical research on the development of microfinance activities in the Key economic region of the Central based on the method of collecting secondary data, and surveyed through questionnaires with two groups of subjects (expert interviews and customers interview), the study also proposes recommendations to governmental agencies and departments to develop microfinance activities in the Key economic region of the Central in order to contribute to poverty reduction in the region on the basis of financial development and comprehensive economic development of the country

6. Structure of the thesis

In addition to the introduction, conclusion, the thesis is divided into four chapters:

Chapter 1: Literature Review

Chapter 2: Theoretical basis for the development of microfinance activities in key economic regions

Chapter 3: The current situation of microfinance development in the key economic region of the Central

Chapter 4: Solutions to develop microfinance activities in the key economic region of the Central to 2030.

Chapter 1

LITERATURE REVIEW

1.1. Overview of research related to the thesis

1.1.1. Research on the service scale and the sustainability of microfinance institutions

Research on “*Assessing Outreach and Sustainability of Microfinance Institutions in Cambodia*” by Sophyrum Heng (2015). The thesis assesses the accessibility and sustainability of microfinance institutions in Cambodia and Indonesia in the period from 1995-2014. The decisive factors for the sustainability of MFIs are: 1) Growth in total loan portfolio; 2) Operating expenses / assets; 3) Average loan size per capita. The research concludes that when the loan portfolio grows too fast, the sustainability of microfinance institutions is low.

Research on “*Disclosing the loan officer's role in microfinance development*” by Siwale and Ritchie (2012). The study was conducted in Zambia. Research shows that microfinance provides financial services to specific customers such as receiving deposits, loans, payments and other financial services. Lenders are recruited by MFIs and NGOs, initially assessed by their ability to penetrate microfinance institutions, and are trained in the basics of micro credit operations.

Study on “*Efficiency of microfinance institutions in Sri Lanka: a two-stage double bootstrap DEA approach*” by Wijesiri M, Viganò L, and Meoli M (2015). Research conducted on 36 MFIs in Sri Lanka. It is difficult for MFIs to reach break-even point in the early stages of operation, so it is easy to expand the scale and strengthen management to bring benefits to MFIs. Microfinance organizations, non-governmental organizations are highly valued in terms of social efficiency in their operations, but in addition to pay attention to financial efficiency.

Research on “*Are Financial and Social Efficiency Mutually Exclusive? A Case Study of Vietnamese Microfinance Institutions* ” by Lebovics et al (2017). Efficiency is believed to be the result of a process in which input costs

are reduced to a certain level of output, where the output is both financial and social. The author assesses that the microfinance industry of Vietnam is significantly different in history and structure compared to other emerging economies in the region because the microfinance industry in Vietnam has the active participation of mass organizations and state development banks.

Research by Nguyen Kim Anh and Le Thanh Tam (2012) on "*Sustainability of Vietnamese microfinance institutions: Current situation and some recommendations*", the study mentions the positive impact of develop microfinance operations as follows: Increasing the access to financial services of the poor and low-income people; Sustainable activities help microfinance organizations perform better socio-economic support role.

The Economic Doctoral thesis on "*Microfinance Development in Vietnam*" by Nguyen Duc Hai (2012) has summarized the evaluation criteria of microfinance development from the CAMELS and PEARLS indices and groups of criteria: (1) Group of indicators on outstanding loan quality, (2) Group of indicators on performance, (3) Group of indicators of performance and sustainability, (4) Group of indicators of profitability ratios, (5) Access index group, (6) Social index group. However, this study conducted with a small number of MFIs and the study period is not really long enough.

Economic Doctoral thesis on "*Developing microfinance activities of credit institutions in Vietnam*" by Pham Bich Lien (2016) based on a case study of Lien Viet Bank.. The author discovers factors affecting the development of microfinance activities at credit institutions with a gradual decrease as follows: (i) Width of access, (ii) Time of operation, (iii) Credit risk, (iv) Labor productivity and (v) Sustainability. The study was performed on the database of Lien Viet Bank.

Doctor of Economics thesis on "*Development of microfinance activities in Vietnam*" by Nguyen Quynh Phuong (2017). The thesis conducted theoretical research on developing formal and semi-formal microfinance activities. Research on the development status of 25 microfinance

organizations with the largest operation scale in Vietnam in the period from 2010-2015, applicable policies and solutions to 2020 and vision to 2025. The author uses method expert interview research methods, case studies, quantitative analysis methods.

Research by Truong Quang Thong and Vu Duc Can (2017) on "*Microfinance in Vietnam: Operation situation and policy implications*" is based on data collection from the Vietnam microfinance directory from year 2013-2016 with the method of using descriptive statistics. The author has evaluated the micro-credit activity; the financial management situation of MFIs; analysis of productivity and efficiency indicators of MFIs in legal form; analyze the profitability and sustainability of MFIs classified by legal form.

The Economic Doctoral thesis on "*Factors affecting the operations of microfinance organizations in Vietnam*" by Dao Lan Phuong (2019) outlines the factors affecting the operations of microfinance organizations in Vietnam. Research to assess the operational status of small-scale microfinance institutions, both formal and semi-formal in the period (2011-2016). To assess in detail the factors affecting the operations of microfinance institutions, the author has studied 5 official microfinance institutions. The study used quantitative and qualitative research methods and proposed a group of recommendations.

Thesis on "*Development of microfinance services of the Vietnam Bank for Agriculture and Rural Development*" by Do Thi Dien. The thesis evaluates credit service quality through surveying the satisfaction level of client through SPSS software. The assessment results show that the development of microfinance services still has the following limitations: products are not diverse; modes of service provision are not diverse; the organizational model of microfinance service management is incomplete. The thesis has given 5 groups of solutions to develop microfinance services for Agribank. Despite suggesting the of view of developing microfinance services, the author has not solved the service quality problem.

1.1.2. Research on customers' accessibility to microfinance services

“*Measuring the Performance of Microfinance Institutions*” study by Ferro-Luzzi and Weber, (2006). The study emphasizes that measuring the performance of microfinance institutions is a very necessary and important activity. Microfinance organizations always have to deal with two core issues, which are to provide services to the poorest people in society, through how to provide microfinance services to the poor to access. Besides, always attaching importance to the development of its own organization.

Research on “*Access to microfinance and intra household business decision making: Implication for efficiency of female owned enterprises in Ghana*” by Akpalu et all (2012). Research shows that inconvenient access to microfinance credit contributes to increased poverty for women, especially in developing countries. The research was conducted in 2011 through a randomized survey of 500 women-run businesses. Objectives of the study establish a relationship between microfinance services provided and business performance of households or small businesses run and managed by women.

“*Depth of outreach and financial Sustainability of microfinance institutions*” by Shakil Quayer (2012). The study concludes that both financial sustainability and accessibility are two important factors that are positively related to each other. The accessibility and financial sustainability of microfinance institutions is influenced by financial leverage.

The study of Nguyen Kim Anh et all (2017) on “*Application of technology (Fintech) in microfinance activities towards the universalization of finance in Vietnam*” studies the current situation and assesses opportunities and potentials as well as challenges and difficulties in the application of Fintech for microfinance institutions in Vietnam. The study was conducted on 2 regional microfinance organizations that have applied Fintech in microfinance activities to promote financial universalization. A survey was conducted with 300 customers using Fintech microfinance products.

1.1.3. Research on the impact of microfinance on poverty reduction

“*Microfinance and Poverty - A Macro Perspective*” by Imai et all (2012). The paper indicates that microfinance affects poverty reduction

through using transnational data from previous researchers on the impact of microfinance on poverty reduction in India and Bangladesh, through lending to the for production purposes, microfinance has reduced poverty. However, the study has not mentioned the level of impact on household consumption and the prevention of risks in life.

“Microfinance: development intervention or just another bank” by Korth et al (2012). The study assesses the impact of microfinance on the lives of poor women, men and children in sub-Saharan Africa. The author focuses on long-term non-financial results related to three factors: health, nutrition and education. The study emphasizes that researchers, policy makers, and policy makers need to identify the question that microfinance affects poor women, men and children both in the short and long term, both in terms of the wealth index and not being rich.

The study *“Financial development and poverty reduction in developing countries: New evidence from banks and microfinance institutions”* by Donou - Adonsou and Sylwester (2016). Research conducted in 71 countries in the period 2002-2012 emphasizes that microfinance provides financial services to the poor, especially poverty reduction credit recognized in the 1970s with microfinance organizations in Bangladesh. According to the survey results, the loan portfolio of MFIs in developing countries increased by 1700% and the number of borrowers increased to 400%, most popular in South Asian countries, especially compared to for Africa and Latin America it is even higher.

Research by Nguyen Kim Anh et al (2011) on *“Microfinance with poverty reduction in Vietnam. Testing and comparison ”*. Some research results: (1) The status of housing, toilets, and domestic water all have positive changes after households have access to loans, (2) Most households highly appreciate the social benefits of microfinance, (3) In comparison with microfinance service providers, MFIs have the highest proportion of customers with training, guidance and benefits. (over 37%).

Doctor of economics thesis "*Microfinance to support poverty reduction in Dong Nai province up to 2020*" by Le Lien Cuong (2013), the author has completed the theoretical basis and scientific arguments about microfinance to support poverty reduction. The research studies the current status of microfinance activities in Dong Nai province and propose solutions for MFIs to operate effectively at lower costs. The research thesis works on a provincial scale with narrow data collected from statistical reports.

The Research "*Activities of microfinance organizations to contribute to sustainable poverty reduction in Vietnam*" by Vo Duc Toan, research shows that providers of microfinance services in Vietnam include Vietnam Social Policy Bank, People's credit fund, Microfinance Limited Company and a number of other organizations, aimed primarily at serving poor, near-poor and low-income households. The research is conducted on the basis of evaluation of microfinance institutions established under the Law on Credit Institutions including 4 organizations: Tinh Thuong Limited Liability Microfinance Organization, M7 Limited Liability Microfinance Organization, Thanh Hoa Limited liability Microfinance Institution, One Member Microfinance Organization for the poor.

The thesis "*Credit development for poor households in Thai Nguyen province*" by Nguyen Huu Thu, the thesis has analyzed quite comprehensively the status of credit development for poor households in Thai Nguyen province. Thereby analyzing the factors affecting the credit development for poor households. The conclusion of the study is that credit development for the poor affects poverty reduction. However, the study has not yet evaluated the overall network of organizations providing credit to poor households in the locality and the development direction to meet the capital needs of the poor in the future.

"*Microfinance solutions for sustainable poverty reduction in Vietnam*" by Trinh Thu Thuy. On the basis of building a system of microfinance impact indicators, the impact of microfinance not only directly on poverty reduction but also indirectly through changing the perception of the poor as people

change their way of making money, actively develop production. With the goal of building solutions to sustainable poverty reduction, the thesis does not mention the current largest financial provider of poor households in Vietnam, Policy Bank to assess the current status of microfinance activities affecting poverty reduction.

1.2. Research Gaps and Research Question

1.2.1. Research gap

There have not been any research on the development of microfinance activities for an Economic region as well as the development of microfinance activities by organizations providing microfinance services in key economic regions of a country in order to contribute to poverty reduction and improvement of living standards for beneficiaries is not implemented. There are a number of published studies on poverty reduction and the impact of poverty reduction programs and policies on the poor but there are no in-depth research on the development of microfinance activities for the key economic region associated with the target program of sustainable poverty reduction, the program of building a new countryside of the organizations providing microfinance services. Therefore, the author inherits some results from published studies to assess the current situation and propose solutions for the development of microfinance activities in the Key economic region of the Central associated with comprehensive financial development in Vietnam to meet the research objectives.

1.2.2. Research question

What is the view on developing microfinance activities in key economic regions? How does the scale and quality of services of microfinance service providers affect the development of microfinance activities in key economic regions? Does the development of microfinance operations in key economic regions increase access to capital, improve income, improve living standards for microfinance customers and limit access to capital from informal channels? What are the basic solutions to promote the development of microfinance activities in key economic regions?

Conclusion of chapter 1

In chapter 1, the thesis presented an overview of the research on the development of domestic and foreign microfinance activities with 3 main aspects: Research on operational scale and sustainability of MFIs; Research on customers' accessibility to microfinance services; Study on poverty reduction impacts. The researches are synthesized, summarized, and pointed out the research. The thesis has also raised research questions.

Chapter 2

THEORETICAL BASIS OF DEVELOPING MICROFINANCE ACTIVITIES IN THE KEY ECONOMIC REGIONS

2.1. Overview of microfinance

2.1.1. The history of microfinance

The term microfinance is mentioned when the model of credit provision of F.W.Raiffeisen was applied in Germany in 1860 to provide credit through the establishment of credit associations. In 1970, loan expansion programs for poor women to invest in micro-enterprises and micro-credits emerged. By 2002, microfinance imprisonment was studied quite a lot in the world.

2.1.2. The concept of microfinance

Microfinance is understood as the provision of microfinance services, micro savings services, micro insurance services, payment intermediary services and other non-financial services to poor households, low-income individuals, microenterprises to stabilize their lives, and improve their income.

2.1.3. Microfinance institutions

Microfinance organizations are financial intermediaries specialized in providing financial services to poor customers, small producers, groups of individuals and businesses, small or micro enterprises.

2.1.4. Microfinance services

2.1.4.1. Microfinance Service

Microfinance activities are activities of providing credit mainly to microfinance customers through different forms of loans. The microfinance

products that microfinance institutions provide, including: individual loans, mutual loans and 3rd mutual aid group loans.

2.1.4.2. Micro savings service

Micro savings service is a service that plays an important role in mobilizing small capital sources for MFIs from the perspective of customers' contributions through mandatory savings, self-savings, savings of small and super small businesses.

2.1.4.3. Micro insurance services

Microfinance insurance products include: Life insurance; Health insurance; Property insurance; Agricultural insurance and mixed insurance.

2.1.4.4. Payment service

Payment services are provided by MFIs when providing savings services. This means that customers have accounts at MFIs to make payment transactions.

2.1.4.5. Non-financial services of microfinance institutions

In recent years, microfinance organizations in the world have great success in providing non-financial services to customers such as agricultural engineering consulting service for rural areas.

2.1.5. The Relationship between Microfinance, Comprehensive Finance and Policy Credit

With the goal of developing safe and sustainable microfinance operations for the poor, low-income people, small and micro enterprises, and contribute to the sustainable poverty reduction of countries, operational efficiency microfinance has important implications for economic development, politics and social security. Developing microfinance activities is in the comprehensive national financial development. In the comprehensive development strategy, microfinance organizations are considered as specialized organizations serving the poor, the low-income people, policy beneficiaries and rural residents.

Developing microfinance activities towards beneficiaries, comprehensive financial development, policy credit activities, and micro-

credit activities all have a positive impact on the group of poor customers, low-income people, people living in extremely difficult areas, small businesses, microenterprises and other policy beneficiaries, disadvantaged groups ...

2.2. Development of microfinance operations

2.2.1. Development perspective of microfinance activities

Development of microfinance activities is approached under many perspectives: Expanding the scale and increasing the quality of services provided by microfinance institutions; Increase the accessibility of customers; Impacts on poverty reduction; The association with comprehensive financial development. Therefore, Developing microfinance activities is the process of expansion, improving service quality, diversifying services for the highest benefits of microfinance customers and optimal benefits for Microfinance organizations.

2.2.2. Evaluation criteria for the development of microfinance activities

2.2.2.1. Targets on the scale and quality of services provided by microfinance institutions

Loan outstanding; Principal collection rate; Interest rate; Overdue debt balance, Overdue debt ratio; Balance of traffic income; Number of customers

2.2.2.2. Targets on the accessibility of microfinance customers

Number of borrowers and total credit balance; Number of customers saving and total value of savings from customers; Average loan value; Average loan size; Proportion of female customers; Overdue debt ratio.

2.2.2.3. Indicators of the impact on poverty reduction

Income and living standards before and after accessing to capital of poor households; Their ability to accumulate assets.

2.2.3. Factors affecting the development of microfinance activities

2.2.3.1. Factors from microfinance institutions. Microfinance institutions have a history, operating network, quality of operations, financial sustainability and management information systems differ from each other to influence the development of microfinance activities.

2.2.3.2. Factors from customers. Microfinance clients have different cultural and professional qualifications, gender, and demographics, affecting access to services, efficiency of loan use and ability to repay loans of borrowers.

2.2.3.3. Factors external environment. The legal, socio-political and economic environment affects the development of microfinance activities such as increasing capital mobilization, capital adequacy, financial and monetary crisis and average income of microfinance customers.

2.3. Key economic region and the role of microfinance development in key economic regions

2.3.1. The country's key economic region

The key economic region is a part of the national territory, including a number of provinces and cities that have favorable development conditions and factors, have great economic potential, play a driving force, a locomotive in attracting the general development of the country.

2.3.2. The importance of the development of microfinance activities in the key economic region

Economic regions of the country have favorable conditions and development factors, has great economic potential, plays a leading role in attracting the general development of the country. Developing microfinance activities to create jobs, diversify production models; improve household income, improve living conditions; implement the national target programs and contribute to comprehensive financial development.

2.4. International experiences and lessons on microfinance development in some countries

The thesis studies the experiences of India, Bangladesh, Indonesia and Korea, thereby drawing 5 lessons for developing microfinance activities in the key economic region of the Central.

Conclusion of chapter 2

Chapter 2 studies theoretical basis on operations of microfinance institutions and the development of microfinance activities, successful international experiences on the development of microfinance activities from countries such as India, Bangladesh, Indonesia and South Korea. The thesis

draws some lessons that can be applied to the Key economic region of the Centrals of Vietnam.

Developing microfinance activities in an economic region is identified as one of the most important tasks. It is necessary to have practical solutions from microfinance organizations, from local governments and the Government toward sustainable poverty reduction, promoting economic growth and development.

Chapter 3

THE CURRENT SITUATION OF MICROFINANCE ACTIVITIES IN THE KEY ECONOMIC REGION OF THE CENTRAL REGION

3.1. Overview of natural, economic and social conditions of the Key economic region of the Central related to the development of microfinance activities

In this content, the thesis presents an overview of natural, economic and social conditions of the key economic region of the Central. The reality of poverty in the key economic region of the central region to point out the objective and subjective causes of poverty.

3.2. Current status of microfinance operations in Vietnam over the past time

This part of the thesis presents: The birth and legal basis for microfinance activities in Vietnam; Network of microfinance organizations operating in Vietnam; The status of microfinance service provision in Vietnam, The general assessment of the current status of microfinance operations in Vietnam includes 3 achievements and 3 limitations.

3.3. Current situation of microfinance development in the Key economic region of the Central

3.3.1. Development of microfinance activities through the criteria reflecting scale and service quality in the Key economic region of the Central

3.3.1.1. Development of microfinance activities through the criteria reflecting scale and service quality at VBSP in the key economic region of the Central

Table 3.1: Micro-credit Outstanding of VBSP in the key economic region of Central Vietnam for the period 2015-2019

Unit: million VND

No.	Province/City	2015	2016	2017	2018	2019
1	Thừa Thiên Huế	1,878,821	2,105,939	2,293,098	2,547,569	2,767,371
2	Đà Nẵng	1,283,418	1,466,441	1,638,025	1,988,933	2,352,179
3	Quảng Nam	3,470,673	3,677,566	3,964,501	4,279,646	4,679,130
4	Quảng Ngãi	2,535,664	2,664,935	2,880,405	3,098,421	3,389,423
5	Bình Định	2,513,238	2,801,694	3,129,663	3,433,379	3,799,022
6	Total	11,681,814	12,716,575	13,905,692	15,347,948	16,987,125

With a network covering all provinces and cities, VBSP has successfully implemented lending to the poor through identifying the right subject, disbursing in time and gain effectiveness. In the provision of credit to the poor by VBSP, localities have trained and improved the quality of the staff at the Savings and Credit Groups, the Management Board of Savings and Credit Groups through training and cooperation program with VBSP.

Unit: %

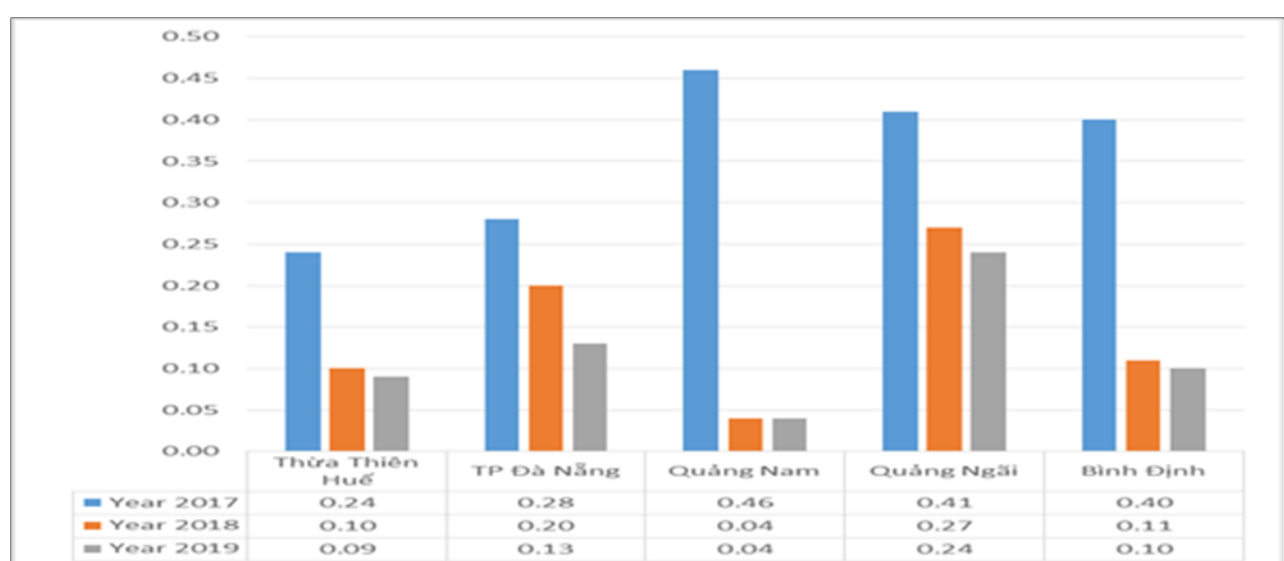


Figure 3.13: VBSP's micro-credit overdue ratio in the Key economic region of the Central, 2017-2019

Non - performing loans are at a certain level due to natural disasters, pandemic, and investment losses. There are also customers who intentionally use capital for the wrong purpose, delay in debt repayment and risk caused by the bank. There are still a number of limitations on the lending process and procedures, the staff capacity.

3.3.1.2. Development of microfinance activities through the criteria reflecting scale and service quality of the People's credit funds in the Key economic region of the Central

The results of the scale of outstanding loans are due to the fact that the People's credit fund are headquartered in rural areas, the fund's operations staff are mainly local people, therefore the credit granting and capital mobilization are done quite conveniently.

Unit: million VND

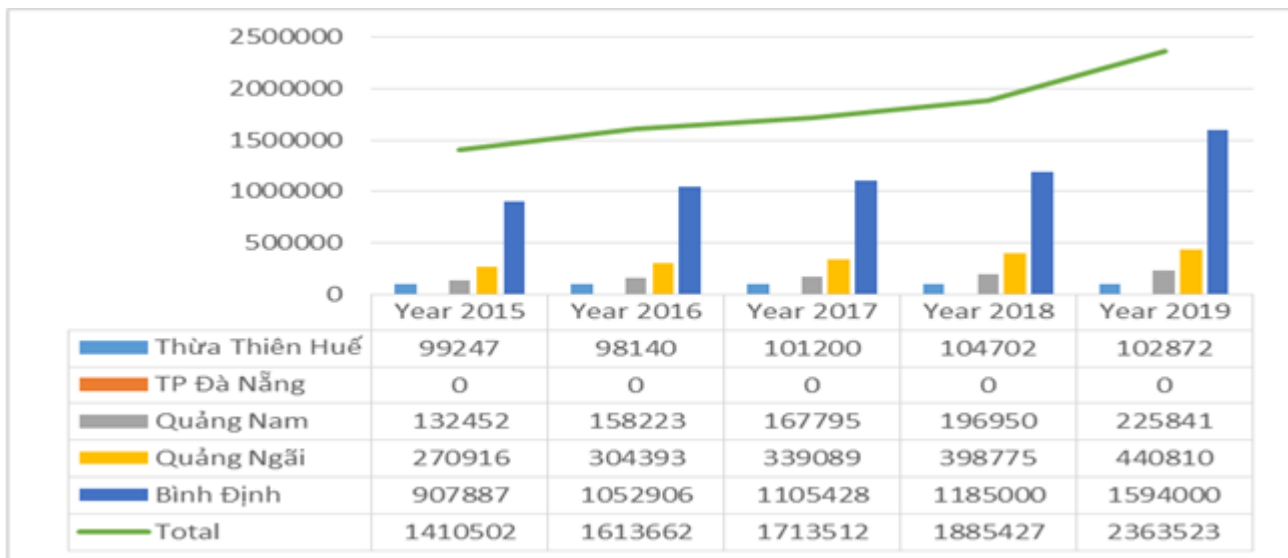


Figure 3.14: Outstanding loan balance of People's credit fund in key economic region of the Centrals in the period 2015-2019

Source: Reports on the operation results of People's Credit Funds in the key economic region of the Centrals in 2015,2016,2017,2018,2019

Total mobilized capital from savings always reach over 85% of the total mobilized capital. The above results indicates that People's credit fund gain trust from customers, have a reasonable interest rate mechanism and appropriate policies to attract customers. However, the approach to customers is not really focused, the product has not been advertised to customers and the interest rate is not quite competitive.

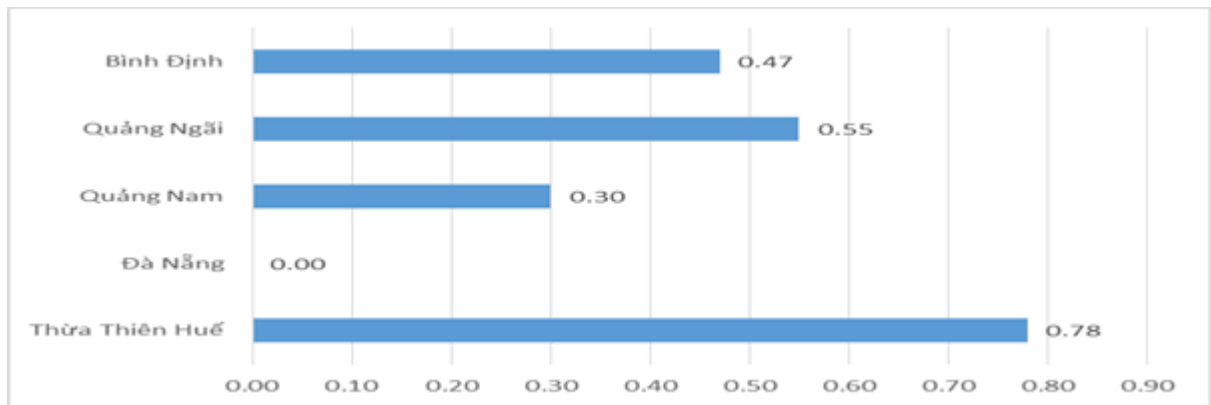


Figure 3.16: Overdue debt ratio of PCFFs in CFEZ provinces in 2019

Source: Synthesized from the report on the results of activities of the People's Credit Funds in the key economic region of the Centrals in 2019

The activities of the People's Credit Fund in the Key economic region of the Central, the growth rate of outstanding loans, savings mobilization remained fairly stable during the period covered by the study, the rate of overdue debts decreased significantly over the years. However, the fund's operation is still small with few members.

3.3.1.3. Development of microfinance activities through the criteria of scale and service quality of the programs / projects in the key economic region of the Central

The microfinance programs in the key economic region of the Central are small-scale programs. Mobilized capital is also at small amount. Local microfinance programs are licensed to operate within the framework of semi-formal microfinance organizations, in the Key economic region of the Central, there is a relatively high percentage of poor households, however the number of micro finance programs/ projects operating in the area is quite modest in terms of capital size and in terms of loan recipients to microfinance customers.

3.3.2. Development status of microfinance customers' access to services in the key economic region of the Central

3.3.2.1. Level of accessibility to loan services of microfinance customers in the key economic region of Central Vietnam

Table 3.9: Indicators showing the ability to access microfinance loans of micro customers in the key economic region of Central Vietnam in 2019.

Unit: million VND, customers, %

Microfinance service providers	Outstanding (VND)	Number of Customer	Average loan value (million VND / customer)	Overdued debts
Cooperative banks	16,987,125	474,463	35.80	0.21
People's credit fund	2,363,523	143,842	16.43	0.45
Microfinance project/programme	159,612	-	-	<0.2

Source: Authors synthesized from reports of microfinance service providers in the key economic region of the Central in 2019

Both the VBSP and the People's Credit Fund have extended their activities to micro customers with outstanding loans and a relatively large number of customers, which is growing over the years. Meanwhile, the microfinance programs / projects in the region are still modest, the number of programs, areas of operation as well as target groups is not really diverse.

The People's credit fund has the highest overdue debt ratio 0.45%, but compared to the whole system, the People's credit fund operates in a small capital area, with a low number of members with a ratio of overdue debts lower than the national average (0.78% in 2019) . The assessment of the ability to access loans of the region's microfinance programs / projects has not been implemented, due to limitations of the synthesis and consolidation as well as the statistics and implementation of local reports.

3.3.2.2. The level of information accessible to micro customers

The administrative procedures, the time to implement the above processes are still inadequate. For example, the assessment of poor households, policy beneficiary households still have some shortcomings in the inaccurate assessment of income, inadequate determination of the origins of assets, inadequate statistics. The omitted results incorrect beneficiaries may occur. Although training is carried out regularly, many factors from microfinance clients, from the qualifications of local staff, from policy mechanisms have great affected on microfinance institutions' performance.

3.3.2.3. Level of accessibility support for micro customers

With the main agricultural production activities, the output of the product is an important factor, this is the basis of revenue generation and the source to offset the costs, including debt. The products consumed are quite simple without a chain of consumption to support farmers.

3.3.2.4. The level of accessible costs of micro customers

The operations of microfinance institutions have to meet the needs of customers, at the same time, ensure the capital safety for the development of the organization. So in the key economic region of the Central, there are only VBSP operating with a wide network, transaction points to the residential areas of customers, diverse services provided, appropriate access costs, thus meeting accessibility. microfinance services to customers.

3.3.3. The impact of microfinance development on income and poverty reduction in the key economic region of Central Vietnam

From the perspective of considering the impact of access to credit capital from microfinance institutions, the use of capital affects the income of poor households before borrowing, 1 year and 2 years after borrowing, it can be seen that the change in expenditure levels and the cumulative change in the form of assets of the poor have positive changes: the increase in employment after obtaining the capital of the poor, creating many jobs and improving the living standards of poor households in the region.

3.4. Assessment of the current status of microfinance development in the key economic region of the Central over the past time

3.4.1. Achievements

First, the growth rates of micro-credit and micro-savings have an upward trend and fairly stable. Outstanding credit over the years has increased at a relatively stable rate.

Second, improving household income. The family's income from agricultural activities decreased, from non-farm activities increased significantly, as income from service, industry and construction increased significantly.

Third, increase gender equality. The group of poor clients and poor women is still a large object and is the core object in meeting the financial needs of microfinance institutions.

3.4.2. Limitations

Operation network and distribution channels of microfinance institutions are small; The business capital scale of microfinance institutions is modest compared to the remaining key economic regions and the whole country; The average loan value is quite low; Products and services are not diversified; Although credit quality has improved, there are still overdue debts and high bad debts; Access to microfinance services by customers is limited; Technology application in microfinance customers' activities is still low; The people's knowledge about finance in general and microfinance is

rudimentary; Not paying attention to investment in non-agricultural activities; The management, inspection and supervision of microfinance activities are not strict.

3.4.3. The cause of the limitations

3.4.3.1. Objective causes: includes 4 causes.

3.4.3.2. Subjective causes

Capital mobilization of MFIs in the region is not really commensurate with the potential of the organization; The decline in funding from international partners; Some finance companies operating in consumer loans are expanding their operations; the application of information technology in this service development has not been given due attention and investment; The people's level and awareness are still inadequate; Mechanisms and policies are both lacking and not close to reality; Some policies and projects to support poverty reduction are invested in ineffective.

Conclusion chapter 3

Chapter 3 has analyzed the current situation of microfinance development in Vietnam and in the Key economic region of the Central. Through the analysis of microfinance development activities, the current status of this activity has maintained growth of micro-credit and micro-savings, improved household income, and increased gender equality. However, there are still major limitations such as the average loan value is still low, products and services are not diversified, overdue debts, high bad debts, and the application of technology in microfinance customers' operations. Low and people's knowledge about finance in general and microfinance is very low.

However, the above results have shown the positive effects in the poverty reduction of localities in the region, including increasing income for poor households, improving their lives and raising awareness of citizen.

Chapter 4

RECOMMENDATIONS TO DEVELOP MICROFINANCE ACTIVITIES IN THE KEY ECONOMIC REGION OF THE CENTRAL TO THE YEAR 2030

4.1. Development orientation of microfinance activities in the key economic region of the Central to 2030

The thesis presents the socio-economic development orientation of the Key economic region of the Central to 2030 and the development orientation of microfinance activities in the Key economic region of the Central to 2030.

4.2. Solutions to develop microfinance activities in the key economic region of the Central to 2030

4.2.1. Group of financial solutions

4.2.1.1. Raising mobilized capital

Through the development of strategies to mobilize social capital from international, domestic and other sources. Besides, attracting capital from the private sector.

4.2.1.2. Diversify savings products to increase voluntary savings

Research the market to determine if financial services needs are not being met or are being met, and design a sample product. Make decisions to upgrade products, or develop new products.

4.2.1.3. Strictly implementing regulations on deposit insurance to ensure the benefits of micro-saving customers

Licensed microfinance institutions should participate in deposit insurance to ensure the interests of customers and ensure the safety of the entire financial and banking system.

4.2.1.4. Ensure organizational sustainability by reducing costs and increasing revenues

4.2.2. Group of capacity solutions

4.2.2.1. Transform the operation form of the program / project into a Social Fund and continue to transform into an official microfinance organization

- + Reviewing the existing conditions as well as issues related to the organization's operations such as assets, organizational structure, personnel, capital resources, products, results of operations.

- + Finding out legal regulations related to the transformation, contact the converted microfinance institution to share experiences.

- + Planning the work to be done after the conversion.

- + In the transition process: It is necessary to closely contact the State Bank for timely guidance and support.

4.2.2.2. Improve the quality of human resources of Microfinance Institution

It is necessary to have a strategy to train staff members. Microfinance institutions have to standardize staff, recruit the right people, right job and ensure professional quality.

4.2.2.3. Improve the quality of microfinance customers through personal financial education

Decision No. 149 / QD-TTg dated January 22, 2020, regarding the approval of the National Comprehensive Financial Strategy to 2025, with a vision to 2030 has introduced the task of improving financial understanding. For people, building a mechanism to protect consumers and finance is one of the 5 basic goals that the National Comprehensive Financial Strategy aims at. Financial literacy is understood as the synthesis of perceptions, knowledge, skills, attitudes and behaviors necessary to make rational financial decisions and ultimately achieve individual financial prosperity. Personal financial understanding plays a very important role for individuals and for socio-economic development.

4.2.3. Group of technology solutions

4.2.3.1. Application of financial technology in microfinance service provision

The application of financial technology in providing microfinance services to serve financial universalization is a new trend. Fintech is understood to be an industry comprised of non-banking institutions, including startups using technology to support more efficient provision of financial services.

4.2.3.2. Focusing on ensuring personal financial security.

With the current situation of microfinance operations in the key economic region of the Central, microfinance clients have low educational level, limited understanding of financial services and operating mechanisms of credit institutions. The ability to apply information technology to life activities and financial services is not really good and has a lot to do with personal financial security.

4.2.4. Solutions to support the development of microfinance activities

4.2.4.1. Group of solutions for sustainable poverty reduction

In order to implement this solution, attention should be paid to the area approach. Raising awareness and will to strive to escape poverty. Evaluate, review and classify poor households to have specific solutions for each type. And special attention is paid to staff work.

4.2.4.2. Solutions to support livelihoods, vocational training, job creation, labor export to increase income for the poor

4.3. Roadmap for implementation of the solution

In order to deploy the above 4 groups of solutions, the study gives a roadmap for implementing the solution in two phases. In the 2021-2025 period, focus on building mobilization strategy, operating apparatus and protecting customers' interests. In the 2026-2030 period, implementing strategies to build and improve the quality of activities to meet the needs of socio-economic development.

4.4. Policy recommendations on the development of microfinance activities in the key economic region of the Central

4.4.1. For the Government: Develop technology infrastructure, develop a national financial education strategy, complete documents on protecting consumer finance.

4.4.2. For Ministries and Branches. The State Bank of Vietnam has improved a legal corridor to promote a comprehensive financial policy, supported training resources for microfinance institutions and created a healthy financial environment. The Ministry of Finance should promulgate a more suitable accounting regime, corporate income tax policy and other mechanisms for microfinance activities.

4.4.3. With the People's Committee of the province or city in the key economic region of the Central. Increase capital, material and technical support. Focus on propaganda and implementation of solutions to support livelihoods to improve income for the poor.

Conclusion of chapter 4

Based on the current situation of microfinance development in the Key economic region of the Central, the thesis has given orientation and proposed 4 groups of solutions, including: (1) Group of financial solutions (4 specific solutions); (2) Group of solutions to improve human resources capacity (3 specific solutions); (3) Group of technology solutions; (4) Group of solutions to support the development of microfinance activities (2 specific solutions). On the basis of orientations and conclusions drawn from research on the current situation, the author of the thesis has given recommendations to the Government, SBV, Ministry of Finance, Province and City to develop microfinance activities in the key economic region of the Central.

CONCLUSION

The thesis on developing microfinance activities in the key economic region of the Central is done based on the theoretical basis identified in chapter 2, the thesis has analyzed the current situation of microfinance operations in the key economic region of the Central in the period 2015- 2019. Analysis of operational development is carried out based on the basis of formal and semi-formal microfinance organizations. On the other hand, the author of the thesis has also pointed out the factors affecting the development of microfinance activities to draw conclusions about the achieved results, limitations and causes of the limitations of the development of microfinance activities in the key economic region of the Central.

