



UNIVERSITY OF TAMPERE

Faculty of Management

**ASSESSING THE FINANCIAL ACCESSIBILITY OF
HOUSEHOLDS AND SMES REGARDING FINANCIAL
SERVICES IN VIETNAM – RECOMMENDATIONS AND
SOLUTIONS**

Supervisor: Tomi Rajala

Student: Ha Thi Mai Son

Date of birth: xxxxxxxx

Email: xxxxxxxxxxxxxx

Course: The Thesis

Date: March, 2017

ACKNOWLEDGEMENT

I would like to thank all the people who have been involved, spending their precious time, contributing to the work done in this thesis in one way or the other. First and foremost, I want to send my greatest gratitude to my supervisor, Tomi Rajala for all the valuable advice and support given throughout the entire dissertation as well as for his readiness to help and patience with me. The guidance given from Mr Rajala definitely helped me in improving the overall outcome and writing of the thesis. I would not imagine to have a better supervisor for this particular research.

Besides my supervisor, I would like to thank all the researchers from the Banking Strategy Institute – State Bank of Vietnam, Head Director Nguyen Thi Hoa, Deputy Head Le Phuong Lan, Head Office Dinh Xuan Ha and Officer Tran Cuc Phuong for helping me with the process of acquiring and sharing the required data for this research.

I would also want to show my gratitude to fellow colleagues and friends working in related industries and within the specific field of Financial Access, Officer Jenny Romero from the Central Bank of the Philippines who had given me mentoring sessions and ideas regarding activities that was done by the Philippines for similar projects.

A special acknowledgment goes to Prof. Dr. Tran Tuan Anh from the Statistics & Forecast Department of the State Bank of Vietnam who had given me advice on how to conduct the methodology for the thesis.

Last but not least, I would like to send my deepest and heartfelt thank to my family, especially my husband who had supported me all the way, during nights and days that I have spent my long hours on in order to accomplish this hard but valuable task.

ABSTRACT

Improving access to banking services, or in a broader sense, promoting the level of financial inclusion is simply defined as the rate of individuals and businesses that are able to use basic financial services, including: savings, credit, payments and insurance. The financial access plays an extremely important role in reducing poverty, approach an equitable distribution of wealth, supporting a comprehensive and sustainable development (WB, 2014). Conversely, lack of access to finance is the underlying cause which leads to income inequality, poverty trap and lower growth. Accessing banking services helps individuals and businesses to find affordable financial resources and/or funds to meet needs as business opportunities comes, for an investment in children's education or for retirement savings. Bank loans also helps farmers and the poor protecting themselves against in life financial shocks such as illness, disease, crop failures and natural disasters. These poor people would be able to avoid the vicious circle of borrowing unofficial funds from shark borrowers at high interest rates. This increases the burden of higher repayment in value which could possibly cause the poor people to become even worse off. Owning no bank accounts may also cause people to be excluded from other services such as healthcare, insurance, being the basic instruments keeping them healthy and safe. Expanding the access to banking services also helps to reduce the cost of government programs regarding social activities, to have better management through increased transparency, and to have a better approach against corruption. A society with access to financial services will enhance the social participation level of people in general, improve fairness and equality, thus, the whole society's capability also raised.

Improving access to banking services is one of the important measures to enforce the role of the banking system for economic growth, improve the quality and living standards of citizens, promote the omission of poverty and strive for sustainable economic growth. The Action plan to implement the "Overall strategy to develop the Service industry of Vietnam until 2020", issued under Decision No.808 / QD-TTG on 29th June 2012 of the Prime Minister identified a task of conducting the "Improving access to banking services for the economy" project and approved in 2015. The implementation of such project would be of great significance, not only to promote growth and omit poverty in Vietnam but also helps to support financial stability, creating precedents and content for Vietnam to participate in the implementation of the Millennium goals after 2015 that the United Nations set out (UN, 2014).

Some findings regarding the level of access and barriers have been identified. The popularity of banking services in rural Vietnam is currently still low as (i) type of banking

services in rural areas are less diverse, local residence mostly know and use credit services, whereas savings and payment services are hardly used; (ii) the proportion of people that open and use bank accounts are low compared to urban areas of Vietnam and rural areas of other countries. The demand for credit in rural areas are reasonably high, the proportion of people having access to credit from formal institutions are also good, however, the informal sector remains to keep an important role in the provision of capital for rural areas. Besides the demand for credit, the demand for savings within the rural population is relatively high but the proportion of adults having a savings account with formal institutions remains low. Along with the development and changes in the socio-economy, the needs to make transfers and payments increases rapidly in rural areas.

Barriers to access banking services have also been identified for the rural population, allocated to different sources of the found causes, relating to banks, people themselves and policies. Relating to banks: (i) the operational network of formal financial institutions in rural and remote areas is still sparse; (ii) the loan product lines are designed for all areas without customization to suit with each and every specific region, aiming especially to the rural population; (iii) the promotion activities of financial institutions regarding product and services in rural areas are still very limited. Relating to the people: (i) the perception of rural people on the existence of the series of banking services is low; (ii) the ability to adopt rural banking services such as the ability to set up business plans, understanding production process and financial literacy is limited. And other findings regarding policy settings.

This paper aims to solve the followings:

1. Assessing the current status of financial inclusion in Vietnam
2. Finding gaps within the Financial Accessibility spectrum of Vietnam and setting out goals to be achieved in 2020.
3. Proposing recommendations and solutions to enhance financial access for households and from which promote sustainable economic growth in general.

LIST OF ABBREVIATIONS

<i>Abbrev.</i>	<i>In Full</i>
SME	Small-medium Enterprise
GDP	Gross domestic product
IMF	International Monetary Fund
VBSP	Vietnam Bank for Social Policies
SBV	State Bank of Vietnam
VBARD	Vietnam Bank for Agriculture and Rural development
PCF	People's Credit Fund
MFIs	Microfinance Institution
FIs	Financial Institutions
USD	US Dollars
VARHS	Vietnam Access to Resources Household Survey
VND	Vietnam Dong
WB	World Bank

LIST OF TABLES

Table 1. Access and Usage criteria for the accessibility evaluation of IMF

Table 2. Selective financial accessibility indicators of Vietnam

Table 3. Number of households having a loan at financial institution

Picture 1. Vietnam's financial institutions network in 2014

Picture 2. Number of commercial banks in a country, 2012

Picture 3. Commercial banks' network in Vietnam

Picture 4. Allocation of banks network per square kilometres, 2014

Picture 5. Allocation of banks network per average population, 2014

Picture 6. Number of bank branches per 100.000 adults

Picture 7. Number of ATMs per 100.000 adults

Picture 8. Number of savings account per 1000 adults

Picture 9. Proportion of adults owning an account

Table of Contents

ACKNOWLEDGEMENT	1
ABSTRACT	2
LIST OF ABBREVIATIONS	4
LIST OF TABLES	5
I - INTRODUCTION	8
II – Literature review.....	11
2.1 Measuring financial access as a major component of financial inclusion.....	11
2.2 The use of formal credit	12
2.3 The use of informal credit	13
III - VIETNAM’S BANKING SERVICES ACCESSIBILITY STATUS	14
3.1 An overview	14
3.1.1 Vietnam’s demographic, social and economic elements relating to financial accessibility	14
3.2 A general assessment of the banking services accessibility in Vietnam.....	16
3.2.1 Coverage of the commercial bank branches.....	17
3.2.2 Coverage according to ATM, POS indicators.....	24
3.2.3 Level of access to credit	25
IV. Methodology & Findings on the accessibility of banking services in rural and remote areas.....	27
4.1 Methodology	27
4.2 Level of access to banking services of the rural population	28
4.3 Barriers to access banking services for the rural population.....	37
4.3.1 Barriers to access banking services relating to banks.....	37
4.3.2 Barriers to access banking services relating to the population.....	40
4.3.3 Barriers to access banking services relating to policies.....	41
V – THE PRACTICAL IMPLICATIONS OF THIS RESEARCH AND CONCLUSION.....	42
5.1 Conclusion	42

5.2 Recommendations of possible solutions to enhance access to banking services for the economy	45
5.2.1 Expanding the network of banking services, focusing on improving the operational efficiency of VBSP, developing the system of PCFs and microfinance institutions.....	45
5.2.2 Developing appropriate banking products and services, making good use of information technology in order to improve access to banking services to the population in rural, remote and isolated areas.....	46
5.2.3 Improving the service delivery capability of financial institutions for SMEs.	47
5.2.4 Improving the information sources of customers, supporting financial institutions to access full data and in turn improving the quality of loans	48
5.2.5 Promoting communication activities within the banking sector including the promotion of banking products and services to large number of people in rural, remote and isolated areas and increasing connectivity between banks and enterprises	48
REFERENCE.....	50
APPENDIX.....	51
Appendix 1. Statistics on Vietnam’s financial accessibility status	51
Appendix 2: Financial accessibility indicators of individuals	62

I – INTRODUCTION

Tradition pool of economic literatures have emphasized the importance of the financial development for the growth in economies. This is because financial development provides more savings for financial institutions and thus more funds could be financed to firms and consequently promoting business activities of the private sectors. The same process helps a great deal with financial risk diversification activities and therefore enhances private consumption throughout the nation's economy.

For the reasons mentioned above, striving for a better rate of financial inclusion through improving financial accessibility has been on top of agenda for policymakers with considerable interest also among other stakeholders. Low financial accessibility creates barriers for consumers to get hold and make use of financial products and services thus creating an environment in which it is easy for people to access financial institutions while creating a higher financial accessibility is what every country is aiming for. It is important for developing countries to understand their economic conditions in order to make changes towards a market-oriented business environment where financial access is open to each and every citizen. Hence, governments and international organizations namely World Bank, ADB, IMF, are helping with the process of enhancing the level of financial accessibility via numerous activities such as country technical assistance, sponsoring activities in drafting the financial inclusion strategy, field trips etc.

Before all these activities come into effect, the existing level of financial accessibility must be assessed in order to know the current status. Restructuring will be a major part if a government want positive outcomes as it has been proved that if financial institutions are not properly managed or they are poorly designed then it might bring a reversal impacts as changes will be costly.

After 30 years of comprehensive reformation and opening up, the economic and social condition of Vietnam has experienced tremendous changes. Considered as a poor country right after Reunification, Vietnam became a middle-income country since 2010 with a GDP of 176 billion USD and an average income per capita of 1960 USD by 2013. Along with that was the remarkable process of poverty alleviation, according to World Bank figures, the poverty rate fell from 60% to a stunning 20.7% during the past 20 years (1990 – 2010), as Vietnam has succeeded to put 30 million citizens out of poverty. Vietnam has also achieved other impressive milestones in the education and health care sector, demonstrated strong progress in social equality, closely

tied with economic growth. Literacy and inclusive primary education was done by 2000, striving for an inclusive secondary education in 2010. The life expectancy of people raised from a humble 63 years in 1990 to a current 72 years old figure. Social safety nets are considerably good, and Vietnam completed the MDGs in 2015. Along with a higher living standard, the majority of Vietnamese have access to basic services and opportunities to grab hold of more advanced financial and banking services. Market economy and international integration provides a range of diversified financial products and innovative technology applications that help the people to gain access with financial and banking products and services easier and more convenient than it has been before.

Improving access to banking services, or in a broader sense, promoting the level of financial inclusion is simply defined as the rate of individuals and businesses that are able to use basic financial services, including: savings, credit, payments and insurance. The financial access plays an extremely important role in reducing poverty, approach an equitable distribution of wealth, supporting a comprehensive and sustainable development (World Bank, 2014). Conversely, lack of access to finance is the underlying cause which leads to income inequality, poverty trap and lower growth. Accessing banking services helps individuals and businesses to find affordable financial resources when business opportunities require them and when investments in children's education or for retirement savings are needed. Bank loans also can protect farmers and the poor from financial shocks related to illness, disease, crop failures and natural disasters. Moreover, low income people would be able to avoid the vicious circle of borrowing funds from loan sharks at high interest rates. Loaning money from a loan shark can increase the burden of higher repayment in value which could possibly cause the poor people to become even worse off. Owning no bank accounts may also cause people to be excluded from other services such as healthcare, insurance, being the basic instruments keeping them healthy and safe. Expanding the access to banking services also helps to reduce the cost of government programs regarding social activities, to have better management through increased transparency, and to have a better approach against corruption. This could easily be seen through operations of e-governments. Some countries make use of electronic services by which governments send social subsidies to beneficiaries via the banking infrastructure. A society with access to financial services will enhance the social participation level of people in general, improve fairness and equality, thus, the whole society's capability also raised. Therefore, enhancing the level of financial inclusion became one of the top listed agenda of policy makers, governments and international development organizations. Especially after the Financial crisis in 2008, international bodies such as G20, World Bank and International Monetary Fund has conducted initiatives emphasizing the important role of financial access and design a set of indicators to measure the level of inclusion for each country. Apparently, two over three financial monitoring

bodies in the world has a mission of enhancing the financial inclusion level as an addition mandate besides keeping the financial market stabilized; 50 countries have issued financial accessibility indicators to strive for regarding to their own financial inclusion conditions (World Bank, 2014).

In Vietnam, the coverage supported from the financial institutions has grown significantly during the past few years through a series of networks for branches, offices, ATM machines spreading across the country providing a comprehensive set of products and services for citizens and businesses. However, Vietnam is still facing many challenges in expanding access to banking services. While the urban population and large enterprises has relatively easy access to services that are provided by banks and or other financial institutions, the ones that reside in rural, regional and remote areas as well as small and medium sized enterprises are still facing many obstacles. With a population of roughly 90 million people in which 70 percent of it is still living in rural areas with a poverty rate accounting for 95 percent of the whole country. In addition, 97 percent of the enterprises are small and medium sized ones. Improving basic banking services to these target groups is a defining driver and. Banking services improvements should be conducted through a national strategy with full commitment from the Government in hope of expanding the coverage of banking services to the entire population, especially the poor, people who live in remote areas, small and micro businesses and households.

Improving access to banking services is one of the important measures to enforce the role of the banking system for economic growth, improve the quality and living standards of citizens, promote the omission of poverty and strive for sustainable economic growth. The Action plan to implement the “Overall strategy to develop the Service industry of Vietnam until 2020”, issued under Decision No.808 / QD-TTG on 29th June 2012 of the Prime Minister identified a project called “Improving access to banking services for the economy” and approved it in 2015. The implementation of such project can have a great impact for, not only to growth promoting and poverty omitting in Vietnam but also for financial stability, creating precedents and content for Vietnam to participate in the implementation of the Millennium goals after 2015 that the United Nations set out (UN, 2014).

The ultimate objective of this research is to improve access to basic banking services in line with demand, quality and at an appropriate price for the majority of the population, especially households that live in rural areas, living remotely from physical banking interfaces while making sure the safe, sound, responsible and sustainable operation of the financial institutions and the banking system as a whole.

In order to contribute inputs for such a big national plan to become effective, some areas should be researched on and questioned about:

“What is the current level of accessibility of banking services for households in Vietnam?”

The main question will then be reassessed and verified through other analysis (survey). This would play a great role in contributing ideas on how the national plan should be conducted by providing information such as, what the gaps are, comparing between the current status and the desired accessibility level or solutions that are needed to hopefully closing the mentioned gap in upcoming years.

For the purpose of this paper, supplementary questions will be:

- What are the barriers keeping households away from mainstream financial services?
- What is currently off with financial institutions services and products?
- What does the majority of the population need to do to in order to reach and make use of the financial services and products?
- Do economic conditions affect financial accessibility?

II – Literature review

2.1 Measuring financial access as a major component of financial inclusion

As we have noted in the previous section that financial access plays as a major indicator for the different levels of financial inclusion in each country. In particular, financial inclusion consists of two main elements: (i) access to; and (ii) the use of financial services (Hannig & Jansen, 2010; Fungacova & Weill, 2014). Financial inclusion is there to bridge the unbanked population to formal financial system mainly through the expansion of access to credit and other values (Demirguc-Kunt & Klapper, 2013; Allen et al., 2016). People normally use the two words “use” and “access” interchangeably but they convey different perspectives in the context of finance. Hannig and Jansens (2010) has explained the process of expanding access as efforts of putting down barriers to receiving those financial services, the barriers underlined could range from geographic problems (eg. no nearby interfaces of financial institutions could be found) or socioeconomic reasons (eg. it might be harder for certain ethnic or income groups to adopt formal financial services). Whilst, the second perspective of access is usage – the actual adoption, rate, frequency and duration over a certain period of time (Claessens, 2006; Hannig & Jansen, 2010). From the perspective of demand and supply, the difference between the two terms could also be explained as access is dependent on supply while usage relies on both supply and demand of financial services (Demirguc-Kunt & Klapper, 2012; Claessens, 2006).

Even though the two terms seem to be inter-related, they are in fact distinct based on several perspectives. There have been many studies trying to measure the accessibility based on per-capita figures of loans, bank accounts, bank branches, POS, physical interfaces etc. (Peria,

2013; Hannig & Jansen, 2010; Beck, Demirguc-Kunt & Peria, 2007). There are concerns, however, on the figures obtained from financial institutions and studied done from research as they only display a rough estimation of the accessibility by individuals and households. This could be easily explained, for example, by knowing that among individuals there will be a group that uses more than one products and services and there will be a group that does not use financial products and services at all (Peria, 2013). Not to mention that, individual-level data is extremely hard and time-consuming to obtain (Honohan, 2008).

Regarding measurements in financial accessibility, studies have relied on surveys for individuals and firms with limited questions on products and services lines such as whether they use any services at all, amount of credit or deposits they are having at a formal financial institutions, the rate of usage/ frequency etc. (Peachey & Roe, 2006). Therefore, besides the Findex database, systematic data regarding accessibility and other issues on financial services at households and firm-level remain scarce. Though it has been apparent that indicators for the use of financial services are more reliable than indicators measuring the proximity to physical branches and interfaces of financial institutions but to get a big picture of the current status of the Vietnamese scene, this study uses both supply-side and demand side figures to assess.

2.2 The use of formal credit

One of the very fundamental indicators to assess the accessibility is credit/loans or the ownership of such account at a formal financial institution (Demirguc-Kunt & Klapper, 2013). Formal credit or loans are certain amount of money borrowed from formal financial institutions regulated by government and being approved to operate under a nation's regulatory framework(s) (Campero & Kaiser, 2013). International figures have shown that 2.5 billion adults are currently underserved. A large proportion from these underserved people and firms do not have access to formal credit or choose not to use financial services. Coming to the same conclusion after conducting a research throughout 12 countries from South America, Tejerina & Westley (2007) found a minimal number of 6.3 percent use credit from financial institutions. In addition, the distribution of formal credit usage across countries are not the same, developing countries show a humble number of roughly 7 percent of credit card ownership in comparison to developed ones at approximately half of the population (Demirguc-Kunt & Klapper, 2012).

Vietnam is experiencing similar results, there is a variation regarding the use of formal credit across various groups with different ethnic, education and other demographic backgrounds. Study results have shown that, often, ownership concentrates on those that are better-off in education, income, having ethnic of the majority (Demirguc-Kunt & Klapper, 2013). It is almost effortless though with concrete evidence that people having good employment history and asset ownership are more likely to be accepted and capable of making a loan at a

formal institution (Campero & Kaiser, 2013; Claessens, 2006). This explains, to a certain extent, why male in developing countries are those who are normally bread-winners, own a houses,. Men who have stable jobs get a higher rate of loan account ownership at a formal bank rather than their counterparts (Tejerina & Westley, 2007; Campero & Kaiser, 2013). People's geographical residency are amongst one of the most influential factor on the formal credit usage possibility as people in urban areas are more like to adopt and use formal credit than people living in rural, remote and isolated areas (Tejerina & Westley, 2007).

The purpose of this paper is to have an additional insight of why people do not choose / have access to financial services in general and credit loans in particular. This supports additional demand-side data and perspective as most of research are conducted based on bank-level data or ie. supply-side data. Studies around the globe have also found out that the roots of being unserved come from their economic conditions rather than individual's reasons themselves (Beck, Demirguc-Kunt, & Peria, 2008). Furthermore, financial institutions have always been reluctant to borrow money to the poor and those that are vulnerable as the amount are perceived as small and not profitable enough (Johnston & Murdoch, 2008). Only a small number of studies surveyed individuals and households as well as firms that were not able to get access to credit on why they do not use banking services. This creates research gap requiring further studying.

2.3 The use of informal credit

Barriers to formal credit leads a certain stream of demand to informal credit sources ranging from family and friends or pawnshops, loan sharks (Campero & Kaiser, 2013). These form of services are most often unregulated and operating under high cost which in turn leads to high risk being involved (Beck & De la Torre, 2007). Results from a list of studies have proven that informal credit source are being used by the majority of those that are poor, having low level of education, residing in rural, remote and isolated areas and arguably living in a female-headed household (Deku, Kara & Molyneux, 2015; Campero & Kaiser 2013). Campero and Kaiser also found a positive and proportional relationship between the possibilities of a household using informal money lending services with the number of members within. Residence from different nations seeks different informal credit sources. People living in developing countries normally find family members or loan sharks during a shock during their lifetime while the majority of people living in developed countries choose loans from the supprime financial market (Campero & Kaiser, 2013; Barr, 2004). Statistically, there are approximately 25 percent of adults in developing countries turning to ask their friends and families at first (Demirguc-Kunt & Klapper, 2013) and it happens mostly during lifetime shocks (health issues, tuition fees, death, natural disaster etc.) (Pearlman, 2010).

To summarize, it is safe to say that the use of formal and informal financial services is dependable upon a series of factors including national economic developments and socio-economic conditions of individuals. For firm loans, it is more dependable upon the availability of assets as collateral. The majority of the population in developed countries does adopt some form of formal financial services different to those who are residing in emerging economies who hardly borrow any credit from financial institutions or having access to forms of formal financial services at all. After all, information and data on the credit use, especially those of developing countries remain thin.

III - VIETNAM'S BANKING SERVICES ACCESSIBILITY STATUS

3.1 An overview

3.1.1 Vietnam's demographic, social and economic elements relating to financial accessibility

According to the Labour Employment Survey Report 2013 of the General Statistics Department, Vietnam's population was around at 89.716 million, of which 29.032 million was living in urban areas (occupying 32.3 percent) and the rest were living in rural areas. The adult population from 15 years old and above was 68.687 million people. People that are in the workforce consist of 53.246 million (occupying 77.5 percent) and accounting for approximately 60 percent of the whole population. Thus, the portion of people still working is considered relatively high compared to other countries whereas the unemployment rate remains low, at roughly 2 percent.

The current population and income distribution is uneven between regions. The highest population density is in the Red River Delta, followed by the South East and the Mekong Delta region, whereas the North and Central Coast is much lower than the above mentioned, and the West Highlands has the lowest population density. Difference in density between highest and lowest is nearly 10 times folded 961 people / km² compared to 99 people / km². In mountainous areas, the population density is very sparse, the distance from center of the commune to villages by using the existing transport routes is often very far, and an average of about 8 – 10 km. Income is also unevenly allocated between regions. According to the income per capita indicator, the highest income per capita is in South East and Red River Delta region, lowest is in North and Central Coast, with the spread between highest and lowest being roughly 5 times. The population density seems to be correlating with the level of income; these regions are facing difficult natural conditions and lagging in socio-economic development.

According to General Statistics Departments' national survey (year?) on rural, agriculture and fishery in 2017, there were 9071 communes and 80,904 villages, 15.3 million households, making up to 32 million people within the working age, equivalent to 70 percent of national workforce. The living standard for these people has improved by miles for the past years with an income per capita of 1.5 million Vietnam Dong (VND) monthly, out of which Mekong Delta has the highest of 3 million per month and Northwest has the least going for barely 1 million; 99.8 percent of communes have electricity, the national power grid has covered 93.5 percent of the total numbers of villages; 98.6 percent of the communes have access to the commune center transport wise; 99.5 percent of communes have primary schools and health centers, 93 percent has high schools etc. Even though the financial accessibility of the country is still very low but looking into these figures show great potential of the country regarding the infrastructure needed to close down the gap via communication, financial education and other inclusive initiatives.

Notably, phone usage within the rural households has increased rapidly during the past 10 years, from 5 percent to a significant 87 percent in 2011. Internet deployers have already increased fast. Communes that have private Internet business points have also increased remarkably. This number is currently at 53.7 percent in 2011. In general, the infrastructure and living standards of areas like the Mekong Delta, the South East and the Red River Delta is much better than the Central Coast, North West and Central Highlands (citation).

The rural population accounts for the largest proportion of the population but contributes the least for the economy, 22 percent of GDP, just through agriculture, forestry and fishery. A total number of 95.8 percent of households living in rural area has business operations of which 9.53 million households work in the agro-forestry-fishery sector and the number that works in the industrial and service sector is 5.13 million households. However, households that form professional enterprises are relatively low, only 21 percent of the households possess business registrations.

Rural areas still accounts for 95 percent of the country's poor population. Ministry of Labour report in 2013, the poverty rate, according to new poverty standards of Vietnam, is 7.8 percent (accounting for approximately 1.8 million households), the proportion of poor households was 6.32 percent (corresponding to nearly 1.4 million households)¹. In particular, the Northwest mountains has the highest poverty rate of 25.8 percent; followed by 14.8 percent in

¹The goal by the end of 2015, the national poverty rate must fall to less than 5 percent under the current poverty line. Accordingly, the rural poor households are households with an average income of 400,000 VND / person / month (ie. 4.8 million / person / year) or less; urban poor households are households with an average income of 500,000 VND / person / month (ie. 6 million / person / year) or less; rural poor households are households with an average income of 401,000 VND to 520,000 VND / person / month; urban poor households are households with an average income of 501,000 VND to 650,000 VND / person / month.

northeast mountains, Highlands 12.56 percent, North Central 12.2 percent, and 10.15 percent in the Central Coast. The country has 64 poorest districts, the percentage of poor households is greater than 50 percent of all households, categorized and qualified for the Sustainable poverty reduction Program of the Government (Resolution 30a / 2008 / NQ-CP) with a total of 894 communes and 48 towns. Moreover, the 2,333 communes have special difficulties, border communes and social security of 49 provincial parks and cities under central authority are under the program of social-economic development especially targeted and designed for difficult communes in mountainous, and remote areas (also known as Program 135). There is a clear disparity between the poor distribution of Kinh and other ethnic minority groups. Although only accounting for 14 percent of the population, but the minority ethnic groups account for 45 percent of poor people, almost half of the poor in Vietnam. The majority of poor minorities living in isolated mountain areas and are less productive. Three-quarters of their total income is from farming and similar activities. Conversely, poor Kinh works a more diverse manner. If compared with the targeted group of ethnic minorities, the severity is lower among the Kinh people (World Bank, 2012).

The effects of poverty have been described widely through management and policy institutions' reports, including natural conditions and geographical isolation. The transport system in remote areas, high mountains are still facing many challenges causing difficulties in production, circulation of goods, business operations and the daily life for the people residing here. The basic services, let alone banking services, for these people living in rural and remote areas are still very limited in the current moment. Therefore it is clear that the introduction of banking services to this certain group of people would be difficult but meaningful socioeconomically.

3.2 A general assessment of the banking services accessibility in Vietnam

Access to banking services is understood in a broad sense as the usage of the actual product or service that is provided by traditional financial institutions (World Bank, 2014). In order to evaluate the accessibility of banking services and more broadly, other financial services, numerous international organizations such as GSMA, FINSCOPE and especially World Bank etc. have developed indicators measuring the access and usage of households and small businesses from a certain country, and building up databases based on periodic surveys. These indicators measure the coverage of financial services by area and population shown via other subjects namely branch network of financial institutions, automated teller machines (ATM) and the usage of basic financial services such as savings, lending and insurance. Apparently, many international organizations out of which World Bank is the leading one in providing a comprehensive database system regarding financial inclusion designed based on the basic 24

criteria outlined at the G20 Summit June 2012 then allocated into different categories with many other sub-indicators for countries to benchmark on. Vietnam's figures are obtained from the IMF database consisting of 29 criteria updated in 2012 and 12 other households and 14 SME related criteria updated in 2014 from the World Bank (Appendix 1). The indicators for IMF surveys consist of these main 10 indicators as follows:

Table 1. Access and Usage criteria for the accessibility evaluation of IMF

Number of branches per 1000km ²	Number of branches per 100,000 adults
Number of ATMs per 1000km ²	Number of ATMs per 100,000 adults
Total number of personal savings accounts at a bank per 1,000 adults	Total number of personal borrowing accounts at a bank per 1,000 adults
Total number of household savings accounts at a bank per 1,000 adults	Total number of household borrowing accounts at a bank per 1,000 adults
Total aggregated savings at banks to GDP	Total aggregated borrowings at banks to GDP

Source: Definitions and instructions for completing the IMF's Financial Access Survey (FAS), IMF, 2013.

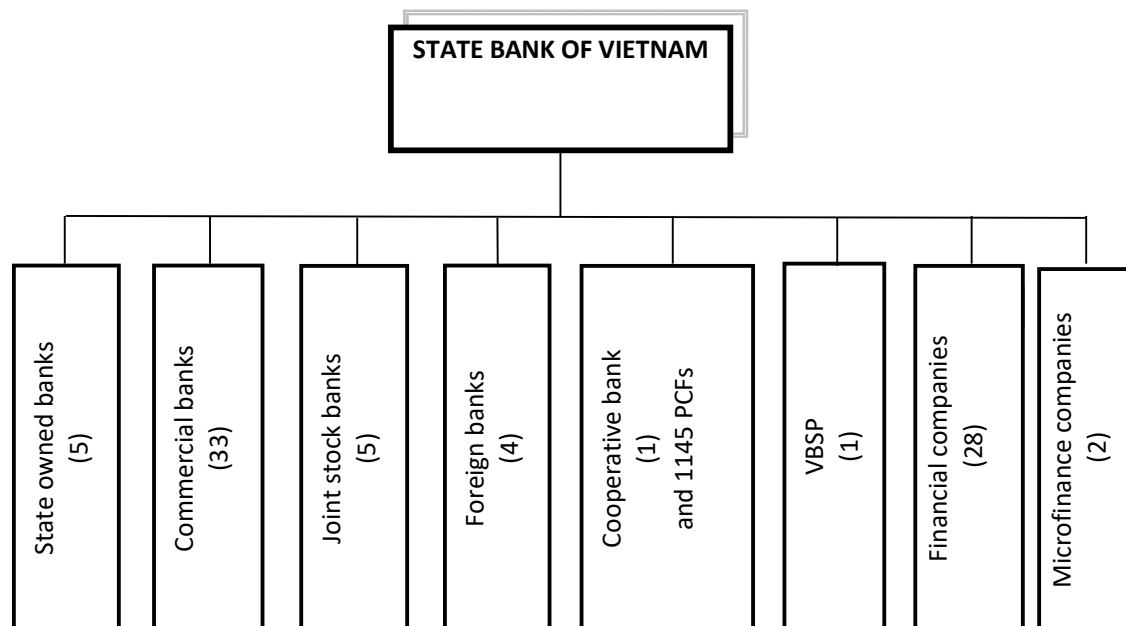
On the basis of this criteria set designed by World Bank and IMF along with the available data collected from Vietnam, the following section attempts to assess the status of access to finance in Vietnam recently.

3.2.1 Coverage of the commercial bank branches

As of 2014, the system of financial institutions in Vietnam includes 47 commercial banks (consisting of 5 government-owned commercial banks, 33 joint-stock commercial banks, 5 wholly foreign-owned banks, 4 joint venture banks), 17 financial companies, 11 leasing companies, 1 social policy bank (Vietnam Bank for Social Policies, 1 cooperative bank and 1145 people's credit fund, 2 micro finance institutions, with a network of branches and transaction offices nationwide. Regarding commercial banks alone, Vietnam has a roughly equivalent number of banks across the nation compared to some countries such as Malaysia (43) and Hungary (44) but rather a humble number comparing to Japan (121), China (203), Germany (273), India (173) and Indonesia (120). However, this number of commercial banks alone is not

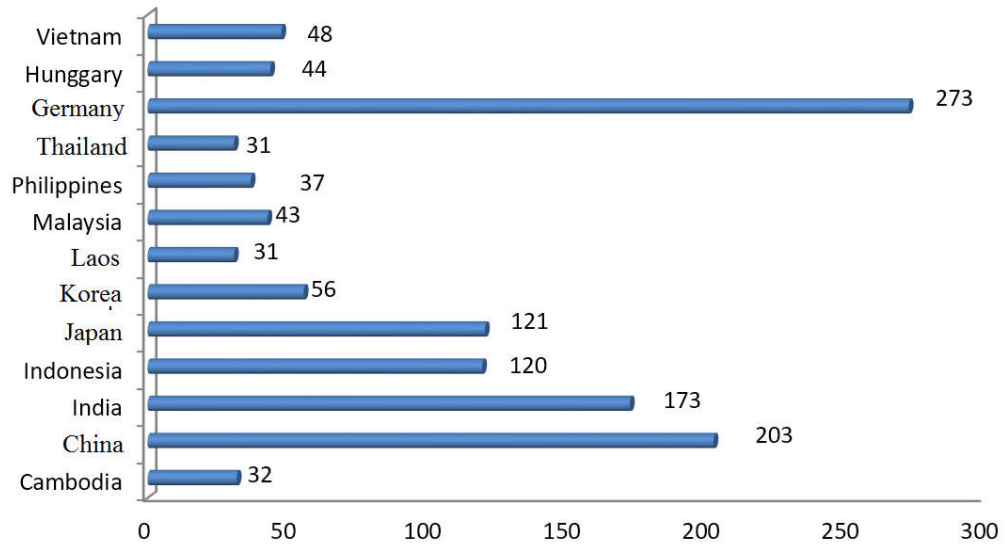
enough to have a full picture of neither the banking services coverage nor a precise measure for the financial accessibility of a country.

Picture 1. Vietnam's financial institutions network in 2014

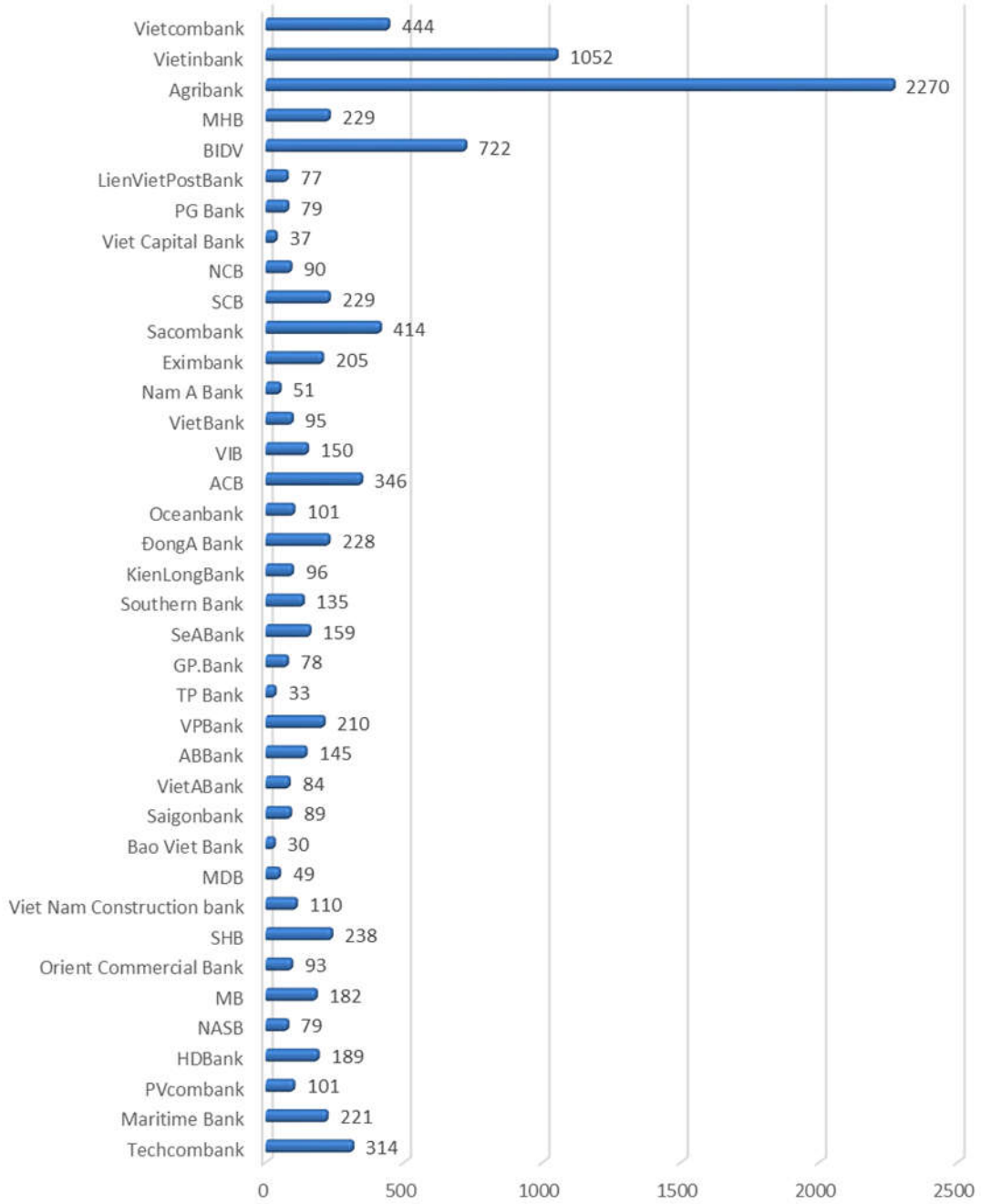


According to the definition of IMF on financial inclusion, for Vietnam these are the point of services of commercial banks including branches and transaction offices defined in Circular 21/2013/TT-NHNN. Similar to IMF, transaction offices are places where banks could provide services to the customers. According to the existing figures from the central bank, until December 2013, the number of branches was 13,818 branches per 100,000 adults. This figure is equivalent to Germany and much higher than other neighbouring countries such as China, Indonesia, Thailand and Malaysia. This is an average number for the entire country but the distribution is uneven among different geographical areas (refer to Picture 3, picture 4 and 5). This also indicates a fact that the density of the branches are much more concentrated in bigger cities than those in rural and remote areas which could easily be visually seen (see Picture 4 and 5).

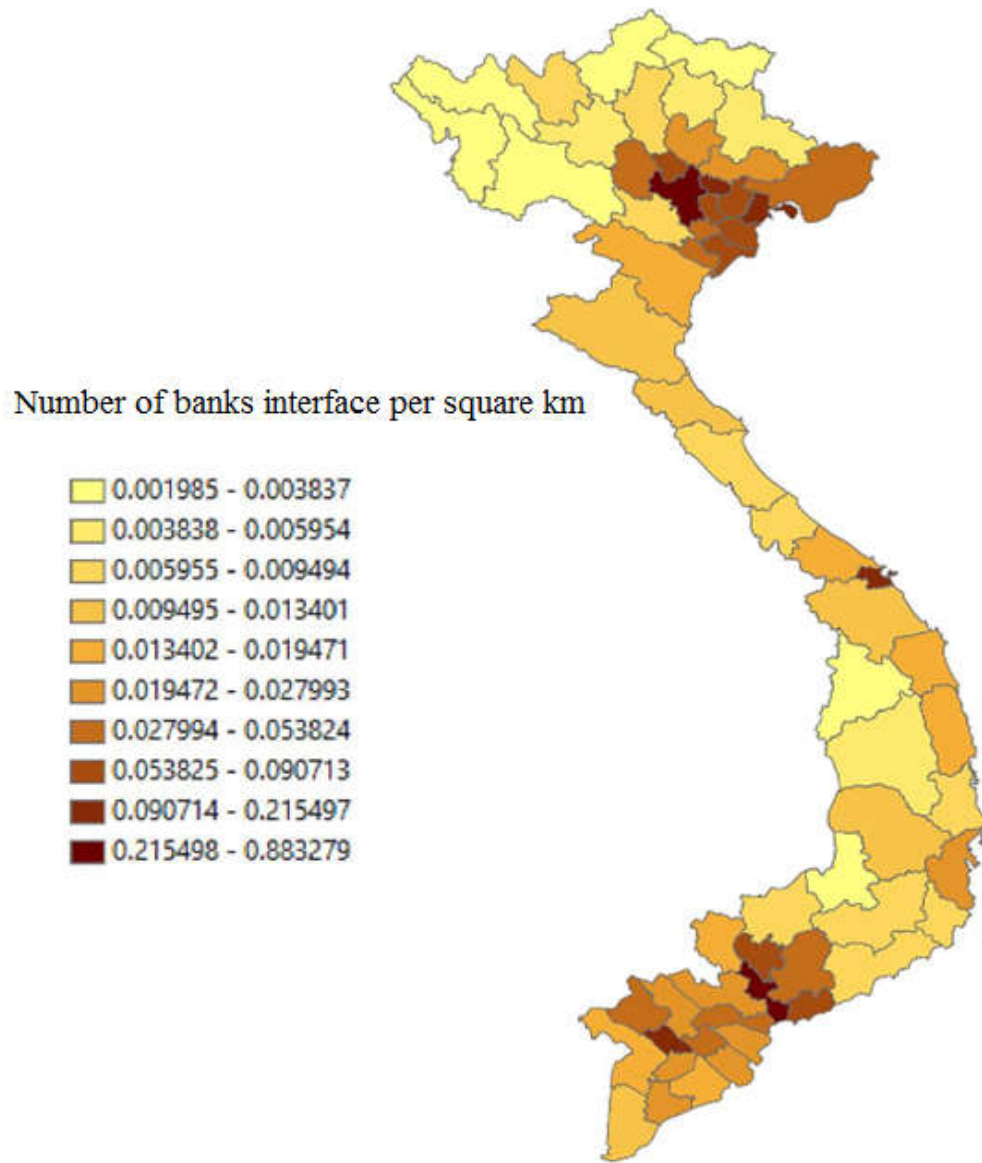
PICTURE 2. NUMBER OF COMMERCIAL BANKS IN A COUNTRY, 2012



Picture 3. Commercial banks' network in Vietnam



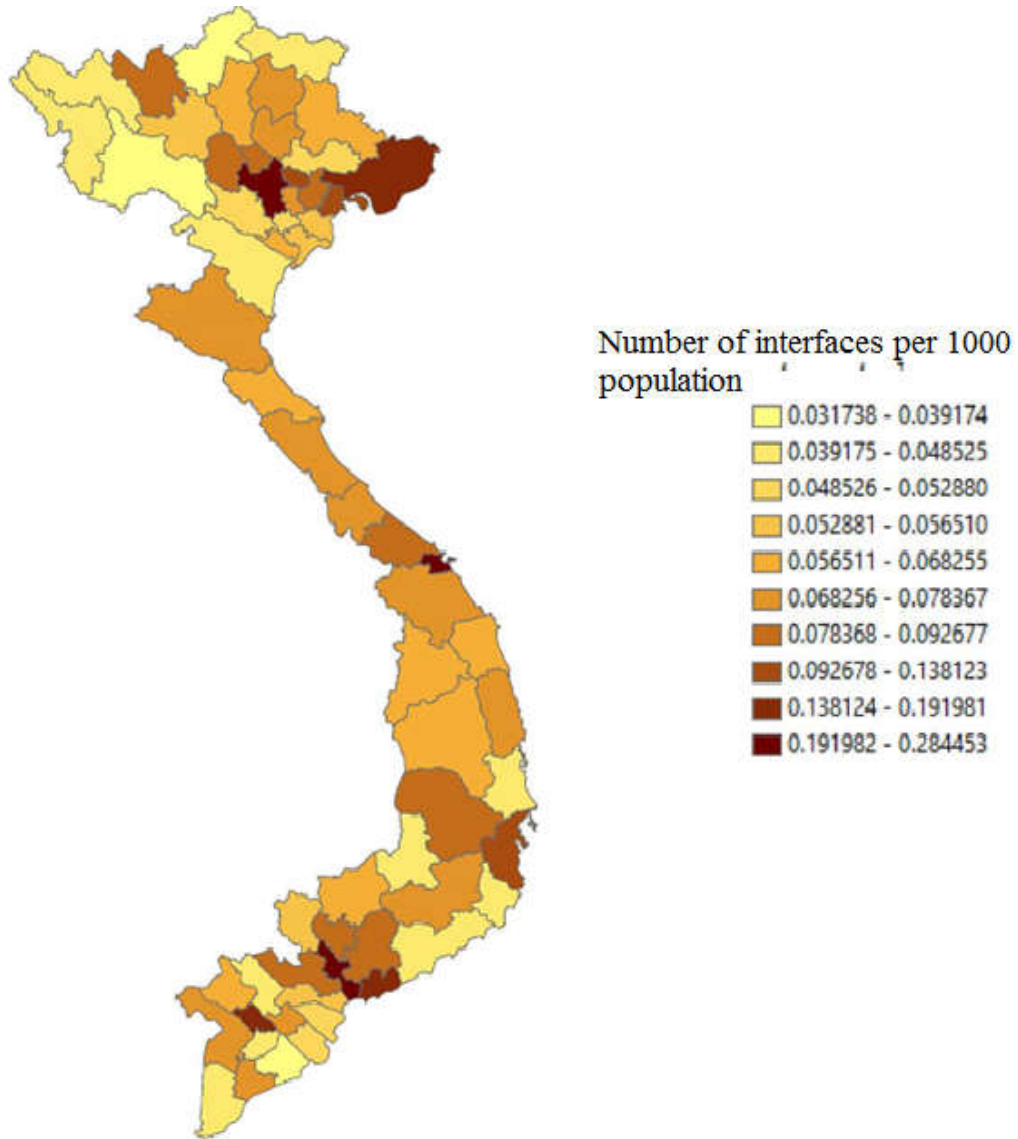
Picture 4. Allocation of banks network per quare kilometres, 2014



Highest	City	Number/ km ²	Lowest	Province	Number/ km ²
1	Ho Chi Minh	0,883	1	Lai Chau	0,002
2	Hanoi	0,542	2	Son La	0,003
3	Da Nang	0,215	3	Dien Bien	0,003
4	Hai Phong	0,173	4	Kon Tum	0,003
5	Bac Ninh	0,146	5	Ha Giang	0,003

Source: Banking Strategy Institute – State Bank of Vietnam (2014)

Picture 5. Allocation of banks network per average population, 2014



Highest	City	Number/1000 population	Lowest	City	Number/1000 population
1	Da Nang	0,284	1	Son La	0,032
2	Hanoi	0,263	2	Ha Giang	0,036
3	Ho Chi Minh	0,241	3	Soc Trang	0,039
4	Quang Ninh	0,192	4	Dong Thap	0,044
5	Can Tho	0,263	5	Ninh Thuan	0,045

Source: Banking Strategy Institute – State Bank of Vietnam (2014)

Coverage of the commercial banks' network is visualized in picture 3 and picture 4 showing an uneven distribution of commercial banks between regions, mainly focusing on big cities namely Da Nang, Hanoi, HCM city, Quang Ninh and Can Tho. Commercial banks have

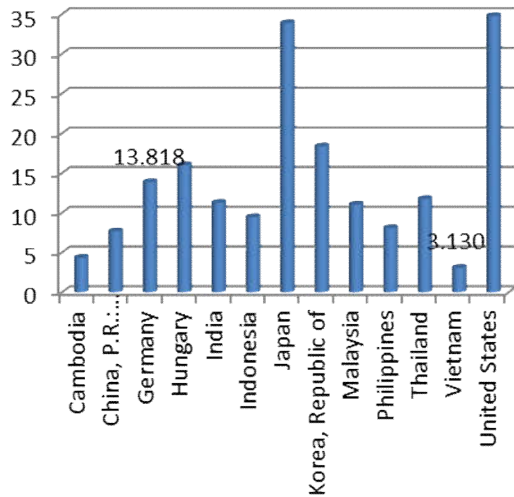
overlooked rural areas, a decent amount of potential customers, especially regions that are isolated such as northern mountainous provinces and Central Highlands.

Demand for banking services has a positive correlation with the income level and density of the population (World Bank, 2009, 2014)². The distribution network mapping of the banking system in Vietnam clearly reflected this relationship as provinces with high income per capita like HCM City, Hanoi, Da Nang, Binh Duong are places with a high density of commercial banks. In contrast, poor cities in the northern mountainous areas such as Son La, Lai Chau, Dien Bien have the lowest density. A survey conducted by the Central Bank in 2014 showed a similar trend in which people with bank accounts in the highest income group (over 3 million VND/ per person/ month) accounted for the highest proportion (92 percent compared to the lowest income group with 62 percent). This implies the demand for network expansions from commercial banks depends on the socio-economic development of the certain geographical region. Places with a high level of economic development (urban zones, industry zones and hospitality zones...) are frequently supported with the presence of banks. Meanwhile, in rural, remote and mountainous regions, besides all the difficulties of geographical factors, low economic and social development with sparse population is the main reason leading to the lack of banking infrastructures.

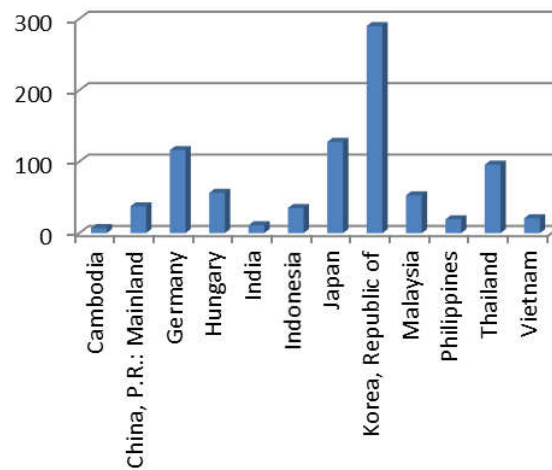
The difference in coverage of the banking system in Vietnam is huge among localities. In major cities such as HCM City and Hanoi, there are respectively 883 and 542 transaction offices / 1,000 km² while the same figure for the two poorest cities Lai Chau and Son La are limited to only 2 and 3 transaction offices / 1,000 km², the spread is up to 500 times in difference. It showed a similar result with population density. According to a survey on income from the General Statistics Department in 2012, income per capita of the richest city, HCM city, is 5 times more than the lowest in income per capita, Lai Chau. The average transaction offices per 1,000 km² are currently at 28.691.

²The report for Global Development 2014: Financial Inclusion, World Bank. (Page 31).

Picture 6. Number of bank branches per 100.000 adults



Picture 7. Number of ATMs per 100.000 adults

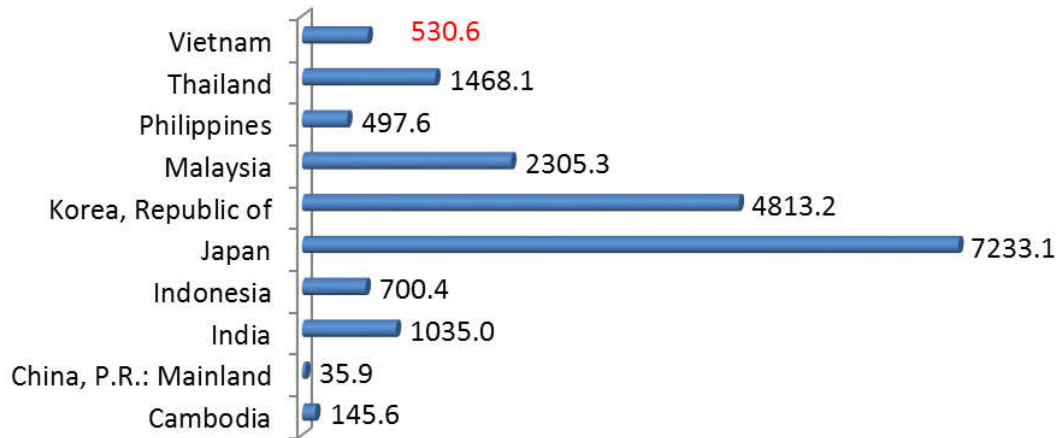


Source: Data from FAS, IMF, 2012

3.2.2 Coverage according to ATM, POS indicators

Recent years, Vietnam's commercial banks have been very active in investing and deploying modern banking services: namely cards, ATM, POS, internet banking, and mobile banking. These banking services are now currently comparable and to the same standard with the high advancement levels of the services provisioned in Europe and U.S by applying advanced banking and telecommunication technologies. In addition,, the Government is also actively conducting multiple solutions to promote non-cash payments, including activities in upgrading the payment infrastructure and the switching connectivity between domestic and international cards, and promoting salary payments through personal bank accounts. Therefore the usage rate of these services has shown the highest growth among other banking services, especially services related to cards. According to the statistics from the State Bank of Vietnam, up to end of 2014, there were an overall of 73.6 million debit cards, 3.29 million credit cards and 3.51 million prepaid cards, recording an average of more than one card per adult; 16,018 ATM machines and 172,036 POS with a transaction value of more than 300 trillion VND per quarter. The number of ATMs per 100,000 people in Vietnam is recorded to be 23.114. With this result, Vietnam is still falling far behind compared to countries like Japan, Korea, Thailand, Malaysia or China, slightly higher than Philippines and India (Picture 6).

Picture 8. Number of savings account per 1000 adults



The actual survey showed some shortcomings from the ATM and POS network in Vietnam. Firstly, modern functionalities are mainly provided only within urban regions. Secondly, cash withdrawal transactions still account for a large proportion compared to other services like payments or bank transfers. In some rural areas, having a mandatory payroll account, at times, enhance the difficulties for beneficiaries to withdraw cash out of the ATM.

The current indicator for number of accounts per 1,000 adults could not be shown from the statistic department of the State Bank of Vietnam, however, the number of checking accounts at the end of 2014 is 54,449,596 accounts (not including savings accounts), increased by a factor of 10 compared to 2005. A person could have more than one account in this case and this number was not refined. After recalculating and excluding the additional accounts, the number of people with at least one checking account with a financial institution is 36.77 million people, accounting for 41 percent of the total population and marked 53.06 percent of adults with a bank account, ie. 530.6 accounts per 1,000 adults. With this indicator, Vietnam tied with Philippines but still lower than Thailand, Malaysia, India, Germany and Japan but much higher than China (Picture 8). This number has also met the objectives and target set out in the Promotion of non-cash payment in Vietnam scheme from 2011 – 2015.

3.2.3 Level of access to credit

Credit services in Vietnam grow relatively faster than other types of services. According to the database from the Credit Information Center (CIC), as from April 2014, the whole credit institutions system had lent out to a total of 206.129 enterprises. From these enterprises 112.538 out of 370.000 are active enterprises still have an outstanding lending balance, occupying a ratio

of 30.4 percent on total enterprises with a total outstanding value of roughly 2.5 quadrillion VND; The number of individual customers that have credit activities are 18,043,750 people, in which 11,587,667 people still have an outstanding balance, occupying 16.8 percent adults, with a total value of 1.04 trillion VND. According to new statistics released by the State Bank of Vietnam, at the end of 2014, the total outstanding credit in the economy is 3,970,548 billion VND, corresponding to 100.8 percent of the GDP. The tradition credit institutions are also primarily the main channels to mobilize savings within the economy. Total deposits of economic entities and individuals at institutions as of 2014 are accumulated to 4,554,385 billion VND, corresponding to 115 percent of the GDP. With this indicator, Vietnam is considered being average, much higher than other nations within the region such as India, Indonesia, Philippines and Thailand.

Table 2. Selective financial accessibility indicators of Vietnam

	Indicators	Figures based on Vietnam's statistics (2014)	Figures based on IMF & WB statistics (2012)*
1	Number of branches per 1000km ²	28,681	6,910
2	Number of branches per 100.000 adults	13,818	3,130
3	Proportion of adults owning a debit card	16%	15%
4	Proportion of adults owning a credit card	4,7%	1%
5	Number of ATMs per 1000km ²	48,392	46,019
6	Number of ATMs per 100.000 adults	23,114	20,840
7	Number of checking accounts per 1000 adults	530,59	216,0
8	Proportion of adults having a loan at a financial institution	16,8%	16%
9	Total savings at FIs on GDP	115%	97,7%
10	Total loans at FIs on GDP	100,8%	90,5%

Note: (*) The figures were retrieved from WB and IMF's database (See more in Appendix 1); The statistics for Vietnam were calculated in Dec 2014, except the figures for branches of commercial banks were from .

It is fair to say that, during the past 10 years, the financial institutions system in general and the commercial banks in particular have experienced tremendous growth in various aspects namely ownership structure, operational model and capacity. The total charter capital of the

banking system for the past 10 years has increased by more than 13.7 times, with an average growth rate of 37 percent per year, total assets increased by 10 times with a rate of approximately 29 percent a year. The banking network coverage is also expanding across the country, reaching to rural, regional and remote areas. The growth of the commercial banking system has contributed largely to the expansion of access to banking services in the economy recently. However, compared to certain requirements, there are still restrictions on some of the areas like product diversity, relevancy and balance between regions.

IV. Methodology & Findings on the accessibility of banking services in rural and remote areas

4.1 Methodology

Since the objective of this thesis is to measure the level of access to financial services for the overall population, across income and other demographics, of Vietnam, it is appropriate to follow the Finscope methodology.

The information gathered after the survey will be used to hopefully extend the accessibility level of financial services throughout the country. This is done and made possible if a broader picture of the adult population (15+ years of age in the case of Vietnam) could be drawn in terms of: (i) the proportion of the population that use financial products and services regardless of the nature being informal or formal; (ii) the extend, ie. products and services that those financially included use; (iii) assessment of drivers and/or barriers affected into the decision of usage; (iv) promoting interventions and activities that would change the financial accessibility condition favourably.

The sampling methodology principles are:

- 1) A minimum sample size (6,000 respondents) enough to have a national estimation with an acceptable margin of error.
- 2) The design of the survey was based on most recent and up-to-date from reliable sources
- 3) Domains for the sampling design were based on a provincial level.
- 4) A reliable number of each selected provincial / domain was chosen.

The research used PPS – Probability proportional to size sampling method. A multi-stage sampling was facilitated which consists of the EAs selection (enumeration areas) and the selection of adult respondents within a household using Kish Grid. A map of all the EAs has been drawn in order to guide the field operations within the thesis. Ultimately, all the

information harnessed from the survey are used in the formulation process of the Financial accessibility much wider picture along with other desk studies.

There were 953 rural communes that witnessed the operations of commercial banks, accounting for 10.5 percent of communes and roughly 10 percent of the overall branches and transaction offices across the nation. Region with the highest communes having access to banking networks is the Southeast area (with 18 percent) and lowest is the Northern Upland Midlands (with 7 percent). It could be seen from the overall assessment results, residential sectors in rural and remote areas are able to access banking services at the lowest level. Increasing banking services for these sectors are is high in importance, potentially affecting a large group of population (almost 70 percent of the total population) and contributing actively to solve existing problems in social security and poverty alleviation. Besides, it is also as much important to focus on SMEs, currently accounting for 97 percent of the total business operations across the nation, contributing to the economic growth of the country.

The survey and other secondary data collected was conducted following the cross-sectional study method in order to come up with a reliable level of accessibility to financial services from different sections of geographical groups within the borders of Vietnam. This is also to ensure that the research draws a good picture of how the current situation, positive elements and negative barriers, which is existing within the financial services industry.

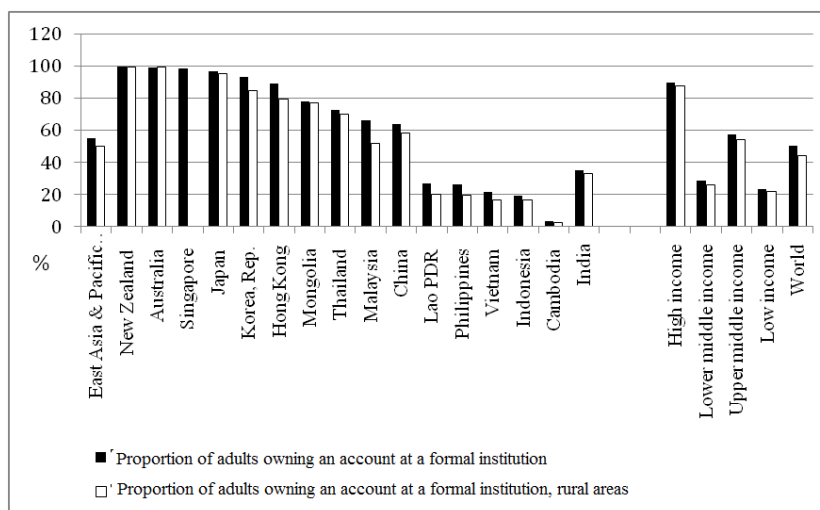
4.2 Level of access to banking services of the rural population

The popularity of banking services in rural Vietnam currently is still low, indicated the following facts:

- (i) Type of banking services in rural areas are less diverse, local residence mostly know and use credit services, whereas savings and payment services are hardly used; and*
- (ii) The proportion of people that open and use bank accounts are low compared to urban areas of Vietnam and rural areas of other countries.*

According to the preliminary results of the conducted survey, it is known that in some provinces, banking services most used by the rural respondents were credit services accounting for 75 percent of respondents, followed by 43 percent for savings, other services such as payment, consultancy and others were kept at a much lower rate (See Appendix 4).

Picture 9. Proportion of adults owning an account



(Source: World Bank, Findex 2014)

The opening of accounts at banks to perform transactions in payment, money transferring, savings, etc. are low compared to the rural population in other countries at similar levels of development and within the region. According to survey data on Access to Finance from the World Bank in 2014, the proportion of adults in Vietnam owning a bank account in rural areas was barely 27 percent, while the same figure in Thailand, Malaysia, Indonesia and India was respectively 78 percent, 74 percent, 38 percent and 50 percent

Financial accessibility figures

	Proportion of adults who has a bank account (formal sector)	Proportion of adults who has a bank account (formal sector), rural	Proportion of adults who has a bank account (formal sector), urban	Proportion of adults who has a bank account (formal sector), young (15-24 years of age)
East Asia & Pacific (developing only)	68,75662	64,26553		60,26126
New Zealand	99,52554	100		99,09734
Australia	98,85957	98,66442		94,77867
Singapore	96,3526	..		92,94178
Japan	96,64558	96,39821		81,50843
Korea, Rep.	94,36082	92,94023		86,08833
Hong Kong	96,14764	89,88384		88,99107
Mongolia	91,82178	90,03278		93,04655

Thailand	78,13655	78,22649		70,55032
Malaysia	80,67462	73,69847		76,19962
China	78,92678	74,333		74,20721
Lao PDR	..	..		..
Philippines	28,06573	24,58197		13,86271
Vietnam	30,86436	26,98817		37,43719
Indonesia	35,94736	28,45374		35,16621
Cambodia	12,55649	11,40146		12,58585
India	52,75381	49,78444		43,11
High income	90,63345	90,24858		79,70975
Lower middle income	41,78963	39,14118		33,41056
Upper middle income	70,39571	68,72769		57,87237
Low income	22,29922	19,80561		14,76879
World	60,69839	55,77155		44,92422

Source: World Bank Financial Inclusion Data (2014)

The demand for credit in rural areas are reasonably high, the proportion of people having access to credit from formal institutions are also good, however, the informal sector remains to keep an important role in the provision of capital for rural areas.

Also according to the survey data from World Bank 2014, the rate of Vietnamese adults with borrowings (regardless of the loan source) in rural areas is 48.5 percent. This rate is equivalent to the benchmark of countries within the group of low to average income, but still lower than Indonesia (58 percent) and Cambodia (63 percent), Thailand (56.8 percent) and Malaysia (61.5 percent) (See Table 3, Appendix 2) ³. This reflects a relative large borrowing demand of the rural population.

In particular, the percentage of borrowers who have access to financial institutions is 20.67 percent of rural adults (equivalent to nearly half of the adults with borrowings in rural areas, 42.6 percent). This rate is higher than Malaysia (17 percent), Indonesia (11.4 percent), and the Philippines (9.8 percent) but lower than Thailand (22.2 percent) (See Table 3, Appendix 2). These statistics show that the level of people who have access to formal credit in Vietnam is high compared to other developing countries in the region. This also confirmed some in-depth studies

³ World Bank (2011).

from CIEM, IPSARD, DERG (2011) through the surveys within the framework of the Vietnamese Access to Resource Household Survey (VARHS) implemented in 12 provinces with nearly 50 percent of the households in the sample have loans with formal institutions⁴.

However, a special point to note while considering the statistics in Vietnam compared to other countries is the fact that rural credit market is dominated by the two state-owned banks, Agribank and VBSP. By which, the VBSP serves as an instrument of government policy for the poor through the concessional lending program. This is the main reason which had led to the high proportion of Vietnamese rural adults having access to loans with the formal sector compared to other countries. The percentage of loans acquired from VBSP has increased sharply since 2008 in line with Government's efforts in boosting provisional capital for the rural population. For the past 10 years, there have been over 21.4 million poor households and other policy beneficiaries able to receive loans through the concessional lending programs⁵. However, Vietnamese rural households continue to rely on informal credit sources in which family and friends play an important role especially proven to the VARHS 2012 survey (See Table 3 below).

Table 3. Number of households having a loan at financial institution

	2006	2008	2010
Total			
Number of households	1180	998	1079
% households having a loan	57,79	45,38	49,07
Proportion of households adopting a loan from (%)			
VBSP	25,85	25,95	41,52
VBARD	40,05	34,87	24,19
Informal sources:	27,54	21,34	25,95
- <i>Family and friends</i>	14,15	11,62	13,81
- <i>Other lenders</i>	5,08	3,91	3,52
- <i>Groups</i>	0,25	0,50	0,46
Other (associations, fund, Other FIs khác...)	25,76	20,64	24,84

Source: CIEM, IPSARD, DERG (2011)⁶

This situation was also reflected in the survey data of World Bank 2014 mentioned above. For example, 48.5 percent of rural residents having outstanding borrowings in which

⁴CIEM, IPSARD, DERG (2011), "The availability and effectiveness of credit in rural Vietnam: Evidence from the Vietnamese Access to Resource Household Survey 2006-2008-2010", in-depth study, DANIDA project. Page 4.

⁵Report for the 10 years of operation Conference from VBSP.

⁶The availability and effectiveness of credit in rural Vietnam: Evidence from the Vietnamese Access to Resource Household Survey 2006-2008-2010, in-depth study, DANIDA project. Table 1, Page 5.

20.67 percent had loans with formal sources. Thus, in addition to access from formal sectors, there is still a relatively high proportion of people who still have to borrow from the informal sector, not to mention those that were having loans from both informal and formal sources. The rate at which rural people borrow and friends and families are at 30 percent, accounting for 60 percent of the total rural people with borrowings. (See Table 5, Appendix 2).

Proportion of borrowers within the informal sector

	From private informal lenders				From family and friends			
	Proportion of adults borrowed from private lenders within the past year	Proportion of adults borrowed from financial institutions within the past year, rural	Proportion of adults borrowed from financial institutions within the past year, urban	Proportion of adults borrowed from financial institutions within the past year, young people (15-24 years of age)	Proportion of adults borrowed within the past year	Proportion of adults borrowed within the past year, rural	Proportion of adults borrowed within the past year, urban	Proportion of adults borrowed within the past year, young people(15-24 years of age)
East Asia & Pacific (developing only)	2,496028	2,533363		2,211345	28,26652	30,28915		31,92055
New Zealand	0,9146476	1,496388		0	15,63714	15,07736		36,64448
Australia	0,788081	1,355092		0	16,91844	14,06977		41,859
Singapore	1,047625	..		0,9165537	4,445021	..		4,052391
Japan	0,3020198	0,2301691		0	5,997931	3,775004		30,86337
Korea, Rep.	0,7005864	1,154342		0	17,12387	16,14466		32,09308
Hong Kong SAR, China	0,2189868	3,852733		0	8,300221	11,13295		19,16189
Mongolia	3,068881	1,85102		0,397406	28,83945	26,44843		25,34677
Thailand	9,149982	10,2934		7,317498	31,11643	36,5884		30,74153
Malaysia	0,8102427	1,628032		0	38,96335	45,97854		49,08879
China	1,063929	1,113471		1,166768	25,06467	27,59329		28,21456
Lao PDR	..	..		..	..	..		..
Philippines	13,49168	9,910668		5,813649	48,65165	49,1136		42,41957
Vietnam	1,818898	1,239128		0,7226406	29,87765	30,08392		36,58642
Indonesia	2,942157	2,113382		2,206922	41,48662	42,22065		43,63474
Cambodia	18,23443	17,67381		16,81565	36,22612	37,13044		40,64222
India	12,56648	15,36444		8,324656	32,30065	36,468		26,84748

High income	0,8884568	0,861327		0,3994204		15,00445	13,98607	30,91793
Lower middle income	8,502481	10,16821		5,506991		33,1203	35,07808	29,03436
Upper middle income	2,597244	2,230348		2,52192		24,02244	27,06572	25,53754
Low income	6,545454	6,622973		4,770282		34,9088	37,04065	32,86305
World	4,552243	5,413826		3,764941		26,18235	28,88555	28,70475

Source: World Bank database 2014.

Besides the demand for credit, the demand for savings within the rural population is relatively high but the proportion of adults having a savings account with formal institutions remains low.

Data from the World Bank (2014) also indicated that the proportion of adults in rural areas with savings is 61.7 percent – higher than the average of low to middle income countries (41.6 percent) (see below or Table 2, Annex 2) but the proportion of rural population having a savings account with a formal institution is only at 11.9 percent – still lower than the average of this group which is at 12.4 percent, including India (12.6 percent) and far behind Thailand (35.7 percent), Malaysia (32.6 percent) and China (37.5 percent) (Table 4, Annex 2). According to the survey results of VARHS (2012), the proportion of households having a saving account with local banks is less than 20 percent of the overall population who does some kind of savings while the rate of households that are having loans with an informal entity is nearly 100 percent⁷.

Proportion of adults who has a savings account within the past year

	Proportion of adults who did some savings within the past year	Proportion of adults who did some savings within the past year, rural	Proportion of adults who did some savings within the past year, urban	Proportion of adults who did some savings within the past year, young (15-24 years of age)
East Asia & Pacific (developing only)	70,95882	67,44009		63,9268
New Zealand	86,93197	86,65678		87,57496
Australia	81,46985	77,45826		84,49036
Singapore	73,35941	..		75,27349
Japan	71,94283	70,82248		42,51888
Korea, Rep.	73,91866	62,13226		69,8186
Hong Kong SAR, China	67,37724	58,14906		81,76584

⁷ VARHS, 2012. Features of the rural economy. Survey data of rural households in 12 provinces. Page 128

Mongolia	47,32804	41,07069		56,44724
Thailand	80,51999	81,91417		75,99107
Malaysia	81,58955	77,90926		85,78441
China	72,05163	68,26555		62,61849
Lao PDR	..	..		..
Philippines	67,33958	64,47883		72,59119
Vietnam	63,29548	61,73952		62,19157
Indonesia	69,29871	65,52792		63,74725
Cambodia	67,00403	66,26186		70,06017
India	38,27604	34,77141		29,5303
High income	67,00206	65,94635		68,0879
Lower middle income	45,57687	41,61129		38,43068
Upper middle income	62,65007	62,63129		53,96254
Low income	46,53927	45,58012		41,9387
World	56,45031	53,47979		47,87004

Source: World Bank Financial Inclusion Data (2014)

In addition, survey data results from the VARHS (2012) also showed an increasing trend of savings for the rural population the proportion of rural households that were holding savings rose by 10 percent during the period from 2010 to 2012, accumulated to a number of 81 percent of total households.⁸ The majority of this group holds savings to have a reserve, especially to have something for unintended expenses on medical care (50.5 percent), to recover from crop failures or natural disasters (13.5 percent). The percentage of households saving for investment purposes are lower, accounting for 9.3 percent while the proportion of which have savings to buy inputs in agriculture accounted for 23.3 percent. Other purposes of savings are for daily consumptions (41.4 percent) and retirement purposes (19.6 percent).⁹The branches of Agribank in remote areas depend mostly on capital provided from the mother bank because the saving mobilization isn't large enough locally. The transaction points of VBSP, similarly, collect savings mainly based on

⁸VARHS, 2012. Features of the rural economy. Survey data of rural households in 12 provinces. Graph 8.6, page 127

⁹VARHS, 2012. Features of the rural economy. Survey data of rural households in 12 provinces. Graph 8.7, page 129

the loan groups, rarely from voluntary sources and households. Most of the rural households prefer savings being held under the form of stored gold or cash at home, etc.

Thus, it is obvious that there is still room for policy developments in the formal financial system in rural and remote areas. Specifically with a constant in savings demand in the informal sector, the savings purposes are vast compared to investment demand, if this pool of funds could be allocated correctly, formal financial institutions providing saving services could have an additional stable source of operating capital. In addition, the attraction of the saving source with the purpose of consumption or agri-input procurements could be leveraged to develop the savings system along with payment services, increasing working capital for commercial banks while developing the payment services and collection for fees in rural localities.

Along with the development and changes in the socio-economy, the needs to make transfers and payments increases rapidly in rural areas, such as the need to transfer money from rural to city areas for school feeding purposes or making transfers from the city back to rural areas as remittances etc. The results from the paper's survey has shown that the rate of using bank wired transfer service accounts for 50 percent of the respondents, just behind loan services (75 percent). Besides, the demand for payment services to pay for utility bills, cable TV subscriptions etc.. of the households and paying for the interests of loans for production, consumption, procurements has a high potential as these services are not fully tapped by the banks. Currently, people in rural areas mainly make payments or money transfers via postal channels or through a network of informal entities (transcity buses, gold shops etc.).

4.3 Barriers to access banking services for the rural population

Current access level of banking services for the rural population in the 03 main services namely payment, savings and credit loans has shown tremendous room to grow within the formal sector but distributed among the two strongest banks in rural areas namely VBSP and Agribank. However, promoting the supply of banking services to the rural population still faces many challenges from different perspectives, detailed as follows:

4.3.1 Barriers to access banking services relating to banks

The first finding is that the operational network of formal financial institutions in rural and remote areas is still sparse.

Currently, branches of the banking network does reach rural and remote areas but very sparse regarding the density as mentioned above, only VBSP and Agribank have their offices in

all districts and communes nationwide. Agribank has apparently 2,300 branches all over the country with an average coverage of one branch per 11 communes. VBSP has a higher coverage as its appearance is nearly 100 percent in communes; however, the transaction points are normally based in the office of the People's Committee in communes and operates under a fixed date. These 02 institutions occupy 80 percent of the market share in rural credit. Besides, as an addition to the network of credit institutions in rural areas, there is presence of the People's Credit Funds (PCFs) and Microfinance institutions (MFIs). The presence of these units is still very thin as PCF is only available for 10 percent of the communes and wards throughout the country, inactive in mountainous areas; MFIs with only 02 licensed organizations. There are also other few social and non-governmental organizations and a number of transaction offices of consumer finance companies that have just developed recently.

Second finding , the loan product lines are designed for all areas without customization to suit with each and every specific region, aiming especially to the rural population.

Although regulations from the State Bank allow commercial banks to offer loan packages without collateral, most formal loans require do require collateral or some sort of guarantee, of which 90% of mortgages required land papers and house ownership. At the same time, the proportion of mortgages that require collateral in the informal sector is very low, according to the VARHS 2006 survey, it ranges from 0-7%.

Volume and period of the loans does not meet the demand as well as the seasonality of agricultural activities, this leads people to seek for alternative finance including seeking capital from loan sharks in order to pay up their debt at the bank (the loan period is shorter than wished).

In addition, not taking into account the distance rural people need to go in order to access the formal sector dependable on the location of the offices, the time of the whole procedure in order to approve a loan from the formal financial institutions is usually longer than that of the informal sector, thus eliminating the opportunity of borrowers in investments or businesses, healthcare issues or even tuition fees.

Third finding, the promotion activities of financial institutions regarding product and services in rural areas are still very limited.

The development in retail banking has shown tremendous growth for the past decade, however, financial institutions are focusing more on the middle income and above target groups and paying less attention for promoting their product lines in rural and remote areas.

The current servicing of bank staff towards residential customers in rural areas is not being the best, caring and transparent. This is shown through activities such as not actively explaining and introducing customers its programs and policies, existing promotions and being consistent. The asset valuation for customers' collateral is much lower than the actual value according to apparent regulations.

After the qualitative survey conducted, several reasons have been identified as follows:

The transportation and communication infrastructures in rural areas, especially in remote and isolated ones, are still very limited with high building and operating costs while transaction sizes are relatively small. This makes expanding the network of commercial banks in remote areas becoming ineffective in terms of cost – benefit analysis.

The banking sector paid an early focus on rural, remote areas, the poor and disadvantaged, but this task remained responsible mainly on the shoulders of state-owned banks such as VBARD and VBSP. The government did not have mechanisms to orient, encourage and promote the participation of joint stock commercial banks to distribute their network in rural and remote areas. There were also limited guidance on how financial institutions could leverage the existing network available in rural areas to offer banking services to the broad audience such as through People's Credit Funds networks.

Financial institutions have the advantage of being close to the farmers and certain knowledge of the rural economy, however, they were not able to leverage and elevate the credit activities. PCFs started to implement payment services but are currently facing difficulties with policies and resources. Many solutions to improve the quality and ensure safe operations of the credit institutions have been implemented: namely Project on Development of the Microfinance systems in Vietnam till 2020, Project on Development of the People's Credit Fund System till 2020 are under the design process but have not been finalized and implemented.

The characteristics of rural business and trades are exposed to many inevitable risks, but the formal agricultural insurance market has not developed yet, thus loans within the area are all classified as risky and therefore banks are required to ask for collateral.

Information of customers in rural areas is not carefully collected and deployed even though lending activities have been running.

The sales staffs do not have adequate knowledge and understanding of the living standard and production in rural areas. At the same time, commercial banks do not have policies to encourage local branches to actively develop specific products suitable to each geographical areas of operation but the branches currently just comply with the general policies from the main headquarter.

In the development strategies of financial institutions, the motto of generating profit and sustainable development in the long term on the basis of building long-term relationships with customers and strengthening brand prestige have not received much attention.

Training on the matter of business ethics is limited. Staffs do not understand the fact that in order to create long lasting values, it is a matter of trust and care.

4.3.2 Barriers to access banking services relating to the population

First finding, the perception of rural people on the existence of the series of banking services is low.

We have conducted the survey in rural areas for 9 provinces and cities. Their survey has showed a low level of understanding in banking products and services from all three areas: namely credit, savings and payment. Therefore, people living in remote areas showed signs of doubtfulness, being cautious towards banking products and services. In addition, there are people with less to no information regarding banking offerings. They are hesitant to communicate with banks and do not fully understand the rights of customers.

Second finding, the ability to adopt rural banking services such as the ability to set up business plans, understanding production process and financial literacy is limited.

To reach customers, in many cases, commercial banks must learn and help people build business plans. At the same time, people do not really understand the benefits of preferential credit programs that are implemented step by step in connection with technical processes. Therefore, they choose not to use such services. Even in the case of being able to access, survey results showed that individuals and households do not understand fully the terms within their loan agreement such as the interest rate information. Thus, people's understanding in finance, agreements and contracts is still limited.

The findings claimed above were due to the course of the followings:

On one hand, banks are lacking behind in publicity and promotion of the banking services and products provided. In addition, the habit of using and hoarding cash and gold also limits people to actively adopt banking services in rural areas.

People in rural, remote and isolated areas have low levels of knowledge and education, while the national curriculum in Vietnam does not apparently cover financial education content.

People in rural, remote and isolated areas also have a lot of barriers regarding barriers to change, adopting new technology, machinery and complex paperwork.

People in rural, remote and isolated areas do their business/ do farms based on experience but local authorities or even commercial banks do not provide training and dissemination of technical procedures in order to support the people while promoting banking activities and the rate of adoption within the area.

The commercial activities of propagandizing, explaining, promoting products and services of commercial banks in rural areas are limited.

4.3.3 Barriers to access banking services relating to policies

Regulations regarding loan security make it difficult for commercial banks to carry out lending activities in rural areas such as certificate of land use right, notarization, authentication and so on.

The interests and rights of banking service providers dealing with securitized assets (collateral) have not been adequately protected to encourage financial institutions to participate and expand the market to new customers actively. The legal right of the creditor to unilaterally seize the security property is yet strong enough and in practice it seems impossible to proceed with the seizure of land use right on which the property is built on. Therefore, lenders and creditors have to resort to a court system that is often proven ineffective. Collateral could be sold directly but done without the cooperation of debtors is extremely difficult or sold through auction which takes time and might reduce the price of that certain asset.

The effectiveness of implementing programs and policies to support or expand banking services of the government and financial institutions is influenced by the transparency of activities carried out by intermediary institutions such as local authorities and other key organizations. Circumstances where organizations care more about the achievements in figures and taking

advantage of the policy packages could drive the expansion of credit away from the actual targets in need.

The valuation of real estate prices used as collateral under the regulations of the Ministry of Finance and Provincial People's Committee is not close to the actual market value. This limit the level of access to capital for the citizens here in rural areas as they themselves does not have much land and property to put as collateral.

The unstable macroeconomic situation in recent years has also reduced the efficiency of financial institutions and the access to banking services of the general population, in which the rural population is inevitable, affected as well.

V – THE PRACTICAL IMPLICATIONS OF THIS RESEARCH AND CONCLUSION

5.1 Conclusion

Access to banking services depends mainly on income and population density. In urban areas with higher living standards and higher population density, the demand for banking services is higher and more diversified than in rural areas. As for profit-seeking financial institutions, branch expansion into rural areas is not cost effective. The use of some administrative measures from the government to force commercial banks to expand rural networks will not be something feasible.

In residential areas of the rural, remote and isolated areas, credit services have always been the dominating one above other services such as savings and payments. However, credit for this population is mainly offered by VBSP and BARD with subsidized interest rates. This often raises a backward effect, a demotivational factor as people tend to depend for Governmental subsidiaries and creates a burden on the government's spending budget. Measures promoting access to banking services for the rural population should consider appropriate objectives, a harmonized combination of governmental resources and others to increase the participation of rural financial institutions, especially microfinance institutions, as experienced by developing countries in the world.

The microfinance model proved to be effective in providing rural financial services as lending and savings products are customized to match the characteristics, income and culture of the landscape. This has been learnt through the actual experience from actual experience from

certain developing countries such as Indonesia, Kenya, Malaysia etc. Firstly, the network of these organizations has the capability to cover the entire village (through the flexibility in operation and the close cooperation with local authorities) at a lower cost than setting up branches or transaction offices of commercial banks. Secondly, the proximity of the organizations reduces the physical barriers for the rural population. Therefore, there should be mechanisms and policies to encourage institutions to provide microfinance to the rural population.

The survey revealed the important role of government and socio-political organizations in rural areas in coordinating with financial institutions while providing services in rural areas, especially in certifying property rights to use as collateral and providing useful resources to evaluate clients. Some of the rural financial institutions like BARD, VBSP, PCFs, TYM Fund coordinated with the Women's Union, farmers or heads of villages to collect and pay quite effectively. This is proved through the low bad debt ratio resulted within the rural credit figures being less than 1%. This is because these certain groups of people have a firm grasp of the participant's behavior and are primarily elected officials which limit a lot of moral hazard in the course of work. This coordination model needs to be promoted and used widely to be effective.

Rural people have not yet grasped and fully understood banking services. They do not trust the safety while conducting banking transactions. Therefore, despite the large potential use of services, the adoption rate still remains relatively low. It is needed to develop a financial education strategy and financial consumer protection in a strict and enforced way. This is to ensure that financial consumers are well protected on legal basis while allowing the expansion of activities from financial institutions in rural areas. Financial education is considered by international organizations to be a key mean of improving access to finance and protecting consumers.

Improving access to banking services, especially services other than credit, is closely dependent on socio-economic development. The demand and availability of these services in areas with more developed socio-economic conditions is more likely to be higher than areas with poor socio-economic conditions. Thus, measures to promote credit access for rural people or organizations that use rural labor is also important to create a favorable socio-economic base for the development of other banking services.

Currently only one third of the SMEs are being able to finance themselves through the official banking channel. The demand for SME loans are mostly short-term while long-term loan

demand is apparently much less. This is explained by the fact that SMEs are mainly engaged in services, trading and need to finance for the lack of working capital. On the other hand, manufacturing companies are facing multiple problems in the market (high interest rates, large stock of inventory etc...) but do not possess a business strategy for the long run. Although there is still room for the SME credit market to grow but not in a short to medium manner as SMEs could not absorb anymore capital and are not eligible to make loans from the banks either according to current regulation from the State bank and commercial banks.

Findings showed a fact that the implementation of unsecured loans for SME sector is rather a difficult solution. This is due to several reasons. Firstly, financial institutions are having problems themselves with their balance sheet and do not have a big appetite on risk-taking. Secondly, many of the legal provisions relating to lending procedures are likely to lead to the so-called “criminalization” in banking operations, which make bankers uncomfortable to lend. Thirdly, businesses are also not strong and convincing enough to banks with their business plan, especially in this current difficult economic context. This could be done by granting autonomy and self-responsibility to financial institutions in evaluating and supervising the use of loans, including allowing higher interest rates to be charged in order to offset risk. At the same time, authorities are responsible for ensuring the safety of the financial system through inspecting and supervising the safety ratios of players in the credit market.

The implementation of technology could open up new opportunities in order to narrow the gap in access to financial services among different groups, including the poor and people in remote and isolated areas. In the context of rapid information technology changes in Vietnam, including the widespread coverage of the mobile communications network, the integration of products and services from telecommunication companies and banks, especially in the payment sector, will surely expand the access to services without boundaries of time and space at a much less expensive cost compared to traditional financing services. Therefore, the development of incentives while ensuring the safety for consumers of these new products should be given utmost attention.

Improving access to services for the economy does not necessarily mean the goal must be achieved for everyone at all costs. There are always people in the society who do not have the need to use banking services for some reason. Over lending and pumping credit to the economy has shown its consequences to the market and most likely cause's negative effects on inflation.

Excessive borrowing from households and businesses increases the debt load they have to carry on and reduces their ability to pay off such debt and ultimately threatens the system's stability. Therefore, improving access to services must always be accompanied by system prudential measures.

The level of financial services adoption in practice has many obstacles, including barriers from existing policy regimes and also failure of the market. The role of the government is to build a healthy and competitive environment for service providers to deliver quality financial products and services at affordable prices which in turn attract more users. Where the market is ineffective, providing services to the vulnerable groups such as the poor, women, people who live in remote and mountainous areas ... is counter productive in terms of profitability and cost. The use of interest rate subsidy programs by the government with policy beneficiaries could provide these people with initial help to improve income and alleviate poverty. In the long-run, however, this could cause moral hazard and increase burden on the government expenses. Enhancing the participation and cooperation of rural microfinance institutions along with local organizations has proven to be an effective model and should be promoted in order to strive inclusive growth.

5.2 Recommendations of possible solutions to enhance access to banking services for the economy

5.2.1 Increasing non-bank financial institutions capabilities

Establishing a network of financial institutions is in line with the level of socio-economic development in regions throughout the country. The number of commercial banks' physical interfaces should be properly calculated with the scale of transaction volume, economic growth rate, number of population and businesses operating in each locality.

Encouraging financial institutions to set up branches, physical interfaces, bank agents operating in rural, remote and isolated areas, industrial parks to meet local economic demands.

Encouraging commercial banks to use modern technology for channels providing products and services in remote locations such as developing e-banking services, developing services based on information and telecommunication technology (mobile banking and internet banking).

Increasing the installation and use of ATMs and POS in areas where conditions permit, suitable to the needs of people such as hospitals, department stores, communes etc. to facilitate payment.

Improving the quality of VBSP interfaces in rural, remote and isolated areas is also recommended. Strengthen officials' capability; frequency of operation in interfaces should be increased in order to service customers.

Designing and implementing the developing strategy of the people's credit fund system for 2020. Setting up the system should be based on actual needs while fully meeting the requirements stated under law. Location of establishments of PCFs are prioritized in agricultural and rural areas where there happens to be no PCFs at the moment; the establishment of PCFs is there to provide services that are in line with the traditional lines of work at each locality.

Project on the development of microfinance system in Vietnam up to 2020 should be sped up in order to enhance the service provision to low income people, the poor and those who are currently still underserved. Creating a legal framework in which microfinance institutions could operate with ease, lowering barriers, encouraging semi-formal microfinance institutions to be officially transformed into fully functioned microfinance institutions. Assisting these institutions in accessing foreign aids, grants, and concessional credits help to carry out microfinance operations.

Besides, increasing the cooperation between social and local authorities with the institutions that provide banking services in rural areas leads to make full use of the large network and deep knowledge of each locality's social-economic conditions.

5.2.2 Developing appropriate banking products and services, making good use of information technology in order to improve access to banking services to the population in rural, remote and isolated areas

Continuing to instruct financial institutions to implement credit programs and policies under the government's directions, providing banking products and services with simple structures that are easy to understand and meet requirements of the majority of people living in rural areas, while actively supporting the work of poverty reduction;

Designing and effectively implementing the Strategy in promoting non-cash payment in Vietnam for the 2016 – 2020 period, developing new forms of non-cash payment with the application of high technology in rural areas of Vietnam. Actively deploying a wide range of new payment forms that are suitable to the conditions and characteristics of rural, remote and isolated areas;

Promoting the introduction of fee-based charging and billing services through bank accounts for public services, in particular electricity, water, tuition, hospital fees and other social payments such as retirements, subsidies etc...;

Designing and formulating mechanisms and policies for the provision of payment services by the CoopBank and PCFs so that these activities could be carried out in a systematic manner in conformity with the principles and objectives set out by the PCFs;

Designing policies to support VBSP promoting the provision of savings products in accordance with the specific characteristics of VBSP in order to mobilize savings deposits from the poor which enables these certain groups to save up a small sum of own capital while understanding how to use banking services;

Local government, socio-political organizations cooperate closely with VBSP in effectively integrating agricultural, forestry and fishery extension programs with credit policies, helping borrowers using their loans effectively to escape poverty;

Develop a mechanism of cooperation between VBSP and BARD, applying market principles to create continuous banking products and services for the poor after they have escaped from poverty, aiming for sustainable growth.

5.2.3 Improving the service delivery capability of financial institutions for SMEs

The first recommended is to finalize the amendments and promulgation of the Lending regulation of financial institutions to customers who are SMEs, meeting requirements of simplified procedures, fast disbursements process and ensuring responsible lending.

Organizing research and training activities, supporting financial institutions to have more experience on SME lending, improving banker's capability on SME activities, strengthening the capability in setting up projects, production and business plans;

The State Bank coordinates with ministries from different sectors to support commercial banks in developing "closed lending" from procurement, production, processing and exporting to SME groups that are linked with each other in a value chain or satellites in a supply chain of large enterprises;

Encouraging non-bank financial institutions is to provide products and services suitable to the various different needs of SMEs. Fasten the restructuring process of finance leasing companies and develop more types of credit to SMEs. In addition, encouraging microfinance

institutions and PCFs is requested to improve the capability in providing services to small and micro enterprises.

5.2.4 Improving the information sources of customers, supporting financial institutions to access full data and in turn improving the quality of loans

Enhancing the quality of statistics at leading authorities who are responsible for enterprise management: department of business registration management (Ministry of Planning and Investment), General department of taxation, General department of Customs (Ministry of Finance); Perfecting the existing data systems and integrating them altogether to have a full database on SMEs, allowing financial institutions to access.

Following strictly the timeline for the development strategy of the National Credit Information Centre of Vietnam for the 2015 – 2020 period, approved in Decision No. 1033/QĐ-NHNN on May 26, 2014; Accelerating the data collection of PCFs, microfinance institutions and VBSP in order to form a complete data stream on customer credit relationships;

Speeding up the process of building a national database on population, coming up with solutions allowing financial institutions to deploy these information from databases in order to help them provide authentication services as law permits.

5.2.5 Promoting communication activities within the banking sector including the promotion of banking products and services to large number of people in rural, remote and isolated areas and increasing connectivity between banks and enterprises

Increasing the coverage of communication activities from the State Bank of Vietnam as well as from other financial institutions on public channels to the wider population and SMEs;

Promoting banking products and services through activities with local socio-political organizations, especially Women's Union, Farmers' Association, Youth Union etc.

Conduct ongoing banks-to-businesses conference throughout the whole country. Establishing channels where information regarding banking activities could be found. This could be done through trade, investment promotion activities, SME association activities, issuing guidelines for businesses and SMEs to access loans and other banking services;

Building up a support channel regarding information on banking services for customers to access easily such as websites, free call centers, drafting and handing out individual, household and corporate guidelines for people to use and access loans from financial institutions;

Designing and implementing programs to disseminate and enhance financial knowledge for people on basic knowledge about financial institutions' activities, different loans, fees, rights and obligations while handling banking transactions.

REFERENCE

- World Bank. (2014). Global Financial Development Report: Financial Inclusion
- United Nations. (2014). Post 2015 Millennium Development Goals
- Hannig A. & Jansen S. (2010). Financial inclusion and financial stability: Current policy issues. ADBI Working Paper No. 259
- Claessens S. (2006). Access to Financial services: A review of the issues and public policy objectives. World Bank Research Observer. 21(2), 207-240
- Allen F., Demirguc-Kunt A., Klapper L., & Peria M. (2016). The foundations of financial inclusion: Understanding ownership and use of formal accounts. Journal of Financial Intermediation. Advance online publication
- Demirguc-Kunt A., & Klapper L.F. (2013). Measuring financial inclusion: Explaining variation in use of financial services across and within countries. Brookings papers on Economic activity, 2013, 279-340
- Beck T., Demirguc-Kunt A., & Peria M. (2007). Reaching out: Access to and use of banking services across countries. Journal of Financial Economics. 85(1)
- Peria M. (2013). Emerging issues in financial development: Lessons from Latin America. Financial inclusion in Latin America and the Carribean.
- Honohan P. (2008). Cross-country variation in household access to financial services. Journal of banking and finance. 32(11)
- Peachey S. & Roe A. (2006). Access to finance: What does it mean and how do savings banks foster access. World Savings Bank Institute. Paper No.49
- Campero A., & Kaiser K. (2013). Access to credit: Awareness and use of formal and informal credit institutions. Banco de Mexico. Working paper No.07
- Tejerina L., & Westley G.D. (2007). Financial services for the poor: Household survey sources and gaps in borrowing and saving. Sustainable development department technical paper.
- Johnston D. & Murdoch J. (2008). The unbanked: Evidence from Indonesia. World Bank Economic Review. 22(3)
- Beck T. & De la Torre A. (2007). The basic analytics of access to financial services. Financial markets, institutions & instruments, 16(2)
- Deku S.Y., Kara A. & Molyneux P. (2015). Access to consumer credit in the UK. European Journal of Finance.
- Barr M.S. (2004). Banking the poor: Policies to bring low-income Americans into the financial mainstream. Washington DC: Brookings institution.
- Pearlman S. (2010). Flexibility matters: Do more rigid loan contracts reduce demand for microfinance?. CFA Working paper No.2010-10

APPENDIX

Appendix 1. Statistics on Vietnam's financial accessibility status

Table 1. G20 Financial inclusion indicators

Category	Indicator	Source and coverage	Dimension	Aspect
1	Formally banked adults	% of adults with an account at a formal financial institution Number of depositors per 1,000 adults OR number of deposit accounts per 1,000 adults	Usage	Individuals
		WB Global Findex (current, 148 countries) IMF Financial Access Surveys (current, 187 countries)		
2	Adults with credit at regulated institutions	% of adults with at least one loan outstanding from a regulated financial institution Number of borrowers per 1,000 adults OR number of outstanding loans per 1,000 adults	Usage	Individuals
		WB Global Findex (current, 148 countries) IMF Financial Access Surveys (current, 187 countries)		
3	Adults with insurance	Number of insurance policy holders per 1000 adults. Segregated by life and non-life insurance	Usage	Individuals
4	Cashless transactions	Number of retail cashless transactions per capita. <i>Cashless transactions are defined as the number of payments by cheque, credit transfers, direct debits, and payment with credit and debit cards.</i>	Usage	Individuals
5	Mobile transactional use	% of adults that use their mobile device to make a payment	Usage	Individuals
6	High frequency of account use	% of adults with high frequency use of formal account. <i>High frequency is defined as having taken money out of a personal account(s) 3 or more times in a typical month. This includes cash withdrawals, electronic payments or purchases, checks, or any other type of payment debit, either by account owner or third parties.</i>	Usage	Individuals
7	Saving propensity	Saved at a financial institution in the past year. <i>Institutions include banks, credit unions, cooperatives and microfinance institutions.</i>	Usage	Individuals
8	Remittances	% of adults receiving domestic and international remittances	Usage	Individuals
9	Formally banked enterprises	% of SMEs with an account at a formal financial institution Number of SMEs with deposit accounts/number of deposit accounts OR number of SME depositors/number of depositors	Usage	Enterprises
10	Enterprises with outstanding loan or line of credit at regulated institutions	% of SMEs with outstanding loan or line of credit Number of SMEs with outstanding loans/number of outstanding loans OR number of outstanding loans to SMEs/number of outstanding loans	Usage	Enterprises
23	Credit Barriers	% of SMEs required to provide collateral on their last bank loan (reflects the tightness of credit conditions)	Quality	Barriers to use
24		Getting credit: Distance to frontier <i>Measures the extent of informational barriers in credit markets</i>	Quality	Barriers to use

Category	Indicator	Source and coverage	Dimension	Aspect
11	Number of branches per 100,000 adults	IMF Financial Access Surveys (current, 187 countries)	Access	Physical points of service
12	Points of Service Number of ATMs per 100,000 adults OR number of ATMs per 1000 sq. km.	IMF Financial Access Surveys (current, 187 countries)	Access	Physical points of service
13	Number of POS terminals per 100,000 inhabitants.	WB Global Payments Systems Survey (current, 139 countries)	Access	Physical points of service
14	E-money accounts Number of e-money accounts for mobile payments	WB Global Payments Systems Survey (forthcoming, 139 countries)	Access	Mobile points of service
15	Interoperability of Points of Service Combined index of: Interoperability of ATMs and <i>Takes the value 1 if MOST or ALL ATM networks are interconnected and 0 if they are NOT interconnected.</i> Interoperability of POS terminals <i>Takes the value 1 if MOST or ALL POS terminals are interconnected and 0 if they are NOT interconnected.</i>	WB Global Payments Systems Survey (current, 139 countries)	Access	Interoperability of points of services
16	Financial Knowledge Financial knowledge score. <i>Arithmetic score which sums up correct responses to questions about basic financial concepts, such as: (A) Inflation, (B) Interest rate, (C) Compound interest, (D) Money illusion, (E) Risk diversification, (F) Main purpose of insurance.</i>	WB Financial Capability Surveys & OECD National Financial Literacy and Inclusion Surveys (current, 34 countries combined, estimated 70 countries in two years)	Quality	Financial Literacy & Capability
17	Financial Behaviour Source of emergency funding <i>Response to: If you had an emergency that required [\$10 or 1/25 of GDPPC] urgently, where would you get the money? a) borrow from friends/relative; b) work more; c) sell assets; d) use only savings; e) loan from savings club; f) loan from bank; g) would not be able to find it</i>	WB Global Findex (forthcoming, 148 countries)	Quality	Financial Literacy & Capability
18	Disclosure Requirements Disclosure index combining existence of a variety of disclosure requirements: <i>(1) Plain language requirement (e.g. understandable, prohibition of hidden clauses) (2) Local language requirement, (3) Prescribed standardized disclosure format, (4) Recourse rights and processes (5) total rate to be paid for a credit (basic costs plus commission rates, fees, insurance, taxes)</i>	WB Global Financial Consumer Protection Survey (current, 102 countries)	Quality	Market Conduct & Consumer Protection
19	Dispute Resolution Index reflecting the existence of formal internal and external dispute resolution mechanisms <i>(1) Internal dispute resolution mechanism indicator: law or regulation setting standards for complaints resolution and handling by financial institutions (including timeliness, accessibility, requirements to implement complaints handling procedures) (2) External dispute resolution mechanism indicator: System in place that allows a customer to seek affordable and efficient recourse with a third party (supervisory agency, a financial ombudsman or equivalent institution)</i>	WB Global Financial Consumer Protection Survey (current, 102 countries)	Quality	Market Conduct & Consumer Protection
20	Average cost of opening a basic current account.	WB Global Payments Systems Survey (forthcoming, 139 countries)	Quality	Barriers to use
21	Cost of Usage Average cost of maintaining a basic bank current account (annual fees).	WB Global Payments Systems Survey (forthcoming, 139 countries)	Quality	Barriers to use
22	Average cost of credit transfers.	WB Global Payments Systems Survey (forthcoming, 139 countries)	Quality	Barriers to use

Table 2. Indicators for financial activities in Vietnam, 2012 according to the IMF Database

	Indicators	
1	Total number of FIs receiving savings	1212
2	Commercial banks	48
3	PCFs and finance companies	1132
4	Microfinance companies	2
5	Other organizations receiving savings	30
6	Other depository branches	2173
7	Commercial bank branches	2095
8	PCF and finance company branches	24
9	Microfinance branches	20
10	Other depository branches	34
11	ATMs	14269
12	ATMs in biggest 3 cities	6342
13	Savings at FIs (billion VND)	3169769,122
14	Savings at PCFs and finance companies (billion VND)	40143,301
15	Savings at other depositories (billion VND)	37450,678
16	Loan at FIs (billion VND)	2937249,519
17	Loan at PCFs and finance companies (billion VND)	42452,886
18	Loan at other depositories (billion VND)	98000,205
19	Bank branches per 1000km ²	6,911
20	PCF and finance company branches per 1000km ²	3,728
21	Microfinance branches per 1000km ²	0,071
22	Commercial bank branches per 100.000 adults	3,130
23	PCF and finance company branches per 100.000 adults	1,688
24	ATMs per 1000km ²	46,019
25	ATMs per 100.000 adults	20,840
26	Savings at Banks on GDP (%)	97,669
27	Savings at PCFs and Finance companies on GDP (%)	1,237
28	Loan at banks on GDP (%)	90,504
29	Loan at PCFs and Finance companies on GDP (%)	1,308

Source: <http://fas.imf.org>

Table 3. Financial accessibility indicators for businesses for Vietnam in 2009, according to

	Indicators	%
1	Number of businesses having a savings account	89,4
2	Number of businesses having outstanding loan balance	49,9
3	Number of loans with collateral	90,8
4	Collateral value for a loan (% on loan value)	217,7
5	Number of businesses having no credit demand	25,1
6	Number of businesses borrowed for fix assets investments	21,5
7	Fix assets investments financed internally	74,7
8	Fix assets investments financed by bank loans	12,0
9	Fix assets investments financed by supplier	0,8
10	Fix assets investments financed by owner/stocks	3,8
11	Number of businesses borrowed for working assets	47,0
12	Working assets financed by banks	21,5
13	Working assets financed by suppliers	3,3
14	Number of businesses having a hard time for credit access	15,0

Source: <http://www.enterprisesurveys.org>

Table 4. Financial accessibility indicators for Vietnam in 2011, World Bank database

	Indicators	Vietnam	Low-medium income country	Asia-Pacific
1	Proportion of adults having an account at a formal FI	21%	28%	55%
2	Proportion of adults having an account at a formal FI - women	19%	23%	52%
3	Proportion of adults having an account at a formal FI – lowest 40%	11%	20%	39%
4	Proportion of adults using their bank account for salary transfers	6%	9%	17%

5	Proportion of adults using their bank account for Government subsidies	2%	4%	6%
6	Proportion of adults using their bank account for remittance	2%	4%	9%
7	Proportion of adults who did some savings within the past year	8%	11%	28%
8	Proportion of adults who di some savings through groups and associations	5%	7%	4%
9	Proportion of adults who borrowed from a financial institution	16%	7%	9%
10	Proportion of adults who borrowed from friends and family	31%	27%	27%
11	Proportion of adults having a debit card	15%	10%	35%
12	Proportion of adults having a credit card	1%	2%	7%

Source: <http://www.worldbank.org/globalindex>

Table 5. Selected financial accessibility indicators of countries 2012

	Cambodia	China	India	Indonesia	Japan	Laos	Malaysia	Philippines	Thailand	Vietnam*
Commercial banks	32	203		120	121	31	43	37	31	48
ATMs	681	415561	97121	63671	141633	539	11354	12225	45826	16.018
Savings account	2.082.515	47.465.147	-	123.638.075	807.468.000	55.156	49.441.220	33.631.279	82.270.653	36.770.000
Accounts per 100000 adults	20.373	4.285	-	70.812	728.493	1.322	230.531	53.121	151.088	530,59
Bank branches per 1000 km2	2,538	3,538	4,538	5,538	6,538	8,538	9,538	10,538	11,538	28,681(* *)
Bank branches per 100.000 adults	4,383	7,724	11,384	9,591	33,915		19,910	8,127	11,772	13,899(**)
ATMs per 1000 km2	3,858	44,552	32,666	35,147	388,568	2,335	34,558	41,000	89,698	48,392
ATMs per 100.000 adults	6,662	37,513	11,210	36,467	127,781	12,922	52,941	19,310	84,158	23,114
Adult population (million)	10,222	1.107,780	866,399	174,600	110,841	4,171	21,447	63,311	54,452	69,3

Source: FAS Database, IMF <http://fas.imf.org>

Table 6. Commercial banks network at 31/12/2013

No.	Entity	Branch	Office	Transaction quarter	Fund	Total
A	State-owned banks					
1	Vietcombank	89	354	1	0	444
2	Vietinbank	148	899	1	43	1091
3	AgriBank	940	1329	1	0	2270
4	MHB	43	185	1	0	229
5	BIDV	124	503	1	94	722
B	Joint stock commercial banks					0
1	LienVietpostBank	42	33	0	2	77
2	PGBank	16	53	0	10	79
3	VietCapitalBank	17	19	0	1	37
4	NCB	19	68	1	2	90
5	SCB	49	122	1	57	229
6	Sacombank	71	341	1	1	414
7	Eximbank	41	162	1	1	205
8	NamABank	14	37	0	0	51
9	VIETBank	9	54	1	31	95
10	VIB	49	97	0	4	150
11	ACB	80	265	1	0	346
12	Ocean Bank	21	74	0	6	101
13	DongABank	51	159	1	17	228
14	KienLongBank	26	70	0	0	96
15	SOUTHERNBANK	36	88	1	10	135
16	Seabank	35	99	1	24	159
17	GPBank	13	53	1	11	78

18	TPBank	10	19	0	4	33
19	VPBank	43	156	1	10	210
20	ABBANK	29	99	1	16	145
21	VietA Bank	16	63	1	4	84
22	SAIGON Bank	33	51	0	5	89
23	BAOVIET Bank	8	20	1	1	30
24	MEKONGBank	17	12	0	20	49
25	VNCB	21	76	1	12	110
26	SHB	53	175	0	10	238
27	OCB	32	58	1	2	93
28	MBBank	57	120	1	4	182
29	BacABank	19	52	0	8	79
30	HDBank	42	125	0	22	189
31	PVCombank	30	67	0	4	101
32	Maritime Bank	44	145	1	31	221
33	Techcombank	62	204	0	48	314
	Total	2449	6506	23	515	9493

Source: State Bank of Vietnam

Table 7. Vietnam's banking networks based on locations

	Number of accessible interfaces	Avg population (per 1000 population)	Area (Km ²)	Density(Individual/km ²)	TNBQ 1 month	Interfaces/avg population (interfaces/1000 population)	Interfaces/Area
Whole country	9263	88772,9	330951,1	268,0		0,104	0,028
The Red River Delta	2799	20236,7	21050,9	961,0		0,138	0,133
Ha Noi City	1802	6844,1	3323,6	2059,0	2944,9	0,263	0,542
Vinh Phuc	88	1020,6	1236,5	825,0	1866,8	0,086	0,071
Bac Ninh	120	1079,9	822,7	1313,0	2501,8	0,111	0,146
Hai Duong	144	1735,1	1656,0	1048,0	2047	0,083	0,087
Hai Phong	263	1904,1	1523,9	1250,0	2526,2	0,138	0,173
Hung Yen	84	1145,6	926,0	1237,0	1803,2	0,073	0,091
Thai Binh	101	1787,3	1570,0	1138,0	1728,5	0,057	0,064
Ha Nam	41	790,0	860,5	918,0	1753,9	0,052	0,048
Nam Dinh	100	1836,9	1652,6	1112,0	1791,1	0,054	0,061
Ninh Binh	56	915,9	1376,7	665,0	1695,8	0,061	0,041
Midland and Mountainous north	901	11400,2	95272,3	120,0		0,079	0,009
Ha Giang	27	758,0	7914,9	96,0	850,3	0,036	0,003
Cao Bang	25	515,2	6707,9	77,0	1053,5	0,049	0,004
Bac Kan	22	301,0	4859,4	62,0	1141,9	0,073	0,005
Tuyen Quang	48	738,9	5867,3	126,0	1162,4	0,065	0,008
Lao Cai	55	646,8	6383,9	101,0	1085,1	0,085	0,009
Yen Bai	41	764,4	6886,3	111,0	1114,3	0,054	0,006
Thai Nguyen	86	1150,2	3534,7	325,0	1747,1	0,075	0,024
Lang Son	46	744,1	8320,8	89,0	1212,4	0,062	0,006
Quang Ninh	226	1177,2	6102,3	193,0	2557,3	0,192	0,037
Bac Giang	84	1588,5	3848,9	413,0	1567,8	0,053	0,022
Phu Tho	122	1335,9	3533,4	378,0	1578,7	0,091	0,035
Dien Bien	25	519,3	9562,9	54,0	819,4	0,048	0,003
Lai Chau	18	397,5	9068,8	44,0	758	0,045	0,002
Son La	36	1134,3	14174,4	80,0	1019,5	0,032	0,003
Hoa Binh	40	806,1	4608,7	175,0	1219,2	0,050	0,009
Central and Central Coast	1427	19173,6	95835,8	200,0		0,074	0,015

Thanh Hoa	163	3426,6	11132,2	308,0	1207	0,048	0,015
Nghe An	221	2952,0	16490,9	179,0	1366,6	0,075	0,013
Ha Tinh	79	1230,5	5997,8	205,0	1298,9	0,064	0,013
Quang Binh	64	857,9	8065,3	106,0	1409,9	0,075	0,008
Quang Tri	45	608,1	4739,8	128,0	1300	0,074	0,009
Hue	98	1114,5	5033,2	221,0	1747,1	0,088	0,019
Da Nang	277	973,8	1285,4	758,0	2865,2	0,284	0,215
Quang Nam	111	1450,1	10438,4	139,0	1376,4	0,077	0,011
Quang Ngai	80	1227,9	5153,0	238,0	1300,5	0,065	0,016
Binh Dinh	109	1501,8	6050,6	248,0	1719	0,073	0,018
Phu Yen	41	877,2	5060,6	173,0	1439,5	0,047	0,008
Khanh Hoa	139	1183,0	5217,7	227,0	1896,1	0,117	0,027
Highland	382	5379,6	54641,1	99,0		0,071	0,007
Kon Tum	31	462,4	9689,6	48,0	1294,4	0,067	0,003
Gia Lai	85	1342,7	15536,9	86,0	1563,5	0,063	0,005
Dak Lak	154	1796,7	13125,4	137,0	1639,2	0,086	0,012
Dak Nong	25	543,2	6515,6	83,0	1610,8	0,046	0,004
Lam Dong	87	1234,6	9773,5	126,0	1848,4	0,070	0,009
Southeast region	2596	15192,3	23598,0	644,0		0,171	0,110
Ninh Thuan	26	576,7	3358,3	172,0	1637,2	0,045	0,008
Binh Thuan	57	1193,5	7812,8	153,0	1746,6	0,048	0,007
Binh Phuoc	58	912,7	6871,5	133,0	2217,6	0,064	0,008
Tay Ninh	59	1089,9	4039,7	270,0	2100,4	0,054	0,015
Binh Duong	162	1748,0	2694,4	649,0	3567,8	0,093	0,060
Dong Nai	222	2720,8	5907,2	461,0	2576,7	0,082	0,038
Ba Ria – Vung Tau	161	1039,2	1989,5	522,0	2903,8	0,155	0,081
Ho Chi Minh City	1851	7681,7	2095,6	3666,0	3652,7	0,241	0,883
Mekong Delta	1158	17390,5	40553,1	429,0		0,067	0,029
Long An	118	1458,2	4492,4	325,0	1956,3	0,081	0,026
Tien Giang	93	1692,5	2508,3	675,0	1940,8	0,055	0,037
Ben Tre	66	1258,5	2357,7	534,0	1579,8	0,052	0,028
Tra Vinh	53	1015,3	2341,2	434,0	1397,9	0,052	0,023
Vinh Long	81	1033,6	1504,9	687,0	1743,9	0,078	0,054
Dong Thap	74	1676,3	3377,0	496,0	1665,5	0,044	0,022
An Giang	147	2153,7	3536,7	609,0	1871,5	0,068	0,042
Kien Giang	121	1726,2	6348,5	272,0	1962,8	0,070	0,019
Can Tho	193	1214,1	1409,0	862,0	2324,9	0,159	0,137
Hau Giang	36	769,7	1602,5	480,0	1527,4	0,047	0,022
Soc Trang	51	1301,9	3311,6	393,0	1323,6	0,039	0,015
Bac Lieu	66	873,4	2468,7	354,0	2035,4	0,076	0,027
Ca Mau	59	1217,1	5294,9	230,0	1778,8	0,048	0,011

Source: Retrieved and summarized from 38 Commercial Banks in Vietnam

Table 8. Total economy savings and growth 12/2014

Criteria	Balance (billion VND)	Growth (reduced) compared to end of last year (%)
Total	5.179.216	17,69
<i>Including:</i>		
- Total savings of organizations	1.879.679	18,33
- Total savings of individuals	2.578.277	20,14

Source: State Bank of Vietnam

Table 9. Credit use in the economy and growth 12/2014

No.	Criteria	Balance (billion VND)	Growth (reduced) compared to 12/2013(%)
1.	Agriculture, forestry and fishing	416.769	13,83
2.	Industrial and construction	1.393.700	6,13
	- Industrial	1.016.338	4,88
	- Construction	377.362	9,63
3	Commerce, Transportation and Telecommunication	868.175	8,68
	- Commerce	737.308	9,17
	- Transportation and Telecommunication	130.867	3,21
4	Other services	1.291.904	29,22
	TOTAL	3.970.548	14,16

Source: State Bank of Vietnam

Appendix 2: Financial accessibility indicators of individuals

Table 1. Financial accessibility figures

	Proportion of adults who has a bank account (formal sector)	Proportion of adults who has a bank account (formal sector), rural	Proportion of adults who has a bank account (formal sector), urban	Proportion of adults who has a bank account (formal sector), young (15-24 years of age)
East Asia & Pacific (developing only)	68,75662	64,26553		60,26126
New Zealand	99,52554	100		99,09734
Australia	98,85957	98,66442		94,77867
Singapore	96,3526	..		92,94178
Japan	96,64558	96,39821		81,50843
Korea, Rep.	94,36082	92,94023		86,08833
Hong Kong	96,14764	89,88384		88,99107
Mongolia	91,82178	90,03278		93,04655
Thailand	78,13655	78,22649		70,55032
Malaysia	80,67462	73,69847		76,19962
China	78,92678	74,333		74,20721
Lao PDR	..	..		..
Philippines	28,06573	24,58197		13,86271
Vietnam	30,86436	26,98817		37,43719
Indonesia	35,94736	28,45374		35,16621
Cambodia	12,55649	11,40146		12,58585
India	52,75381	49,78444		43,11
High income	90,63345	90,24858		79,70975
Lower middle income	41,78963	39,14118		33,41056
Upper middle income	70,39571	68,72769		57,87237

Low income	22,29922	19,80561		14,76879
World	60,69839	55,77155		44,92422

Source: World Bank Financial Inclusion Data (2014)

Table 2. Proportion of adults who has a savings account within the past year

	Proportion of adults who did some savings within the past year	Proportion of adults who did some savings within the past year, rural	Proportion of adults who did some savings within the past year, urban	Proportion of adults who did some savings within the past year, young (15-24 years of age)
East Asia & Pacific (developing only)	70,95882	67,44009		63,9268
New Zealand	86,93197	86,65678		87,57496
Australia	81,46985	77,45826		84,49036
Singapore	73,35941	..		75,27349
Japan	71,94283	70,82248		42,51888
Korea, Rep.	73,91866	62,13226		69,8186
Hong Kong SAR, China	67,37724	58,14906		81,76584
Mongolia	47,32804	41,07069		56,44724
Thailand	80,51999	81,91417		75,99107
Malaysia	81,58955	77,90926		85,78441
China	72,05163	68,26555		62,61849
Lao PDR	..	..		..
Philippines	67,33958	64,47883		72,59119
Vietnam	63,29548	61,73952		62,19157
Indonesia	69,29871	65,52792		63,74725
Cambodia	67,00403	66,26186		70,06017
India	38,27604	34,77141		29,5303
High income	67,00206	65,94635		68,0879
Lower middle income	45,57687	41,61129		38,43068
Upper middle income	62,65007	62,63129		53,96254

Low income	46,53927	45,58012		41,9387
World	56,45031	53,47979		47,87004

Source: World Bank Financial Inclusion Data (2014)

Table 3. Proportion of adults who borrowed within the past year

	General				Borrowed from formal sector			
	Proportion of adults who borrowed within the past year	Proportion of adults who borrowed within the past year, rural	Proportion of adults who borrowed within the past year, urban	Proportion of adults who borrowed within the past year, young (15-24 years of age)	Proportion of adults who borrowed within the past year at a formal FI	Proportion of adults who borrowed within the past year at a formal FI, rural	Proportion of adults who borrowed within the past year at a formal FI, urban	Proportion of adults who borrowed within the past year at a formal FI, young (15-24 years of age)
East Asia & Pacific (developing only)	41,2083	42,74392		42,25028	10,98318	9,580698		5,892891
New Zealand	54,32958	58,08533		58,63448	32,51601	38,33424		11,07003
Australia	43,18926	41,81769		52,93574	23,43563	24,59501		10,06096
Singapore	20,64424	..		13,63569	14,20126	..		5,750052
Japan	23,14456	21,60091		34,12659	7,949694	9,697482		1,494413
Korea, Rep.	39,43853	30,38466		39,68425	18,21677	13,11158		3,195967
Hong Kong SAR, China	25,76258	25,0155		38,95289	8,166946	7,634739		2,221714
Mongolia	53,87809	52,88041		33,6202	35,66361	36,98253		10,72287
Thailand	50,30711	56,83196		40,50114	15,39527	16,67182		11,58075
Malaysia	56,09336	61,51193		59,63285	19,51676	16,96977		9,161486
China	36,32554	37,88532		38,43377	9,551494	7,455633		6,001679

Lao PDR	..	..		..	..		..
Philippines	69,67342	69,93538		60,69605	11,7872	12,16269	2,906575
Vietnam	46,84361	48,46735		44,00643	18,44872	20,66669	3,082617
Indonesia	56,57239	56,765		51,31779	13,13566	11,36727	5,599874
Cambodia	62,02372	63,59154		61,81883	27,65351	28,45798	22,47384
India	46,3276	50,97814		38,95658	6,368898	6,959634	4,223289
High income	38,33527	36,78979		44,81198	17,26902	16,36314	8,535786
Lower middle income	47,42765	49,62287		40,11634	7,535884	7,581707	3,792201
Upper middle income	37,70815	39,0705		36,38492	10,42443	8,571306	5,958437
Low income	52,45231	54,33859		46,13941	8,573309	8,753249	3,751254
World	42,37358	44,38025		40,39459	10,68979	9,615966	5,119052

Source: World Bank Financial Inclusion Data (2014)

Table 4: Proportion of adults who has a savings account at a formal financial institution

	Proportion of adults who has a savings account for the past year at a formal financial institution	Proportion of adults who has a savings account for the past year at a formal financial institution, rural	Proportion of adults who has a savings account for the past year at a formal financial institution, urban	Proportion of adults who has a savings account for the past year at a formal financial institution, young (15-24 years of age)
East Asia & Pacific (developing only)	36,49306	32,71507		26,23383
New Zealand	70,57188	67,66724		58,09368
Australia	61,42761	56,83475		64,42794
Singapore	46,20675	..		38,82032
Japan	60,42229	57,87576		33,00362
Korea, Rep.	52,71374	38,96401		44,70115
Hong Kong SAR, China	50,03965	35,24326		54,31536
Mongolia	33,21138	29,83158		37,48961
Thailand	40,59711	35,75016		31,21114
Malaysia	33,77064	32,63275		32,04592
China	41,15434	37,54689		30,86643
Lao PDR	..	..		..
Philippines	14,78559	11,19479		7,608941
Vietnam	14,60579	11,94634		11,84416
Indonesia	26,56305	21,32442		22,59816
Cambodia	3,584878	3,005479		1,225813
India	14,36009	12,61343		9,964628
High income	46,74097	44,75604		42,29973
Lower middle income	14,75611	12,385		10,34291
Upper middle income	32,21093	31,89326		21,94466
Low income	9,941459	8,600728		7,215525
World	27,38065	24,21745		17,94433

Source: World Bank database 2014.

Table5.Proportion of borrowers within the informal sector

	From private informal lenders				From family and friends				
	Proportion of adults borrowed from private lenders within the past year	Proportion of adults borrowed from financial institutions within the past year, rural	Proportion of adults borrowed from financial institutions within the past year, urban	Proportion of adults borrowed from financial institutions within the past year, young people (15-24 years of age)	Proportion of adults borrowed within the past year	Proportion of adults borrowed within the past year, rural	Proportion of adults borrowed within the past year, urban	Proportion of adults borrowed within the past year, young people(15-24 years of age)	
East Asia & Pacific (developing only)	2,496028	2,533363		2,211345	28,26652	30,28915		31,92055	
New Zealand	0,9146476	1,496388		0	15,63714	15,07736		36,64448	
Australia	0,788081	1,355092		0	16,91844	14,06977		41,859	
Singapore	1,047625	..		0,9165537	4,445021	..		4,052391	
Japan	0,3020198	0,2301691		0	5,997931	3,775004		30,86337	
Korea, Rep.	0,7005864	1,154342		0	17,12387	16,14466		32,09308	
Hong Kong SAR, China	0,2189868	3,852733		0	8,300221	11,13295		19,16189	
Mongolia	3,068881	1,85102		0,397406	28,83945	26,44843		25,34677	
Thailand	9,149982	10,2934		7,317498	31,11643	36,5884		30,74153	
Malaysia	0,8102427	1,628032		0	38,96335	45,97854		49,08879	
China	1,063929	1,113471		1,166768	25,06467	27,59329		28,21456	
Lao PDR	..	..		..	..	..		..
Philippines	13,49168	9,910668		5,813649	48,65165	49,1136		42,41957	
Vietnam	1,818898	1,239128		0,7226406	29,87765	30,08392		36,58642	
Indonesia	2,942157	2,113382		2,206922	41,48662	42,22065		43,63474	
Cambodia	18,23443	17,67381		16,81565	36,22612	37,13044		40,64222	
India	12,56648	15,36444		8,324656	32,30065	36,468		26,84748	

High income	0,8884568	0,861327		0,3994204		15,00445	13,98607	30,91793
Lower middle income	8,502481	10,16821		5,506991		33,1203	35,07808	29,03436
Upper middle income	2,597244	2,230348		2,52192		24,02244	27,06572	25,53754
Low income	6,545454	6,622973		4,770282		34,9088	37,04065	32,86305
World	4,552243	5,413826		3,764941		26,18235	28,88555	28,70475

Source: World Bank database 2014.

Table 6. Number of cards 2012 - 2014						
	Criteria	Number of cards issued(million units)				
		Quarter 4/2014	Quarter 2/2014	Quarter 4/2013	Quarter 2/2013	Quarter 4/2012
1	Type 1					
	Local cards	71,61	64,76	59,87	54,89	50,26
	International cards	8,78	7,53	6,34	5,26	4,03
2	Type 2					
	Debit cards	73,59	66,3	61,11	55,75	50,89
	Credit cards	3,29	2,77	2,43	2,09	1,62
	Prepaid cards	3,51	3,04	2,67	2,31	1,78
	Total	80,39	72,11	66,21	60,15	54,29

Source: State Bank of Vietnam

Table7. Individual's checking account info			
	Number of accounts	Total outstanding balance (billion VND)	Growth (%)
Quarter 4/2014	54.449.596	156.318	21,98
Quarter 2/2014	49.693.740	128.149	11,39
Quarter 4/2013	46.762.997	115.050	28,08
Quarter 2/2013	42.783.910	89.826	5,21
Quarter 4/2012	42.115.913	85.374	24,61
Quarter 2/2012	37.708.285	68.512	

Source: State Bank of Vietnam

Table 8. Transactions through POS/EFTPOS/EDC				
		Number of devices	Transactions (units)	Transaction value (billion VND)
Quarter 4/2014	ATM	16.018	159.164.477	322.220
	POS	172.036	9.957.320	42.600
Quarter 2/2014	ATM	15.691	149.626.559	292.663
	POS	147.472	7.579.527	35.026
Quarter 4/2013	ATM	15.265	155.086.032	272.496
	POS	129.653	7.037.907	35.977

Source: State Bank of Vietnam

Table9. Outstanding loan of individuals(**up to 31/12/2014**)

Unit: million VND

<ul style="list-style-type: none"> - Total number of customers on database: 22.281.752 - Total number of customers who cleared their loan: 2.257.934 - Total number of customers who still have outstanding loans: 12.649.534 				
Outstanding loans				
Total	Short-term	Medium-term	Long-term	NPL (group 3,4,5)
1.282.053.070	574.848.878	479.381.890	208.079.260	35.755.776

Source: Credit Information Center (CIC)