



IMPACT STUDY

A CASE STUDY APPROACH

Mobile Banking - Financial Inclusion and Economic Empowerment for the Low - Income Population and Women in Vietnam



Australian Government
Department of Foreign Affairs and Trade



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The Asia Foundation



MOBILE BANKING

FINANCIAL INCLUSION AND ECONOMIC EMPOWERMENT FOR THE
LOW - INCOME POPULATION AND WOMEN IN VIETNAM

Hanoi, April 2020

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Acronyms and Abbreviations

CBA	: Cost and Benefit Analysis
COB	: Commercial Banks
DD	: Due Diligence
DFAT	: Australian Department of Foreign Affairs and Trade
DGDx	: Commune Transaction Point
FGD	: Focus Group Discussion
GL	: Group Leader
HQ	: Head Quarter
ICT	: Information and Communication Technology
IT	: Information Technology
KII	: Key Informant Interview
KfW	: German Development Bank
MO	: Mass Organization
PMU	: Project Management Unit
SCG	: Savings and Credit Group
SME	: Small and Medium-sized Enterprises
SMS	: Short Message Service
TAF	: The Asia Foundation
ToR	: Terms of Reference
USD	: United States Dollar
VBARD	: Vietnam Bank for Agriculture and Rural Development
VBSP	: Vietnam Bank for Social Policies
VND	: Vietnam Dong

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The views and opinions expressed in this study report are those of the authors and the study participants, and do not necessarily reflect the official policy or positions of the Vietnam Bank for Social Policies, The Asia Foundation in Vietnam nor the Australian Department of Foreign Affairs and Trade.

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Executive Summary

1. The study assesses the impact of the Phase I (2017-2018) of the “Mobile Banking - Financial inclusion and economic empowerment for the low-income population and women in Vietnam” Project established through the Business Partnerships Platform and jointly implemented by the Vietnam Bank for Social Policies (VBSP), The Asia Foundation in Vietnam (TAF) and the Australian Department of Foreign Affairs and Trade (DFAT). The study is expected to assess impacts of the SMS notification services piloted in Phase I to VBSP, its clients, and other stakeholders. The study report is based on the Project documentation and empirical data additionally collected from short field visits to three selected branches including Lào Cai, Bình Định, and Cần Thơ in December 2019.

2. Overall reflections from the data collection suggest that the SMS notification services represent a novelty feature in the loan management practice. For the Bank, the initiatives have helped increase outreach to rural, remote customers, underlining VBSP’s unique role as the leading formal provider of financial services for low-income populations - “the Bank for the Poor.”

3. For VBSP, the SMS notification service is an important step made in the early stages of the digitalization process of the Bank. Among the benefits of improving transparency, mitigate some operational risks associated with working through intermediaries such as mass organizations and saving and credit group leaders, the pilot has contributed to the readiness and acceptance of the Bank towards the information and communication technology (ICT) applications and digital banking services.

4. With regard to VBSP clients, the SMS notification services have contributed to enhance transparency in loan management, improve planning for debt payment (and hence the saving attitude). Notably, for many VBSP clients the pilot represents their first-hand experience with m-banking, and this has raised their awareness of using mobile phones for loan management, and especially raising digital financial literacy

5. For group leaders of the Savings and Credit Group (SCGs), as well as mass organizations, the SMS notification services have contributed to enhance trust of VBSP clients to group leaders (GLs) of the SCGs and mass organizations. It has also enhanced their awareness and application of mobile phones in loan management, and this has created an important platform for future application of m-banking services.

6. For all stakeholders, the application of the SMS notification services deems to cut (albeit moderately) the cost of providing financial services. However, it does not constitute a significant change in the Bank’s standard loan procedures. So, one can reasonably assume that the SMS notification services do not notably impact the parties concerned.

7. From gender perspectives, the pilot has been seen to contribute to promotion of gender

equality. The usage of the SMS notifications has helped women beneficiaries to raise their voices in household decision-making process by having the information on loan management easily and timely. It has also contributed to their social networking, especially among ethnic minority female clients who tend to interact with small, community-based and informal groups while men are better connected with groups that operate beyond the locality and are more formalized. Notably, the pilot has also enhanced gender mainstreaming in the VBSP services.

8. Stemming from a cost and benefit perspective, the study found that the SMS notification services have produced significant benefits and cost savings that substantially outweigh the cost incurred to make the SMS notifications available. For the whole VBSP network, the net benefit from the SMS notification services was VND 4,150,880,445 or USD 178,686 per month.

9. Constraint factors. There is a number of hindering factors that could potentially impact the SMS notification services. Most notably, this SMS notification services is seen as an additional step in the VBSP loan management procedures - which remain the same as without the SMS notifications. Low literacy of using mobile phones among a significant proportion of VBSP clients above 40 years old, especially ethnic minority women, and the elderly was found as another major barrier.

10. Recommendations. The study recommends further application of the SMS notifications as important step for more advanced application of digital banking of VBSP. This continuation should address an arrangement to recover the cost of sending SMSs (if SMSs would be sent more frequently) and stronger awareness raising for better usage of SMSs. In addition, modifications of the loan management procedure is also recommended in the presence of the SMS notifications.



Photo credit: VBSP



INTRODUCTION

1.1 Background of the Project

11. Technology for financial inclusion early stages. Improving access to financial services is increasingly recognized as one of the key methods of creating greater economic opportunities for the low-income populations, women and other marginalized groups. Particularly in rural areas, the lack of affordable access to capital investments is a key constraint to microenterprise development. Vietnam has undergone a rapid evolution in information and communication technology (ICT), with telecommunication networks covering almost the entire country.¹ According to the survey conducted by *We Are Social*, as of January 2019, there are about 64 million Vietnamese people having internet access (about 67 percent of the overall population of the country), and 143.3 million mobile phone subscriptions, with 72 percent of adult population use smartphones. Despite this large coverage of digital services, the use of mobile technology for financial transactions is relatively rare and cash transactions remain the dominant method of payment and banking for both women and men in the country.

12. The Asia Foundation and financial inclusion in Vietnam. The Asia Foundation (hereafter the Foundation or TAF) is a non-profit international development organization committed to improving lives across a dynamic and developing Asia. The Foundation has maintained an office in Hanoi since 2000 and is recognized in Vietnam for its analytical strength, innovative programming and for its ability to collaborate with and build alliances between partners in the government, the private sector and civil society. With a view to expedite financial inclusion for women and other vulnerable populations, the Foundation recognizes the fundamental role financial inclusion plays in the lives of the low-income populations, and observes at the same time that women are likely to encounter more barriers and challenges than men in access to information and communication technology (ICT) and digital financial services. The Foundation seeks to support financial inclusion and women's economic empowerment through digital financial services. The collaboration with the Vietnam Bank for Social Policies (VBSP) - see below - is an important materialization of this strategy.

13. Vietnam Bank for Social Policies (VBSP) is a public not-for-profit policy Bank and Vietnam's largest microfinance provider, providing preferential credit and savings accounts to poor and near-poor households and other priority beneficiaries, with women accounting for the largest proportion of the priority beneficiaries. The history of VBSP is linked to the Vietnam Bank for the Poor (VBP) established in 1995 to be a special policy credit arm of the Vietnam Bank for Agriculture and Rural Development (VBARD). VBSP has officially started its operations on 11 March 2003, based upon the re-organization of the Vietnam

¹ We Are Social. 2019. *Digital Landscape* (January 2019). Available online: <https://wearesocial.com/global-digital-report-2019>

Bank for the Poor and separation from Vietnam Bank for Agriculture and Rural Development (VBARD), in order to separate the preferential credit from the commercial credit in commercial banks. At present, VBSP has maintained a number of 20 credit schemes for different policy target audience, varying from the credit lines for the poor and “near poor”,² labor export, housing for the poor, job creation, credit to finance for education of students and pupils, to credit line for clean water and rural sanitation, and small and medium-sized enterprises (SMEs).³ By the end of 2017, the total outstanding loans reached VND 171,790 billion (≈USD 7.4 billion). Out of these outstanding loans, the preferential loans for the poor, near-poor, and newly-escaped from poor accounted for nearly 52.4 percent. For the remaining, loans for rural water and sanitation accounted for 15.5 percent, loans for disadvantaged students for 9.2 percent, loans for household businesses in the poor and ethnic minority areas for 10.5 percent, the remaining 12.4 percent was for 14 credit lines of the VBSP.

14. Cooperation between the Vietnam Bank for Social Policies and the Asia Foundation.

The “Mobile banking - Financial inclusion and economic empowerment for the low-income population and women in Vietnam” Project (“Mobile Banking Project” for short) is a partnership between VBSP, The Asia Foundation and the Australian Department of Foreign Affairs and Trade (DFAT). The partnership was established through the Business Partnerships Platform, an Australian Government initiative to scale business opportunities that have a lasting social impact. The Project aims to support VBSP to develop its first-ever digital financial platform to increase and improve access to a full range of financial services for poor and low-income households, especially women-led microenterprises that lack access to traditional banking services. This Project has contributed to “digitalization” of the VBSP services by piloting the SMS notification services to the VBSP clients in ten provinces as originally envisaged for Phase I. Accordingly, SMSs were sent to the registered mobile phones of the VBSP clients to remind them of due dates of principal payments as well as changes in the clients’ loan accounts. Early success of the pilot has motivated VBSP to expand this SMS notification services to clients nation-wide. Building on this success, VBSP and the Foundation continue their work under Phase II. While SMS notification service would be consolidated in Phase II, it aims at creating a financial platform and institutional capacity for VBSP to adapt the digital banking services - which are arguably among the most strategic development of VBSP. For Phase II, the Foundation continues to provide technical assistance to VBSP in implementation while investment cost will be largely financed from the VBSP funding sources.

15. SMS notification services in Phase I. The Mobile Banking Phase I, according to internal evaluation and feedback, was assessed to be a “tremendous success”.⁴ It was originally envisaged that Phase I would reach 195,000 clients. In fact, 4.9 million clients (or nearly 73 percent of the total VBSP client base) were reached through SMS notification by the end of the funding period; 120,000 group leaders of the Savings and Credit Groups (SCGs) were involved; more than 9,360 group leaders (GL) and 280,000 clients (in ten provincial branches targeted by Phase I) were introduced to the SMS notification (while only 5,400 were planned). In terms of financial cost and benefit, the total cost of sending SMSs was estimated at USD 109,000. However, the VBSP’s internal estimation indicates that the SMS notification

² In Vietnam the Multidimensional Poverty Index (MdP) was institutionalized by the Decision No. 59/QĐ-TTg dated 19th November 2015. Accordingly, the MdP consists of income and access to basic public services, including housing, water and sanitation, healthcare, education, and information. In that sense, a rural household is classified to be ‘poor’ if the household happens to fall into either the following situations: (i) having income per capita of less than VND 700,000 per month; or (ii) having income per capita between VND 700,000 and one million VND per month and lack of access to at least three out of the ten indicators that reflect the access to basic public services.

³ For a full list of the VBSP credit lines are provided in VBSP Annual Report 2017 (page 13) - which is the latest VBSP Annual Report available from the VBSP portal. Basic information on how these credit lines operate could be found in the list of materials of VBSP published in the following link: <https://vbsp.org.vn/gioi-thieu/cac-san-pham-dich-vu/cho-vay-ho-ngheo-va-cac-doi-tuong-chinh-sach.html> (retrieved on 16th December 2019).

⁴ Balan, Mihaela (2019). *Report on Mobile banking for the poor initiative validation visit*, report of the initiative validation visit of BPP/DFAT in March 2019.

services saved around USD 639,000 from reducing staff time and travel for reconciliation of clients' loan accounts. Reflections from VBSP's staff and clients are positive about the SMS notification services in term of improving the Bank's transparency and efficiency.⁵ The success of Phase I serve as a solid basis for VBSP and the Foundation to continue collaboration under Phase II, which is clearly much more ambitious in "transforming" the current "business as usual" services into digital services. This would require substantial investment in infrastructure as well as organizational capacity for VBSP.

16. Starting Phase II and this impact study. The Project's Phase II was launched in early July 2019 focusing on consolidation and expansion of SMS notification services while building a digital financial platform and required organizational capacity for VBSP to be ready to provide digital finance services to its clients. With support from the Project, VBSP is expected to extend its SMS notification services reaching all of its clients and launch the new digital finance services by mid-2021. To start the Project's Phase II, the Foundation commissioned this current study to assess how the SMS notification services have impacted VBSP as the provider and its clients as the users of the services. The study focuses on impact pathways, examining not just what are the changes but how these changes have been taken place, and therefore identifying what works in realities. Findings from this assessment provide further input for the Project and VBSP to make necessary improvements in the SMS services and programming for the new financial services.



Photo credit: VBSP

⁵ VBSP (2018). *Rapid Assessment of the SMS Notification Services of the VBSP*. An assessment report of VBSP on Phase I of the Mobile Banking Project.

17. Main objective of this impact study is to highlight (i) major benefits experienced by VBSP clients and group leader in the long run; (ii) impact case studies; and (iii) indicative cost benefit analysis. This exercise aims to conduct a qualitative study of the outcomes and impacts of the SMS notification services (using case studies as a primary approach) to provide the Foundation, VBSP, as well as the donor Australian DFAT with an in-depth understanding of the benefits that the SMS notification services in Phase I have brought or/and will potentially bring to both VBSP and its clients and group leaders in the long-run, particularly seen from the perspective of financial inclusion and digital age. A special focus is placed on whether and how the SMS notification services have contributed to economic empowerment of female clients of VBSP. It is also expected that the study would capture some impact stories among VBSP's clients and group leaders, document them for lessons learnt and distribute them through the communication channels of the Foundation and VBSP. In addition to this, the study will also perform a cost and benefit analysis, using the data available from VBSP Head Quarter (HQ) and some selected branches as well as empirical materials collected from the short field visits (see below), to further support the estimated benefits from the project management.

18. Data collection. Data were collected primarily through focus group discussions (FGD) and key informant interviews (KII) with target clients (beneficiaries). KIIs were also used to consult with some representatives from the VBSP HQ and provincial branches on related issues. These methods were relatively flexible and allowed additional questions to be brought up during the interviews/discussions based on the sharing from the interviewees. This style allowed the interviewees time to reflect on the project and provide further insights than would normally be elicited for project documentation. The data collection process was additionally undertaken through short field visits to Lào Cai (Bát Xát district), Bình Định (An Lão district), and Cần Thơ (Cờ Đỏ and Bình Thủy districts). In each province, the study team discussed with the representatives of the VBSP provincial branches (i.e. branch vice/director, vice/managers of the information and technology department, credit and capital planning department), the district transaction offices (i.e. directors of the offices and other relevant staff), VBSP clients of various background (i.e. according to household poverty status, ethnic groups, sex of the household head). Interviews were also held with the SCG leaders to find out the implementation of the SMS notification services in their groups. In addition, the local government leaders and mass organization representatives were consulted to get further feedback on the SMS notification services as well as the perceptions of the outcomes and impacts. During these visits to the selected provinces and districts, some case studies on social impacts were identified and documented. Additional information was also collected to perform the cost and benefit analysis (CBA) in this present study.



Photo credit: Luong Xuan VBSP

19. Ethical considerations of this study. This impact study was conducted in line with ethical and best practices including the guidelines from the Australian DFAT Environmental and Social Safeguard Policy for the Aid Program, especially the Do-No-Harm approach.⁶ Some best practices were applied in this study to safeguard and support the participants - who participated in the study voluntarily after being briefed about the objectives of the study and the types of questions to be discussed. These practices include ensuring that the review team conducts the study sensitively and ethically, being non-judgmental and maintaining strict confidentiality of participants and their information and responding sensitively to potential participant's concerns. All potential participants went through a verbally informed consent procedure with the research team before any data collection began.

20. Some cautions of the current study. It should be made clear that the current study is not a conventional review of development aid that usually follows the standardized OECD's DAC assessment criteria.⁷ The SMS notification services piloted in the Phase I of the Mobile Banking Project have no doubt contributed to the overall loan management process but this is clearly neither a key activity in the current practices of the VBSP loan management nor the activity introduced to replace any of the existing steps in the VBSP loan management procedures. Therefore, the impact of the SMS notification services should be interpreted with references to that relative importance of the SMS notification services in the "business as usual" loan management practices of VBSP. In that setting, one would expect that the major benefits from the SMS notification services are to supplement the existing loan management of VBSP and other relevant stakeholders (such as mass organizations, SCGs) rather than the standardized OECD assessment criteria. In addition, the SMS notification services were piloted within a relatively short period of time (less than two years) where the frequency of sending SMS was quite modest (a few times per year, depending on the types of loans taken by the clients as well as the client's loan management practices), some important outcomes or impacts of this pilot might be yet to come.

21. Limitations of the study. Beyond the advantages of the case study approach adopted in this study, some limitations are obvious. Due to its limited outreach, only a small proportion of the 5.1 million VBSP clients and GLs were interviewed, and thus the study results cannot be generalized in any way. Our fieldwork lasting about two days in each province did not allow us to talk at any length with the GLs and clients. Methodologically we would have liked to explore life stories and conduct in-depth interviews with both male and female members of client/GL households to learn about their gendered perceptions about the Project's impacts/benefits. That said the convenience sample selected in the field visits should be viewed as snapshots of how the SMS notification services have worked on the ground. These snapshots also allowed to capture a diversity of clients from different socio-economic regions, varying from a "poor" province with 68 percent of VBSP clients are ethnic minorities in the North West (Lào Cai)⁸ to a "better-off" province in the Me Kong River Delta (Cần Thơ) and an "average poor" province in the South Central Coast (Bình Định).

22. Structure of the report. The next section contextualizes this impact study by mapping out the VBSP loan management practices and how the SMS notification services are integrated into the existing loan management procedures of the Bank. Section 3 presents the key findings of the impact study, where main outcomes and perceived impacts, including those potentially "yet to come", to VBSP, clients, GLs,

⁶ Department of Foreign Affairs and Trade (2019). *Environmental and Social Safeguard Policy*. Updated March 2019 (version 1.4). Australian Aid.

⁷ Organization for Economic Co-operation and Development (2019). *Better Criteria for Better Evaluation Revised Evaluation Criteria Definitions and Principles for Use OECD/DAC (Development Assistance Committee) Network on Development Evaluation*.

⁸ Despite being the least poor province in the North West, the poverty rate in Lao Cai remains high (21.8 percent) compared to the national average (7.2 percent) by 2017. Source: Aus4Equality GREAT project (2018). *Provincia Engement Strategy in Lao Cai Province*. Cowater Sogema.

and other stakeholders (i.e. mass organizations). Section 4 describes the cost and benefit analysis. Section 5 discusses some constraints to full operations (and hence benefits) of the SMS notification services. Challenges for the VBSP in future application of ICT and some recommendations will be provided in the final section of the report.



Photo credit: Luong Xuan VBSP

2

BACKGROUND OF THE SMS NOTIFICATION SERVICES

23. The purpose of this section is to contextualize the findings that will be discussed in Section 3 of this study report. It demonstrates in most generic terms the VBSP loan management procedures, and highlights the fact that the VBSP loan management is a complex and heavily paper-based system. The introduction of the SMS notification services is best seen as an additional step to this complex system. Understanding this context is important to flesh out the results and impacts of the SMS notification services in Section 3 of this report.

24. VBSP credit schemes. At present, VBSP has maintained 20 credit schemes for different policy target clients. Out of these credit schemes, some are nation-wide (i.e. preferential loans for the “poor”, “near poor” households, job creation, clean water and rural sanitation etc.), some apply to specific target groups in certain locations (i.e. deferred payment housing loans for the Mekong River Delta; preferential loans for livestock and forestation according to Decision No. 755 of the Prime Minister).⁹ There are also other preferential loan programs within the projects supported by development partners such as the World Bank (i.e. Forest Sector Development Programme), German Development Bank - KfW (SME loans) or the inclusive finance support for people with disabilities doing business funded by the Nippon Foundation. Loan management practices vary from one credit line to the others, depending on the nature of the loans as well as other aspects of the target loan policies. VBSP preferential credit lines rely on “entrusted loan” (*Ủy thác cho vay*), meaning that the clients are not required to have a collateral, which could be a serious constraint to access to credit for many of the VBSP’s target clients, especially the poor and those residing in the “extremely difficult areas”. Instead, the local authorities are responsible to assess, through mass organizations, the creditability of potential clients and provide “trust” guarantee for the clients to access the VBSP credits. At the central of this process is the operation of the SCGs, which are community-based organizations established by the mass organizations to manage individual VBSP loans provided to the SCG member clients.

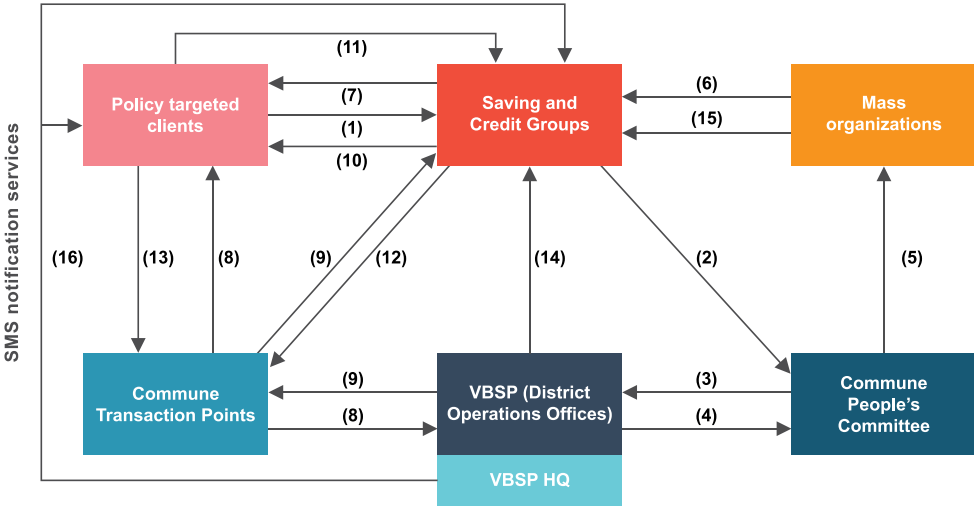
25. VBSP loan management procedures. A system relying on multiple layers of due diligence and checking. As a result of this entrusted loan, there are multiple layers of due diligence, reconciliation, and payback arrangements. Depending on the nature of particular credit lines, the loan management procedures vary. However, the VBSP loan management procedures for the most important credit lines (i.e. preferential loans for the “poor”, “near poor” households) could be generally described as in Figure 1 below.

⁹ Decision No. 755/QĐ-TTg dated May 20, 2013 by the Prime Minister on the Approval of Policies on Supporting Residential Land, Productive Land, and Clean Water for Households of Poor Ethnic Minorities, Poor Households in the Especially Difficult Villages and Communes (i.e. “*xã, thôn bản đặc biệt khó khăn*”)

26. With regards to loan application and appraisal, there are usually eight steps, starting from a potential client to fill in the loan application form and ending with the disbursement of the loan. These steps are briefly described below (note that this generic loan management procedure might have particular steps that do not apply to all 20 credit lines of VBSP).¹⁰

- (1) Potential clients fill in the loan application forms using the VBSP templates and send it to the GL of the CSG, of which the client is a member.
- (2) GL screens the loan application (and advises the applicant to revise, if needed) and sends it to the Commune People’s Committee (CPC).
- (3) CPC appraises the loan application, and upon satisfaction of the eligibility required for the preferential loan under concern sends it to VBSP (i.e. District Operation Office) for due diligence and approval.
- (4) VBSP (i.e. District Operation Office) appraises the loan application and CPC trust guarantee. Additional information or field visits might be required before the Bank approves the loan application.
- (5) CPC informs the concerned mass organizations (i.e. Women’s Union, Farmers’ Association, Youth Union, or Veterans’ Association) which support that specific SCG about the approval of the loan application with the details, and requests the mass organization at the commune level to inform the respective client.
- (6) The mass organizations inform the SCG’s GL on the approval of the loan application of the SCG member under their management.
- (7) The SCG’s GL informs the applicant on the approval of the loan application as well as the date of the VBSP transaction day held at the commune level.
- (8) VBSP disburses the loan to the client on the routine transaction day through the commune transaction point at the respective CPC.

Figure 1. General loan management procedures of VBSP and SMS notification services



Source: compiled from the loan management procedures of different credit lines of VBSP

¹⁰ This generic loan management procedure is drawn from the list of materials of VBSP published in the following link: <https://vbsp.org.vn/gioi-thieu/cac-san-pham-dich-vu/cho-vay-ho-ngheo-va-cac-doi-tuong-chinh-sach.html> (retrieved on 16th December 2019).

27. With regard to loan management, there are usually eight steps related to payments of interest and principal, supervision of the usage of loans and loan reconciliation. The essence of these steps is described below:

(9) VBSP issues the statement on monthly interest payment for the next month (and principal payment if this payment is due in the month T+1) and VBSP staff will transfer this statement to the GLs of all SCGs in the commune at the transaction day - which is fixed on a monthly basis.

(10) GLs inform the amounts and the due dates of interest payments (and principal payments when relevant) to every member.

(11) For interest payments, the SCG members pay the interest amount to their GL during the month T (the GL is supposed to collect the interest payments from all SCG members before the routine transaction day of month T+1).

(12) On the transaction day held at the CPC, the GLs pay the interest payments for month T+1 of all the SCG members to the VBSP credit staff and receive the statement for the month T+2.

(13) For the principal payments, the clients are supposed to pay directly to VBSP by cash or transfer. These could be made either to the VBSP credit staff on the transaction day or directly at the VBSP's district transaction office.

(14) VBSP, either district transaction offices or provincial branches, organizes frequent monitoring visits to all SCGs for loan usage and to reconcile the clients' loan accounts.

(15) Being the "owning"/entrusted agency of the SCGs, the mass organizations are supposed to organize monitoring visits to all the SCG members in a year, including the after-loan visit (made within one month after the disbursement of the loan) and other frequent supervisory visits to the SCGs under their management. Supervisory visits of mass organizations are organized by the mass organizations at different levels (i.e. commune, district, province).

(16) This step has been piloted in the Phase I of the Mobile Banking Project. Accordingly, the clients will receive SMS notifications on the principal payments and changes in their loan account balances. SMSs are prepared from the VBSP HQ and provided to the SMS service provider to send to the clients.



Photo credit: VBSP

28. SMS notification services in the heavily paper-based procedures. Throughout all the 15 steps of the general loan management procedures outlined above (before Step 16 was introduced as a pilot by the Project), ICT is only applied in Step 9 when VBSP issues the statements on monthly interest payments and distributes these statements to GLs. Other steps are mainly paper-based. In this regard, the introduction of the SMS notification services in the Step 16 represents another ICT application in the VBSP loan management practices. However, it is important to note that the SMS notification services - being Step 16 - represents a novelty feature in the loan management practices and does not constitute a change in the Bank's standard loan procedures, which remain the same. In fact, **no step within a transaction cycle has been skipped in relation to the application of the SMS notification.** Findings from interviews with both the Bank staff and clients indicate that even though switching to Mobile banking, financial documents are still required at the minimum of one sheet of paper per SMS. COB services can be paperless, but with the characteristics of VBSP clients, most of them are rural farmers with a long-term habit of relying on "black ink on white paper" (*giấy trắng mực đen*) with a red stamp (*đóng dấu đỏ*) documentation. Therefore, each transaction is still required a payslip or original bank voucher, as indicated earlier. In this context, the SMS notification services are best seen as an additional and complementary step as this does not replace any of the existing steps in the VBSP's loan management practices.

29. The perceivably insignificant time burden on Bank staff in relation to SMS notification services such as data consolidation, checking for data consistency, updating the clients' profile, and complaints handling, but varying between the central level and the branch offices. Qualitative findings from interviews with the responsible Bank staff at the Head Quarter and local units in three visited branches indicate that SMS notification services have not increased significantly the time burden on staff in terms of SMS service complaints handling. At the central level, an IT technician of the Information Center (IC) was responsible for the SMS-related data consolidation and handling comments and feedback from VBSP's clients and branch staff. According to the VBSP report on Results of monitoring, evaluating the implementation of Phase I on SMS notification services there were more than 2000 feedbacks from VBSP's clients across the country recorded as of July 2018.¹¹ Nevertheless, as the person in charge at the Information Center opined, the task has simply added to the staff functions and performance of other activities, but the amount of work was perceivably insignificant ("*thực sự không tốn thời gian của cán bộ*"). This point is explainable with the mandate of the IC as stipulated in the Document No. 500 issued on 2nd February 2018. Accordingly, the IC provides support technically to the branches on getting direct access to the Intellect Core Bank system, if necessary.¹² At lower level, IT staff of the provincial branches and district transaction officers are also assigned with data consolidation and clients' feedback handling in their area. Consultation in the visited provinces and districts indicated that these activities did not require significant efforts, except in the early months of the implementation where the client's profile (especially information about their telephone numbers) needed to be updated. Details of additional staffing, equipment and facilities required for the SMS notification services are discussed in Section 4 and specified in the Annex.

¹¹ VBSP (2018). Báo cáo kết quả kiểm tra, đánh giá giai đoạn 1 về triển khai tin nhắn SMS - Dự án Mobile Banking tại 10 tỉnh/thành phố (từ ngày 18/5/2018 đến ngày 02/6/2018).

¹² VBSP (2018). Công văn số 500/NHCS-CNTT V/v triển khai dịch vụ gửi tin nhắn trong hoạt động nghiệp vụ.

In the beginning there was a lot of phone calls to the hotline number 883325 inquiring mainly on why the SMS were sent to the recipients.

(Male staff, Kinh, KII, Lào Cai)

At the start (of the implementation) our clients were not used to receive the SMS notifications so they had bombarded us with phone calls (“gọi khủng khiếp luôn”). We responded to seemingly endless phone calls, even not being able to get out of our seats (“trả lời miết không nhắc người ra khỏi ghế được”). Frequently asked questions were about the purpose of the SMS notification e.g. whether or not it meant to urge for the loan payments.

(Female staff, Kinh, FGD, Cần Thơ)



Photo credit: VBSP



3

ASSESSMENT OF THE SMS NOTIFICATION SERVICES

30. This section presents the assessment of the SMS notification services separately for VBSP and its clients - being the main focus of the current study. The following addresses what are benefits of the SMS notification services; and whether SMS notification has made any observable or predictable impacts. In addition, some outcome aspects related to the mass organizations involved in the VBSP lending and gender empowerment will be discussed.

3.1 Assessment of SMS Notification Services: VBSP Perspectives

31. This section focuses on the benefits of SMS notification to VBSP especially in terms of how this SMS notification has contributed (if any) to institutional development and modernization strategy of VBSP, efficiency gains from this service, as well as challenges that VBSP will probably encounter in expanding the new services.

32. SMS notification services marked the first milestone in the modernization strategy of VBSP. This milestone is reflected in many aspects such as (i) first direct contact using ICT to the client; (ii) contribution to increasing awareness and appreciation of modernization; (iii) the early stage of a departure from the conventional client management practices, which largely rely on paper work and mass organizations.

33. The Mobile Banking Project - Phase I has contributed to the early stage of digitalization of VBSP services. Findings from the interviews with HQ senior staff indicated that the VBSP system has realized the urgent need to focus on improving professional skills, abilities to grasp modern technology to access and connect with diverse pool of customers. Given that mobile banking services have been developed rapidly in Vietnam with 45 banks that have deployed the SMS Banking service; 25 banks deploying the Mobile Application Service and 13 banks deploying the Simcard Toolkits Service. Furthermore, Vietnam has 70 credit institutions which have piloted and deployed the Internet payment services and 35 organizations that have launched the payment services via mobile phones.¹³ In that context, this Mobile Banking project has contributed to the early stage of the VBSP's process toward digitalization. Having that highlighted, it is important to note that the ICT application is more common among commercial banks (COB) such as BIDV, TP Bank, MB, VIB, Vietcombank, Oceanbank, Vietinbank,

¹³ The number of financial transactions through the Internet is nearly 126 million with the total value of over 7 million billion VND. See TAF and VBSP (2017). *Gender Assessment. "Access to digital financial services for the Vietnam Bank for Social Policies for women's economic empowerment"*.

Agribank; Eximbank, etc.¹⁴ The group of clients who have been benefiting from those services are mainly living in urban and peri-urban areas. Meanwhile, the application of the mobile banking in microfinance and the rural markets is limited.

This is because commercial banks cannot and do not want to "enter" these residential areas due to small sized loans, high transaction costs, lack of infrastructure, and low financial payoff.

(Male staff, Kinh, HQ, KII, Hà Nội)

34. Considering the nature of VBSP's clients, **the SMS notification services have enhanced the awareness of the VBSP leaders and staff on digitalization.** This new service channel was also in line with the Government's approval of the VBSP Development Strategy to 2020, which laid down policy for VBSP to apply new technology such as mobile banking for product diversification and operational efficiency enhancement to mobilize capital at residential areas that commercial banks cannot access to. It is noted that the SMS notification services represent a relatively simple form of ITC application in the banking services. Sending (one way) SMSs to clients however represents a real action in the process of digitalization of the services. For VBSP personnel, the fact that digitalization is an inevitable strategy for the future was well accepted and understood. Having a real ICT application in this context is important in raising awareness and enhancing the readiness of VBSP for the process of digital transformation. *"Without constant updating, one will be washed away by new waves of technology"* (male staff, HQ, KII, Hà Nội). *"Sending SMSs is not difficult. But sending SMS to clients for the first time ever represents a real move forward and it signals to us that the digitalization is now at our door"* (female staff, HQ, KII, Hà Nội).

35. The SMS notification services contributing to transparency in loan management. Interviews with VBSP staff at different levels at the three study sites demonstrated that the SMS notifications helped, in one way or the other, improve transparency and accuracy throughout the Bank system. The Bank itself provided more timely information to clients (e.g. getting immediate alerts by text messages on any changes related to the client's bank saving account, repayment schedules, and reminders, instead of awaiting "verbal" notifications by the concerned GL) and facilitated identification of "ghost" clients who received the SMSs on loans and informed the Bank that they were actually not borrowing from VBSP or the information on the loans was not correct.¹⁵ *"The issue of ghost client existed to some extent in the past as there were some who did not want to borrow and others who wanted to borrow. They might negotiate with each other. In another forms, someone such as a SCG leader might have used the household registration paper of a member to borrow without informing the members"* (male staff, Kinh, KII, Lào Cai). It is noted that the review team did not come across any specific case involving "ghost" clients during the field trips to three selected provinces. However, interviews with different stakeholders indicated the occurrence of this malpractice in reality, albeit to a modest extent. For instance, some GLs reveal that their fellow villagers approached them occasionally to ask them doing a "favor":

People in the village tell me that "You are the head of the group, now we want to apply for a loan together under one name, borrowing someone's household registration book for the paperwork, do you allow? I told them that even if I can, I won't, because if it is discovered, I'll be held solely responsible for that. I do not want that sort of commission. They apply for a loan to grow acacia for five years. How come no one knows about it for such a long period of time?"

(Female GL, Hre, middle age, IDI, An Lão, Bình Định)

¹⁴ TAF and VBSP (2017), *ibid.*

¹⁵ This "ghost" client is a special term related to the cases where a client did not borrow from the VBSP but the client appeared in the list of the VBSP clients. This might happen because the SCG leader or other stakeholders in relation to the GL or the mass organization did actually borrow under the name of that client.

36. Reducing the risk of bank fraud, especially the practice of credit appropriations among GLs, local cadres, and Bank staff. On another note related to the issue of “ghost client”, it has been reported that the possibility of malpractice incidents is likely related to the uniqueness of VBSP operational model via mass organizations. Interviewed Bank staff have indicated that COBs do not go through a trust service but are still facing incidents of credit appropriation. Whereas VBSP operates through trust mass organizations/intermediaries, “the chance of credit appropriation is perceived as even bigger” (KII, male staff, Kinh, HQ, Hà Nội). Nevertheless, during the process of referencing SMS, it is possible for VBSP to detect cases of loaning on behalf of someone else (*vay ké*), or multiple people applying for a loan under one name (*vay góp*). Apart from that reported possibility of detecting *vay ké* and *vay góp* incidents, no further information is available on any fraud prevention initiatives or tools that deserve adequate attention in future research.

Specifically, for us, with financial works, accuracy is of utmost importance. At the initial stage, when errors occurred, it was because the provider sells information to a third party, many people, even though not loaning, still received SMS for which they enquired and reported back to the Bank. This helps the Bank to improve its transparency. Especially for VBSP, this limits the cases of credit appropriation from GLs, commune cadres, mass organization cadres, and the Bank staff.

(Male staff, Kinh, HQ, KII, Hà Nội)



Photo credit: VBSP

37. Faults in debt payments was also mitigated by the SMS notification services.

For principal payments, it is regulated by the Bank that the clients would have to pay directly to VBSP (either at the transaction day held in the commune or at district transaction office etc. subject to the clients' convenience). GLs are not supposed to collect principal payments of the SCG members. There is however a certain degree of flexibility in this regard. It was shared by some VBSP staff and GLs themselves during the fieldwork that sometimes the SCG members gave the cash payments to GLs and requested them to submit to the Bank on their behalf. This practice is reported to occur mainly among some clients who reside in the remote areas geographically located far away from the administrative center of the commune. The Bank staff had to make it "flexible" (*linh hoạt*) to some extent so as to accept the request of the concerned GLs at times. Some Bank staff respondents explained that the main reason is to prevent the risk of losing clients' money since the GLs may get the cash stolen on their way back home and even worse to spend it. Anecdotally, there were cases when the Bank did not allow the GLs to pay the debt on behalf of their clients, the GLs then kept and spent the client money, while the clients thought that their debt had been paid off. Although the incidents as such happen occasionally, it is considered a serious violation of the Bank's regulation. With the SMS notification services, once the principal payments are made in the system, clients would receive the notification on the changes in the loan accounts. Therefore, this serves as a prevention of the GLs temporarily using the principal payments that they collected from the SCG members and hence this "capital appropriation" - "*chiếm dụng vốn*" - risk is mitigated.

38. Potential benefits in saving operational cost in terms of the cost saving from multiple DD and checking.

As noted in Sub-Section 2.1, the general loan management procedures of the VBSP are quite complex with multiple steps of due diligence and checking. This notification system helped loan applicants know exactly their principal payments (i.e. due dates and changes in the loan accounts when the payments were made) so that they are better prepared for transactions. This led to benefits for the Bank. The Bank will be able to shorten the transaction time of the monthly routine sessions at the designated day transaction points. Moreover, VBSP staff could save a certain amount of time and cost from clients' account reconciliations. Prior to the SMS notifications, the Bank staff would have to visit clients for account reconciliation. Due to the large number of clients and remoteness in many locations, this added to the already overloaded tasks of the VBSP transaction office staff, and hence affected quality of staff work. However, with the SMS notification services, as the cost and time of direct visits to reconcile the clients' loan accounts were partly saved, this represents an important benefit for the Bank (see Section 4 for more details).

SMS also helps the Bank control discrepancies in data and reduce costs. Beside direct reconciliation at the monthly transaction days (with clients that pay for the original loan), the Bank will reconcile directly with the clients. Depending on the area and the time that bank staff have to travel, it might take from 3-6 months for us to conduct reconciliation for 100 percent clients. With the SMS notification services, as the clients were informed in advance, it took the bank staff around 5 minutes to reconcile with each client and this method can be applied to 70 percent of the clients at the communal house of the village. With the other 30 percent of the clients, bank staff have to come to their houses for reconciliation. It helps reducing the time and cost for travelling and working to reconcile the clients' loan accounts between 25 to 50 percent, depending on the remoteness of the clients.

(Kil, female staff, Kinh, Bình Định)

Prior to the SMS notifications, Bank staff had to handle extensive number of transactions, so that their allocated time for other activities was limited. With SMS services that can be connected online with clients, the staff will have more time to handle other professional responsibilities that have long been neglected, such as testing and inspecting, which means better coordination with other partners.

(KII, female staff, Kinh, HQ, Hà Nội)

39. Improving the quality of credit programs at VBSP, reducing percentage of overdue debt, and increasing the percentage of principal payment for faster capital turnover.

The SMS notification system helped increase awareness of VBSP clients on the loans they have and led to more repayments made on time (reduced delinquency rates). It was reported by Bank officers in the visited branches that the SMS notifications helped reduce percentage of overdue debt payments and increase the percentage of principal payment collection for capital turnover. For instance, with respect to percentage of overdue date, the Bình Định branch indicated that prior to the launch of the Mobile Banking Project, the outstanding principle balance of the branch as of 31st December 2016 was VND 2,808 billion; the overdue debt was VND 5,294 million (or 0.19 percent of the total outstanding loans), and the percentage of principal balance collection for capital turnover was as low as 44 percent. Capital appropriation still occurred: responsible mass organizations appropriate the capital of loan borrower, GLs appropriate the capital of loan borrowers. By 2019 after two-year implementation of the Project, the outstanding principle balance of the branch as of 31 October 2019 was VND 3,751 billion. The overdue debt was VND 4,112 million (or only 0.11 percent), and the percentage of principal balance collection for capital turnover was as high as 84.23 percent. No capital appropriation reported for the fiscal year of 2019, yet.¹⁶ It was acknowledged by the Bank staff that the application of the SMS notification services has contributed partly to these important outcomes.

The risk of bad debts has been reduced. It was reportedly about 1 percent in 2013 but now it has decreased to approximately 0.01 percent. There are several reasons contributing to reduce the bad debt ratio in the entire local branch. But I think the enhanced transparency in the banking system, e.g. through the SMS notifications has played a role.

(KII, male staff, Kinh, Lào Cai)

3.2 Assessment of SMS Notification: Perspectives of Clients

40. This section focuses on whether the new services have changed (if any) the clients' behaviors, attitudes and provided overall impact on their lives and livelihoods. This also highlights challenges for VBSP in expanding the new digital services in the future. Before embarking in the analysis, it is important to recall the assessment made in Section 2 that the SMS notification services are best seen as an additional step in the general VBSP loans procedures; the frequency of sending SMSs remains relatively low (which limits to notifications of principal payments, changes in loan accounts, and overdue debt reschedule). It is also important to note that not all VBSP clients have actually received SMSs due to various reasons listed in Sub-Section 2.2. Therefore, the findings on the benefits of the SMS notification services reported below were the ones observed from the clients who already received and used the SMS notification services (rather than those from the VBSP clients in general).

¹⁶ Bình Định Branch. 2019. Báo cáo tình hình triển khai dịch vụ tín nhắn phục vụ hoạt động nghiệp vụ của ngân hàng chính sách xã hội. Dated 18/11/2019.

41. Enhanced transparency (i.e. improved readiness of information) in debt payments.

All interviewed clients reported benefits from SMS notification services such as they are informed of their account balance and the due dates of the principal payments.¹⁷ This makes it easier for clients to spot incorrect information, flaws and errors of GLs (for instance the ones discussed in Sub-Section 3.1.1 related to “ghost clients”, capital appropriation). In addition, as the hotlines are provided as part of the SMSs, the clients found it easier to report directly to the hotline number provided in the text message. In some cases, especially in the early stages of the pilot, the sending of untitled SMSs caused some confusion to certain clients. However, this has been solved due to the efforts from the VBSP branches and transaction offices, as well as mass organizations and GLs, in informing the clients on the availability of the SMS notification services. This improvement in transparency has contributed to **enhance the trust in the GLs and VBSP**. Some middle-aged female clients reported non-monetary benefits from the SMS notifications that helped reduce their chronic sense of worry, tension, or apprehension over the GLs’ potential fraud or credit appropriation. This certainly contributes to consolidate the trust of the SCG members and their GLs and VBSP in general (See Annex for the impact stories). All interviewed GLs and their clients stated that conflicts between clients and GLs or clients and Bank staff are now almost non-existing. All interviewed clients valued VBSP as “the Bank for the poor” so that they can deposit any amount they want, not like other banks where smaller amounts are not accepted. Savings of VND 100,000-200,000 they usually deposit at one time are accepted. Also, VBSP offers a lower interest than other banks (6 percent pa). The SMS services helped build clients’ confidence to continue applying for other loans from VBSP for their livelihood activities.



Photo credit: VBSP

¹⁷ There have been no changes in interest payments as SMS notification services are on debt payment only.

42. Improved planning for debt payments. Since clients are informed a month before the due date, they already know how much they need to pay so that they can prepare the cash in advance. Before SMS notification was in place, clients at times had doubts the savings went into their account so they often were questioning the GLs. It has also been reported that prior to SMS notification was put in place when the GLs came to the client's house to collect the interest payment, clients, especially among low-income ethnic minorities, often did not have enough cash available so they had to hastily sell some chickens or rice in order to pay off the loan interest. Moreover, with SMS notifications some young clients who are out migrating for work could actively make arrangements for their debt payments by following up with their GLs or wiring the debt payment. Due to improved planning, the SMS notification services also contributed to enhance **the capacity of low-income female clients to save**.¹⁸ SMS notifications helped women clients understand about income and cost relation and think twice when they spend their money. Many female client respondents reveal that they are saving more money now by setting aside a small amount e.g. VND 100,000 - 200,000 each month. These clients reported their good feelings to realize that the more they save, the easier it becomes to accumulate additional savings, and eventually to pay off their loans. Many of them indicated that saving in small bits is better than no savings.

43. There are some observations, albeit anecdotal, that the SMS notification services also increased socializing and networking, especially among ethnic minority female clients. At the beginning of Track 1, clients were confused when they received "spam" messages from numbers similar to that of the Bank. It has been reported that these days SMSs sent from different numbers are ubiquitous, such as ads, so people do not have good impression with general messages from the network; messages advertising loan packages, installments, etc. They had to ask among their women fellows and the GLs. Via SMS, some female informants met during the field visits of this review indicated that as they have received the SMS, they tend to share information with one another, exchange what they have learnt which fosters more diverse personal interactions. This was observed in the Yao ethnic community visited in Bát Xát (Lào Cai) and H're ethnic community in An Lão (Bình Định). In this regard, the SMS services has also contributed to enhance their social networking, especially among ethnic minority female clients who tend to interact with small, community-based and informal groups while men are better connected with groups that operate beyond the locality and are more formalized. Given that a close knit community is a fundamental aspect of Vietnamese rural society it is not surprising that social capital in the form of group membership plays a role in the exchange of information and resources among rural women.¹⁹

44. In addition, it was also observed in the field that the Bank clients are **getting used to mobile technologies, making use of new communication networks** (i.e. Zalo, Facebook, etc.). The use of the SMS notifications has helped improve the target clients' ability and practice to use their phones to deal with the Bank - a foundation on which mobile banking services are built. Some middle-aged women farmers and small business owners in Bát Xát town of Lào Cai and Cờ Đỏ district of Cần Thơ said that they also use to text each other via Zalo, which reduces cellphone bills. It has become their new habit to have access to Wi-Fi, and they often ask each other about Wi-Fi passwords wherever they go.

45. Other benefits from time savings made possible from the SMS notification services. One important benefit from the SMS notification services is time-saving. This time-saving effect was explained as some female clients do not have to go to their GLs to ask for the information related to their

¹⁸ See Footnote 2 on the Multidimensional Poverty Index.

¹⁹ Kinghan, Christina; Newman, Carol (2015): *Social capital, political connections, and household enterprises: Evidence from Vietnam*, WIDER Working Paper, No. 2015/001, ISBN 978-92-9230-886-5, The United Nations University World Institute for Development Economics Research (UNU-WIDER), Helsinki, <http://dx.doi.org/10.35188/UNU-WIDER/2015/886-5>

debt payments due to the availability of the SMSs. Some clients indicated that when they went to their SCG leader, it would have taken approximately 30 minutes of their time for each trip, because *“it’s not considered to be a good visit if they just go to the GL’s house, ask one or two questions, and then leave. There are small talks that often led to other stories, which took time.”* (FGD, female participants, Cờ Đỏ district, Cần Thơ). It is understandable in the sense that most of the clients are living in the rural areas where *“greetings are more important than party”* - *“lời chào cao hơn mâm cỗ”*, and hence when they visit other houses, they usually discuss about other issues rather than only focus on those related to VBSP loans. With the SMS notification services, as the clients are informed on their principal payments, the need to go to their GLs to ask for information is seen as redundant. As a result, some clients revealed that they could use that spare time on their business, in agriculture, which is their main source of income.



Photo credit: Huong Nguyen

46. This section focuses on whether the new services have changed the nature of the task of GLs and whether the new services might contribute to improve the loan management practices exercised by GLs of the SCGs.

47. Reduced level of effort for debt reminder to clients. This was mentioned by many interviewed GLs (both male and female). In fact, the SMS notification services are about debt payments that need to be made directly between the client and VBSP staff (either directly at the VBSP transaction office or commune transaction point). Therefore, the level of effort made by leaders towards their clients in terms of debt payment is quite modest (especially when compared with the level of effort required to remind and collect monthly interest payments from SCG members). According to the general debt payment schedule applied for VBSP loans, there is only one principal payment for short-term loans while these payments are scheduled on a bi-annual basis for long-term loans. Therefore, it would usually require the GLs to remind their SCG members about three times per year (i.e. two times for long-term loans and one time for short-term loans). GLs said that the SMS notification services help them in saving part of the time and cost for the tasks of reminding their SCG members. This cost saving will be calculated in the cost and benefit analysis in Section 4 of this study report.

48. Getting used to mobile technologies, making use of new communication networks (i.e. Zalo, Facebook, etc.). Similar to clients' benefit indicated earlier, some interviewed female GLs mentioned that it has become their new habit to have access to Wi Fi, and they often ask each other about Wi-Fi passwords wherever they go. *"In addition to the usual measures to contact with the SCG members, we also have a Zalo group. It is very convenient. All information related to interest payments, principal payments, and other related issues are posted on the Zalo group for information of all members"* (FGD with female GLs, Bình Thủy district, Cần Thơ). Besides, some women GLs of Bát Xát town shared that in the past they only focused on doing business and house chores, but now they have access to more information and knowledge. They organized retreat tours for both clients and GLs to Quảng Bình, Yên Tử, Hạ Long, General Võ Nguyên Giáp tomb, Hồ Chí Minh Mausoleum and his home village in Nghệ An province. These study tours were perceived to be useful for the GLs to share their experiences and learn from other good practices (See Annex for the impact stories).

49. Increased trust and having been treated with more respect by SCG members are important benefits from the SMS notification services - as it was shared by both male and female GLs the study team met during the field visit. As highlighted in the Sub-Section 3.2.1, one of benefits perceived by the VBSP clients was the increased trust in GLs and mass organizations. This is linked to the enhanced transparency in debt payments due to availability of timely information on the principal payments and balances of the loan accounts. This was re-affirmed by both male and female GLs we met. *"I am retired, but I am interested in pursuing the role of a GL. Since having the SMS notification services, all information related to debt payments are sent directly to SCG members. I felt that there has been improvement in trust within the group and this is an important reward for me"* (KII, Khmer ethnic group, male GL, Cờ Đỏ district, Cần Thơ). For some female GLs who are involved in the local political system in Bát Xát (Lào Cai), meeting and having conversations with clients improved the mobilization of their potential voters. This also helped these GLs to be able to get updated on the key issues happening in their vicinity. Thus, the roles of female GLs at locally different political positions may have received better recognition and trust.

50. Other benefits from time savings made possible from the SMS notification services.

According to the general VBSP loan management procedure, reminding the SCG members on the issues related to principal payments is required for all GLs (i.e. the majority is women above 40) and, as discussed above, one GL would need to make this reminder around three times per year to the SCG members under the GL management. This usually takes the form of direct visits. The GLs we met indicated that this could be quite time consuming as they would not come to the SCG members to remind the due dates of principal payments and related issues but also have to socialize with their “clients” and build mutual trust. With the SMS notification services in operation, GLs could save part of their time and effort in making those reminders and as a consequence, they have more time to do their housework and other income generating activities. The women have more time to take care of themselves and are not as overwhelmed as before. Couples care more for one another and there is more understanding and happiness within the family.



Photo credit: VBSP

3.4 Other Aspects of the Assessment of SMS Notification Services

3.4.1 Benefits of the SMS notification services for other stakeholders

51. Simplification of the monitoring process by mass organizations on VBSP loans. In addition to VBSP and its clients, mass organizations (MO) involved in the trust loans of VBSP is another main stakeholder of the SMS notification services. Being the “owning” agency of the SCGs, MOs are responsible to make sure that the SCG members - who are also the members of the MOs under concern - will use the loans according to the loan application and follow the schedule for interest and principal payments. MOs together with the local authorities provide “guarantee” for the clients to access VBSP loans. Therefore, MOs usually organize monitoring visits to SCGs. In this regard, SMS notification services has contributed to the simplification of this monitoring process. With the SMSs sent to the clients on their principal payment schedules, the clients were already informed, and this saves part of the time and cost for the MO representatives in making their monitoring visits - which were reported to be on a quarterly basis. Benefits in concrete terms from the SMS notification services for the MOs will be discussed in detail below (see Section 4 on cost and benefit analysis).

52. Enhanced transparency of trust loan management and trust of the clients foster favorable conditions for improved MO memberships. The SMS notification services have contributed to enhance transparency of loan management and trust of the clients towards GLs and mass organizations. These important outcomes were reported earlier in this study report. Given the enhanced transparency and trust, the SMS notification services were reported by the MO representatives met during the field visits to be useful for the MOs in attracting members to be more active in other activities. In fact, managing the trust loans from VBSP represents one of the most important and time-consuming tasks of the MO representatives at the local level. Consultation with some MO representatives indicated that prior to the trust loan programmes of VBSP, activities of mass organizations have hardly attracted up to 1/3 of the population. With VBSP loans, the MOs have a good opportunity to consolidate their memberships. This is linked to enhanced transparency in loan management as well as trust of the SCG members towards GLs.

Mass organizations can also take advantage of the Bank’s credit channel to design their activities - the Women’s Union has established major connection with ethnic minority women in the uplands. The Union’s officials at district and commune levels gain additional income from commission fees (phí ủy thác).

(KII, Female staff, Kinh, HQ, Hà Nội)

53. The role of commune authority is extremely important for the implementation of the SMS notification services. It has been stated by different stakeholders that if the local authorities propagate, then the Project activities would be easier. Many Bank staff indicated that propaganda played a vital role in the pilot process, which was implemented in many forms via public loudspeakers, radio channels and at various meetings with village residents. For instance, Lào Cai branch took the lead in piloting messages as posters on the Bank’s SMS. Posters were adhered at transaction sites and sent to the GLs for further dissemination. At the same time Bank staff instructed the GLs on how and when to collect phone numbers of clients. For example, GLs registered the clients’ cellphone and instructed them to save the number with the Bank’s name. At first, there were numbers similar to that of the Bank sending harassment SMS to the clients. With the instruction provided by the GLs at routine group meetings, people

gradually did not delete the correct messages. They know that the SMS was from the Bank, so they read it. Also, VBSP utilized the public radio channels. The Bank worked with the concerned authorities to request announcements on the radio channels every day for at least five minutes at the commune level to disseminate policies and explain Bank's SMS services. In addition, the Bank used Zalo (integrated with the Provincial HCC portal - the provincial branch signed contract with Zalo to provide public administrative services), and Facebook for the SMS service promotion. These initiatives made by Lào Cai branch were then shared to other branches across the country for replication.

3.4.2 Gender mainstream aspects of the SMS notification services

54. Gender focus of the Mobile Banking Project. The Mobile Banking Project aimed at supporting women with low income, including women-led small and medium enterprises. The objective was to raise the women's awareness and accessibility to digital technology so that they can access other available information on basic business skills, production development, marketing, and market development. With the Foundation, the project is seen as an intervention toward women's economic empowerment. The thematic focus, chosen rights holders and timing of the supported project were therefore relevant to the context of the country and the selected community. The project's capacity building activities have benefited nearly 200 female staff at VBSP so far (through training and exposure opportunities), more than 450 female GLs (through training and orientation workshops on the mobile banking application), and nearly 2.5 million female clients (through access to SMS notification).²⁰

55. Responsiveness of the SMS notification services to women. The SMS notification service, the marketing materials and training programs targeting VBSP's clients were developed to consider some barriers faced by women in accessing financial services and ICT usage. As a result, women clients were fully included in the whole process (including consultations on the SMS messages) and benefited from VBSP's new services. The SMS notification review made by VBSP and TAF showed promising findings that among 4.9 million VBSP clients assessing SMS notification, 51 percent were female (2.5 million). Women accounted for more than 60 percent of the clients that were provided training on this service. In addition, the Client Satisfaction Survey found evidence of increase in women's awareness and knowledge of VBSP's new service and ICT skills in using mobile phones, especially how to read and understand SMS messages sent by the Bank.²¹ The surveyed female clients also valued SMS notifications in terms of its convenience and timely information provision on their due date for loan payment and account balance. This was very helpful for clients, particularly women clients to help them better manage the household's finance and business. These improvements in understanding and skills are crucial to prepare women clients to be ready and confident to adopt the mobile banking service that VBSP will offer in the next phase of the Project.²²

56. Impact on gender equality. The VBSP credit program depends upon household unit, which identifies household assets as common property because household economy is prevalent in Vietnam. As stipulated in the Civil Law, loans are provided to households only by official financial institutions in Vietnam. This requires at least two signatures on the contract: one signature of the husband and one of the wife. Either the husband or the wife is the main loan applicant and the other is the guarantor. Each institution has different requirements regarding the main loan applicant.

²⁰ The Asia Foundation (2018). *Business Partnerships Platform Round 1 (2015/16)*. BPP Final Report. Application Round100173.

²¹ VBSP (2018), *ibid.*

²² *ibid.*

For VBSP either the husband or wife can apply for the loan. Especially for credit line schemes managed by the Vietnam Women's Union, the loan is considered a household loan, but very often the main applicant is the wife of the household (but loan applications still require signature of the wife and her spouse). Interviewed local cadres of the Union indicate that women are seen as better book keepers and accountants than men. Their loan performance seems to be better than the loan performance where the husband is the main applicant of the loan. In this regard, there seems to be no bias against female clients in loan policy of the formal banking institutions.²³ Moreover, when these credit program support households, they have impact on gender equality and initiates commitment and responsibilities to repay the capital among both male and female family members. In fact, the Vietnam Women's Union is a major MO in managing the VBSP trust loans to its women membership.²⁴ It is reported that with the SMS notification services being available, the information on the debt payments is readily and easily available for all household members and therefore it has contributed to transparency of household economic activities.

Before we had the SMS notification services, it was sometimes difficult for us to pay debts as our husbands might not be aware of the due dates of the principal payments and therefore questioned me in using the household savings. With SMSs available, I do not even need to explain. I could just show the SMS sent from VBSP to my husband or other family members"

(Kli, female, Kinh, Bát Xát district, Lào Cai)

57. The Project has attempted to mainstream gender equality into VBSP system. The Project successfully supported VBSP to develop a "Gender Indicator Checklist", also known as "Gender Equality Strategy" to be used as a guide for VBSP to ensure that women clients are not left-behind in the provision of VBSP's services and are actively engaged in the Project's activities. Additionally, VBSP's staff involved in the Project, particularly the PMU members have acknowledged the importance of keeping track on women's participation in the Bank services. With support from the Foundation, VBSP has started collecting sex-disaggregated data on both VBSP staff and women clients participating in the project activities as well as in accessing the Bank services.²⁵

58. The Project observed improvements in VBSP staff's understanding of gender and gender mainstreaming. The Foundation also received positive feedback from VBSP staff at the piloted branches during project discussions and trainings who showed their appreciation of the benefits of collecting sex-disaggregated data for VBSP's information system, and tracking progress on specific indicators that the Bank's current system can monitor for reporting and decision-making. In the training content of market research that TAF initially provided to PMU, there was a brief on beneficiaries' evaluation - gathered from the results of the gender assessment carried out in joint efforts between TAF and VBSP in 2017. During the session, all of the basic points on gender were introduced to VBSP training attendees. It has been reported that VBSP has considered to make use of the gender related information and findings as a reference to instruct staff within its branches. VBSP approach to the findings of gender differences between male and female clients actually aimed at marketing purposes, which would be utilized to explore and identify prospective client's interests in the Bank's future programming. For TAF, this can be interpreted as "VBSP has mainstreamed to some extent gender issues very naturally in the banking

²³ Nevertheless, recent evidence shows that the larger amounts are mostly provided to men applicants as they are perceivably able to focus more on highly profitable businesses and are willing to take higher risks. NpM, Platform for Inclusive Finance (2018). *Financial services for women: agri-finance products for female farmers in Vietnam*.

²⁴ In this regard the study team could not assess benefits of financial services to rural women who are not members of Women's Union. However, other research shows that social capital in the form of membership of the Women's Union is more beneficial for lower income households. See Kinghan, Christina; Newman, Carol (2015), *ibid*.

²⁵ The Asia Foundation (2018), *ibid*.

services” (female staff, Kinh, TAF, KII, Hà Nội).

59. A gender assessment is being considered by the Bank to document its client characteristics including who they are, what their habits are in using and accepting services, etc. and in that sense the data would be helpful to the Bank. There is a section in the training materials of the Bank on differences in using services by gender (i.e. how men accept services, what are their habits, etc.). This assessment will be useful to more thoroughly understand how the SMS notification services have affected both female and male clients.



Photo credit: VBSP

4

COST AND BENEFIT MODEL OF THE SMS NOTIFICATION SERVICES

60. This Section presents the cost and benefit analysis (CBA) of the SMS notification services. The information used for this analysis was based on the sources provided in the VBSP's reports (i.e. the secondary source) as well as the information collected during the fieldwork.

4.1 Background of the Cost and Benefit Analysis

61. Basic unit for the Cost and Benefit Analysis (CBA). In this CBA analysis, commune transaction point (usually abbreviated as DGDX - "Điểm giao dịch xã") was selected as the basic unit for the analysis. This selection is justified using the following explanation - VBSP provincial branches or district transaction offices are in charge of different numbers of DGDX and clients. Therefore, the costs and benefits associated with the SMS notification services would vary from one branch or transaction office to the other. Commune being a basic unit of the CBA analysis was also explored, but not pursued for two reasons: (i) communes are different from one to the other in terms of a number of SCGs and clients and hence the CBA for one commune varies accordingly; (ii) as of 31st December 2017, VBSP coverage consists of 11,162 communes which are covered by 10,969 DGDXs, meaning that there are DGDXs that cover multiple communes (usually those with small population). It is however noted that DGDX is not a permanent institution. Instead, this is a transaction day held by the district transaction office on a monthly basis at the commune people committee's office. This DGDX is usually managed by three staff from the district transaction office, with one being the team leader, one controller, and one transaction officer. Operation of the DGDX is regulated in the Document No. 4030/NHCS-TDNN, dated 10th December 2014, of the VBSP's CEO.

62. Main cost items of the SMS notification services. The main cost items of the SMS notification services for a DGDX consists of (i) cost of sending the SMS services; (ii) VBSP human resources at all levels to consolidate the information required (i.e. registered phone numbers, relevant information on the clients' loan accounts); and (iii) cost of using the office equipment (i.e. computers, printers). Based on the figures shared by VBSP and those collected during the field visit, the unit cost of these items calculated for one DGDX per month is provided in Table A1 in the Annex. In addition, some useful figures (such as the number of clients per DGDX, the number of DGDX per transaction office, etc.) used in the CBA are also presented in Table A2. Using this information, the cost of sending SMS per DGDX per month is estimated in Table A3. Accordingly, the average cost of making the SMS notification services available per DGDX is estimated at **VND 304,081 /month or equivalent to USD 13.1** (using the average VND/USD exchange rate quoted by VCB for December 2019). This cost is quite modest. It is noted that the number of SMSs sent per DGDX per month is quite modest (estimated at 147 SMS per month)²⁶ as these SMSs are not sent every month.

²⁶ Document No. 278/BC-CNTT dated 12th October 2018 of the Information Technology Department of VBSP HQ provides the most updated figures on the number of SMS sent. Accordingly, there were 14,496,460 SMS sent between 10th January 2018 to 30th September 2018. This figure was used to calculate the average number of SMS sent per month.

63. Expected benefits from the SMS notification services. Benefits from the SMS notification consist of expected benefits and costs saved from the SMS notification services. With regard to benefits, it was envisaged that the SMS notification services would eventually improve the quality of loans and hence reduce default risk, and non-performing loans (NPLs). In addition, it is also expected that as the default risk is partly mitigated by improvements in loan management, especially in terms of transparency and accountability, it might encourage existing and/or potential clients to borrow more from VBSP. However, the SMS notification services have been piloted in relatively short period of time (January 2018 to January 2019);²⁷ and more importantly, as noted in Section 2 of this review study, the SMS notification services were introduced as an additional and complementary step in the VBSP standard loan management procedures, which remain essentially unchanged after the SMS notification services available. Therefore, this study acknowledges that the above are likely potential benefits of the SMS notification services but **these are yet to come**. Given this, it is arguably reasonable not to include these benefits in the current CBA calculation.

64. Costs saved from the SMS notification services. The introduction of the SMS notification services assisted the VBSP transaction offices, GLs, and MOs in management of principal payments and therefore it is expected that the services would contribute to saving the cost for the Bank in reconciling the clients' loan accounts; for the GLs to remind their SCG members on the due date of the principal payments; and for the MOs to monitor the usage of the loans.

65. The cost of VBSP in reconciling the clients' loan accounts. This cost is required for the VBSP transaction offices to pay direct visits to the SCGs reconcile clients' loan accounts. As observed during the fieldwork, one staff at the transaction office is required to visit at least two SCGs per month. Therefore, one DGDY consisting of three staff incurs reconciliation visits to six SCGs in a month. The details of the reconciliation process could be found in the Document No. 3249/NHCS-TDNN dated 12nd October 2012 of the VBSP's CEO. Without the SMS notification services, representatives at the VBSP transaction offices visited stated that this reconciliation process usually takes two days per DGDY. It is noted that this direct visit for reconciling is still required regardless the functioning SMS notification services. However, as many clients have received the SMSs in advance, reconciling is therefore faster. How faster this reconciliation process is, varies from one location to the other. Observations from the fieldwork indicate that with the SMS notification services, the reconciliation process (and therefore the associated cost) might be faster by around 25 percent. The cost for a DGDY to conduct the reconciliation process per month is estimated in Table A4 in the Annex. Accordingly, the cost saved for DGDY in reconciling the clients' loan accounts per month is estimated at **VND 682,500 or USD 29.3**.

66. The cost of the MOs in monitoring the loans usage. The mass organizations are responsible for managing the loans from the Bank to the SCGs under their functions. This is one part of the "Responsibility Contract" signed between VBSP and the MOs. One way to pursue this management function is to pay frequent visits to the SCGs to monitor the operations of the SCGs, the GLs, as well as the loans usage. The content and approaches of this monitoring visit is guided in the Document No. 3775/NHCS-KTNB, dated 27th September 2016 of the VBSP's CEO. Accordingly, the MOs at all levels are supposed to organize frequent monitoring visits. The Document No. 3775/NHCS-KTNB does not however specify the frequency required for this purpose. Consultation with the local MO representatives during the fieldwork suggested that the commune MO representatives usually organize quarterly monitoring visits to all SCGs under their management. In addition to these, local MO representatives also join other monitoring visits or activities organized by the VBSP branches or transaction offices or those organized by the MOs at higher levels.

²⁷ Document No. 323/NHCS-CNTT issued 17th January 2019 Regarding temporary SMS service suspension

However, the cost of joining the visits hosted by the Bank or the MOs at higher levels is difficult to estimate as the number of visits, frequency, number of participants, etc. varies from one visit to another. Therefore, this CBA focuses on the monitoring visits organized by the commune-level MOs. Consultation with the MO representatives during the field visits indicated that the commune-level MOs usually organize monitoring visits to all the SCGs on a quarterly basis. The MO teams usually consist of two persons, visiting two SCGs per day. Discussion with the local MO representatives suggested that after having the SMS notification services, they could visit up to three SCG per day (with the team of two MO representatives). The cost of the commune-level MOs to conduct the quarterly visit to the SCGs is estimated in Table A5 of the Annex, where the cost savings for the local MOs in monitoring visits is estimated at **VND 400,000 or equivalent to USD 17.2** per one DGDX in a month.

67. The cost of GLs informing the SCG members on due dates of the principal payments.

Paying frequent visits to the SCG members to monitor the loans usage, informing the due dates of the interest payments and principal payments is one of the main responsibilities of the GLs. As indicated by the GLs we met during the field visit, it usually takes two days for one GL per month to visit the SCG members (in order to inform the due dates and other related issues). In the months before the principal payments are due, it might take three days for one GL to visit all the SCG members (average 50 members per SCG) as the GL would also inform the SCG members on the due dates of the principal payments as well as related issues. Therefore, it was reported that GLs need around three months per year to arrange extra efforts to remind the SCG members on the due dates of the principal payments and the related issues (in addition to the matters on the interest payments). With the SMS notification services available, many of the SCGs were aware of the amounts of principal payments and the due dates one month in advance. Therefore, the GLs still remind their SCG members on these issues, but it was reported by the GLs we met that they could complete this within half a day (compared to one day required before the SMS notification). The cost for a GL to conduct the monthly visit to all the SCG members is estimated in Table A6 of the Annex. Accordingly, the cost saving for GLs in reminding the SCG members on due dates of the principal payments and the related issues is estimated at **VND 375,000 or USD 16.1**.

4.2 Results from the Cost and Benefit Analysis

68. Cost and Benefit Analysis (CBA) results. Based on the estimates and assumptions made in Sub-Section 4.1, the CBA results are reported below. Accordingly, the net benefits are reported for VBSP itself and the whole system (including VBSP, MOs, and GLs).

69. With regard to the VBSP. It is estimated that the net benefit from the SMS notification services is **VND 318,419 or USD 16** per DGDX per month. It means that the net benefit generated from the SMS notification services for one VBSP's DGDX is 1.22 times higher compared to the cost incurred from making this service available to the VBSP clients. For the ten pilot provinces of the Project, it is estimated that the net benefit per month from the SMS notification services was **VND 658,869,912 or USD 28,363**. For the whole VBSP network, the net benefit from the SMS notification services was **VND 4,150,880,445 or USD 178,686** per month.

Table 1. Net Benefits of the SMS Notification Services

No.	Items of cost and benefits	in VND	in USD
1	Cost of the SMS notification services		
1.1	Total cost per DGDX	304,081	13.1
2	Benefits of the SMS notification services		
2.1	Cost saving for DGDX in reconciling the loan accounts	682,500	29.4
2.2	Cost saving for MOs in monitoring the usage of loans	400,000	17.2
2.3	Cost saving for GLs in informing the SCG members	375,000	16.1
3	Net benefits for VBSP		
3.1	Net benefits per DGDX per month	378,419	16
3.2	Net benefits per the 10 pilot provinces per month	658,869,912	28,363
3.3	Net benefits per the VBSP system per month	4,150,880,445	178,686
4	Total net benefits (VBSP, MOs, GLs)		
4.1	Net benefits per DGDX per month	1,153,419	50
4.2	Net benefits per the 10 pilot provinces per month	2,008,231,023	86,450
4.3	Net benefits per the whole system per month	12,651,855,445	544,634

Source: compiled from the data provided by VBSP and the information collected from the field visits

70. With respect to the whole system (VBSP, MOs, GLs). The net benefits from the SMS notification services are higher compared to those applied for VBSP as there are positive benefits generated from this service for the MOs and GLs. Taking all these together, it was reported that net benefit per DGDX could be as high as **VND 1,153,419 or USD 50** per month. Using these figures, it could be shown that the net benefit generated by the SMS notification services for the 10 pilot branches was **VND 2,008,231,023 or USD 86,450** per month. For the whole system (including VBSP, MOs, and GLs), the net benefit from the SMS notification services is estimated at **VND 12,651,855,445 or USD 544,634** per month.



Photo credit: VBSP



5

CONSTRAINTS TO OPERATIONALIZING THE SMS NOTIFICATION SERVICES

71. Findings presented in Section 3 and Section 4 indicate that the SMS notification services, albeit being in the early stages, have generated significant benefits for the Bank, its clients, and other related stakeholders. There are however constraints to operationalize the SMS notification services to its full potential. This section highlights some of the key constraints and this also lays a background for making recommendations in the final section of this study report.

5.1 Lack of Cellphone Possession and Low Cellphone Literacy

72. There are significant segments of the VBSP clients with limited usage of SMS services. This sub-section examines the readiness of the VBSP clients through the data collected from the field visits to three selected provinces of Lào Cai, Bình Định, and Cần Thơ. This assessment is based on the perceptions of the VBSP clients on their readiness for the SMS notification services and the data on client profiles shared by the VBSP branches for the analysis purpose of this study. The findings indicate that the readiness for the SMS notification services varies from one location to the other. There is a significant segment of the VBSP clients, especially those in the rural and “remote” areas, with limited usage of SMS services.

73. Access to cellphone amongst VBSP clients is generally high but not for all. Access to mobile phones is generally high, even in the most remote areas of the country. Using the most up-to-date data available from the survey on the socio-economic situation of 53 ethnic minority groups conducted by the General Statistics Office (GSO) and Central Committee for Ethnic Minorities (CEMA) in 2015,²⁸ it is observed that even in the ethnic minority areas, around 74 percent of the households have mobile phones. The feasibility study carried out by VBSP and TAF indicated that 82 percent of the surveyed potential clients of the Bank have cellphones.²⁹ Although this level of access is high, between 20 to 25 percent of the potential (or existing) clients of the Bank, especially the poorest and/or those living in the “poverty pockets” (meaning the most difficult areas with high prevalence of poverty), do not have access to cellphones for the application of the SMS notification services. This estimate is also consistent with the actual figures from the 10 pilot provinces of the Mobile Banking Project. In these provinces, the total number of clients was 1,175,151. Out of this figure, 882,243 clients have registered their mobile phone numbers - which is roughly 75 percent.³⁰ Therefore, it is reasonable to assume that at least one quarter of the VBSP clients do not have mobile phones.

²⁸ The World Bank and CEMA (2019). *Research Report: Drivers of Socio-Economic Development among Ethnic Minority Groups in Vietnam*.

²⁹ The Asia Foundation and VBSP (2015). *Feasibility Study Report. Application of New Technology for Mobile Phone based Products and Services for Vietnam Bank for Social Policies*.

³⁰ VBSP (2018) *PMU Mobile Banking Project*.

74. Limited access to mobile phones or SMS for some segments is also evident in the areas visited in this study.

Data on the client profiles are provided by the studied VBSP branches. Table 2 classified the VBSP clients according to the level of actual access to the SMS notification services. Category “With very limited access” generally categorizes clients who are more than 60 years old (for men) and 55 years old (for women) in the rural areas. Some of these clients do not have cellphones; some registered to the VBSP database using the number of their adult children (many of them have already migrated to urban areas for work); or having “basic” cellphones (i.e. non-smart phones) but are not familiar with SMSs. Category “With limited access” refer to the male clients who are older than 60 years in urban areas and those who aged between 40 to 60 years old in the rural areas; this category also consists of the female clients aged 55 and over in the urban areas and age between 40 to 55 years old in rural areas. The final category “with good access” comprises of the remaining clients. Using these three categories, figures indicate that between 5 percent clients (in Lào Cai) and 17 percent (in Bình Định) are with very limited access to the SMS notification services. Notably, the segments with limited access is high (46 percent in Bình Định, 42 percent in Lào Cai, and 39 percent in Cần Thơ). Given this, the SMS notification services could certainly reach between 53 percent (in Cần Thơ and Lào Cai) to 37 percent (in Bình Định) and some degree of the “with limited access” clients. For the remaining, even though the SMSs were sent to their registered numbers, these SMSs might not be opened or used by the clients.

Table 2. VBSP client profiles at the provincial branches visited

	Bình Định		Lào Cai		Cần Thơ	
Total clients	90,784	100%	78,587	100%	92,132	100%
With very limited access	15,762	17%	3,868	5%	7,447	8%
With limited access	41,645	46%	32,856	42%	36,207	39%
With good access	33,377	37%	41,863	53%	48,478	53%

Source: compiled from the data provided by the VBSP Branches in Bình Định, Lào Cai, and Cần Thơ

75. Low cellphone literacy matters. Consultations with the VBSP clients in the visited branches indicated that the elderly (both men and women), the middle-aged women, and ethnic minorities who have mobile phones, have mainly used their phone to make and receive phone calls. The usage of SMS as a way of communication was rarely observed for these clients. Many middle-aged women and the elderly do not know how to use SMSs; some are aware of the SMSs but are not familiar with using SMSs as a way of communication. In addition, some of the elderly ethnic clients cannot read the Vietnamese language (though they can use the spoken language) and hence cannot read the SMSs sent by the Bank. Therefore, even though a VBSP client registered her/his mobile phone number with the VBSP’s database but due to their low cellphone literacy, she or he might not be able to use or is familiar with using the cellphone for other communication functions (rather than making and receiving the calls) such as text messaging. For these clients, SMSs were sent to their phones but they hardly opened or used the SMSs. Some reflections below were shared by the elderly or middle-aged client respondents in the study.

In my group, all members have mobile phones but only a half is familiar with using SMS. For the others, they use the phones to call or receive calls. The phones are basic, not smartphones... some members are illiterate, so reading messages is not possible.

(Kil, male, Group Leader, Yao ethnic group, Bát Xát district, Lào Cai)

There is only two of us in the family now, children are grown up and migrated to cities to work. We both have mobile phones but basic ones, 'cùi bắp' phones. We can speak Vietnamese very well, but writing is rather difficult. When we signed the VBSP loans, we used our fingerprints. We usually ask neighbors to read the SMS for us.

(Kil, female, SCG member, Khmer ethnic group, Cờ Đỏ district, Cần Thơ)

5.2 Technical Constraints to Access to the SMS Notification Services

76. Lack of signal coverage and weak cell-phone signal in some remote areas. There are numerous regions with weak or even without cellphone network signal, so the Project implementation faced certain challenges, especially in mountainous areas such as the remote uplands of Bình Định and Lào Cai provinces. This reality implies that the full coverage of VBSP clients with SMS notification seems unrealistic at this stage, though the Bank HQ still aims to achieve this target at some point. The business plan targets 100 percent of the Bank's clients to be covered with SMS notification. However, as indicated in BPP/DFAT review document, an average of 70 percent was only reported.³¹ The discussion earlier in Sub-Section 2.2 of this study report also suggested similar figures. Fortunately, the prevalence of this limitation to signal coverage in remote areas has become less noticeable due to rapid improvements in the connectivity even of the areas where the most disadvantaged ethnic groups reside.³²

77. Ordinary cellphones have limited SMS storage capacity and applications. It is further noted that for most of basic phones, SMS storages are usually limited. Some of them only displays a maximum number of 40 message items. When it reaches the maximum capacity, text messages will be temporarily held up. Estimates of some VBSP clients met during the field visits indicated that up to around 50 per cent of the VBSP clients in the rural areas are using basic phones. *"Smartphones are also used. But the 'cùi bắp' phones are still popular in our groups. Perhaps it is 50:50 between smartphones and 'cùi bắp' phones"* (Kil, Khmer ethnic, female, GL Cờ Đỏ district, Cần Thơ). Likewise, a male GL in Lào Cai indicated that *"almost all SCG members use mobile phones but many use basic phones. Receiving SMSs is fine but connecting to the internet is not possible"*.

78. Poor registration of cellphones number. One of these technical reasons was the fact that the aged VBSP clients (some of them were illiterate) might use the mobile number of their adult children who might not closely pay attention to the SMSs sent to their parents or some of them might have already migrated for work. Therefore, the SMSs might be sent to the registered number but might not be necessarily reaching the VBSP clients. Most notably, it was observed that the VBSP clients in the rural and remote areas tend to change their cell phone number quite often due to the reported "fierce" competition of the service providers in offering low-cost pre-paid Simcards with promotions nationwide. As a result, the registered numbers might be no longer actual numbers used by the clients. Another technical reason shared by the VBSP staff and GL respondents was the fact that many clients did not provide their correct cellphone number, or some numbers were mistakenly registered to the VBSP client profiles. The following quotations taken from the field visits help illustrate further these technical reasons.

³¹ Balan, Mihaela (2019), *ibid.*

³² The World Bank and CEMA (2019), *ibid.*

Many clients registered cellphone numbers. But in fact, the numbers were not their own. They registered their children's numbers - who usually migrated for work far from home. So, we sent the SMSs to the registered numbers, but some might not reach the clients but their children.

(KII, female, VBSP provincial branch, Kinh ethnic group, Cần Thơ)

There are so many Simcard promotions offered by the service providers. So, our clients changed their number very often to new Simcard promotions. This makes it difficult for us to maintain an up-to-date database of the clients' mobile numbers. We did request GLs to update the registered numbers of their SCG numbers from time to time, but the problem persists.

(KII, male, VBSP transaction office, Kinh ethnic group, Bát Xát, Lào Cai)

There are promotions all the time of different service providers, from Viettel to Vinaphone, Mobifone, etc. Service providers have different promotions of their Simcards. They are competing with each other. Many of our SCG members used one Simcard during the promotion of one service provider and then changed to another one providing better promotions.

(KII, female, Kinh ethnic group, SCG GL, Cờ Đỏ, Cần Thơ)



Photo credit: VBSP

79. While the poor registration of cell-phone numbers was prevailing in practice, VBSP has not developed a standardized procedure and specialize channel to receive information from clients, in order to regularly collect and verify their phone numbers. Verification of phone numbers is only carried out right before VBSP sends out balance reconciliation to clients. At present, on the loan application form of VBSP, there is no section that collects cell-phone numbers of clients. Therefore, collection of phone numbers of loan customers is often not done in a timely manner. Consultations with the VBSP staff indicated that uploading phone numbers of clients to Intellect Core Banking faces multiple difficulties due to the fact that information updating can only be done with one customer at a time. On average, it takes a teller 3-5 minutes to complete a phone number update on the system for one client. Therefore, it takes a significant amount of work time to successfully update the collection of clients' phone numbers on the Intellect Core Bank system.

80. Uniform package to diversified clients. Although the readiness of clients varies from across client groups and locations, SMS notification services have been piloted as one uniform package to all clients. This might not be the best strategy for the pilot. This strategy does not help in promoting readiness of the VBSP clients to the SMS notification services. Another option (which might be a better option) for the SMS notification services to be introduced either differently to client groups (depending on their readiness) and/or tailored to different client groups. This option was unfortunately not pursued in practice. This represents a challenge for future development of digital banking applications and might warrant some special arrangements to ensure that the clients who do not have access or are not familiar with using the mobile phone services would not be excluded from the future digital banking services offered by VBSP.

81. A lack of tailored services for different groups of clients is a constraint for many low-income customers to access (and use) the new services. There is a need to filter middle-age and elderly groups. On one hand the age of individuals is a significant determinant as age increases, the adoption probability decreases. However, there are middle-aged clients who do not entirely have low interaction with technology. This is especially relevant to retired government's staff and officials or those that used to work in the finance and accounting sectors, their interaction is not completely low. In this regard, the type and nature of occupation is a key element for possession and use of new technology. It has been also indicated that in urban areas "organizational and group spirits" (*tinh thần tổ hợp*) is weaker than that of rural and mountainous areas. There is a need to evaluate and survey each targeted audience in order to identify their concerns and interests. One option of having tailored services to different groups is to send SMSs in ethnic minority languages. This option is linked to the fact that ethnic minorities account for an important proportion of the VBSP clients, though the relative importance of ethnic minority clients in the total VBSP clients varies from one province to another.³³ However, sending SMS in ethnic minority languages is not a guaranteed option due to a two-fold reason. First, some ethnic minority languages are only spoken, and do not have a writing system. Second, within an ethnic community, there exists many dialects. This is not to mention that even for the written ethnic languages, sending SMSs in these languages might require substantial efforts by the developer in terms of coding the languages to make these compatible with the protocol used for the SMS of the mobile service providers.

82. Introducing the SMS notification services without updating the "conventional" loan management practices. The general loan management procedures of VBSP were outlined in Section 2 and it was pointed out that the SMS notification is best considered as an additional step in this process. This study report argues that unless new services are introduced with changes in loan management practices, the actual usage of the new services might be constrained by the current over-reliance of clients on their GLs and mass organizations in their vicinity. In fact, the introduction of the SMS notification services does not replace or simplify any of the existing steps in the VBSP loan management practices. Therefore, the study team recommends VBSP to further promote communication to clients to better understanding on the role and benefit of the SMS notification services.

³³ For instance, the proportion of ethnic minorities in the total VBSP clients of the Cần Thơ Branch was only 2.4 percent, that of Bình Định was 7.2 percent while the corresponding figure in Lào Cai was 72 percent (using the data on the client profiles of the visited branches in this study).

83. As a consequence, for many of the clients interviewed during the field visits, there was not a keen interest in using SMSs for loan management. There were some reasons causing this low interest for the services. For clients in the urban areas, the VBSP loans represent a relatively small amount of their business and they rely on their GLs to collect interest and remind them on the principal payments. For some others, the SMS notification services were unable to capture their attention due to a high number of spam SMSs that the clients might receive from different sources, especially the SMSs with commercial content or advertisements. Many clients the team met during the field visits indicated that they received a lot of spam SMSs on advertisements, including SMSs inviting them to borrow money. Therefore, the clients tend not to read these SMSs, some even deleted these SMSs instantly after receiving. The fact that the SMS notification services were sent to the VBSP clients' registered numbers using a toll number rather than the VBSP label also contributed to this lack of attention to the SMS notification services.

84. The frequency of SMS notifications was limited so that it has not become a habit and/or could invoke interest among clients, especially to those who are not used to SMS adoption, in reading SMS from the Bank. As noted earlier, the SMS notification services were made to send SMSs to remind due dates of principal payments, changes in the loan account balance (when the principal payments are made), and overdue debt reschedule. These SMSs are related to the payment of principals which are either one time per short-term loans or on a bi-annual basis for long-term loans. Therefore, the frequency of sending SMSs to VBSP clients is relatively limited. Also Track 1 was ended on April 2019 and thus there has been a disruption of SMS notification services which in turn affected the promotion of SMS as well clients' attitude to the service usage. In this regard, clients' attitude reflects their partial adoption of the SMS services rather than a full adoption. This emphasizes the need to consider a difference between possession and use of the service in clients' behaviors. The findings indicate that the adoption of the new technology takes a considerable amount of time.



Photo credit: VBSP



CHALLENGES FOR VBSP IN FUTURE ICT APPLICATIONS AND RECOMMENDATIONS

6.1 Challenges for VBSP in Future ICT Applications

85. The SMS notification pilot raises a number of challenges (and suggestions) for VBSP in expanding new services - including the roll out of the SMS notification services (which is the main focus of this assessment), and to some extent the development of digital banking applications in the coming years.

86. At the first stage, **the project encountered challenges in mobilizing the buy-ins** from within various VBSP's divisions, even among some of its top leaders in the early stages. Findings from KII with the HQ staff implied that not all VBSP's deputy directors and relevant divisions and branches' directors were convinced that the Bank had the ability to introduce digital finances in their business with the low income and vulnerable populations mostly residing in rural and remote areas. In response to these challenges, the Foundation and the two partners made some adjustments in the project's capacity building plan, putting more focus on training and orientation provision for VBSP's relevant leaders and staff at the HQ and branches. Exposing key VBSP staff to mobile banking models for the low-income population in the region was among defined strategies to improve their understanding and change their perception.³⁴ Although the acceptance of the digital services application has been enhanced through this Phase I of the Mobile Banking Project, it also warrants that future (and more complex) ICT applications might also need further awareness raising efforts to increase buy-ins.

87. Free provision of more sophisticated mobile banking services might not be financially viable while contribution from clients are not always ready yet. From the Bank's side, it is essential to consider the service fee if, and when, they roll out the mobile financial service. On pricing, banks are free to set their own prices which should be fair and should be made public. If an SMS message is sent with a brand name of a Government agency, it should be charged equally as the one without brand name, according to the SBV regulations. VBSP has been working with Ministry of Information and Communications (MOIC) on this specific matter, and MOIC have issued an official guiding document, but existing service providers have not followed this provision. As a result, it is quite costly for the Bank to continue the provision of this service for free. The CBA indicated that for the current level of SMS frequency, the benefit still outweighs the cost of sending SMSs. However, sending SMS is probably the most simplified and less costly compared to more sophisticated types of mobile banking services. However, the Bank is constrained by the fact that it provides loans for the policy target clients and collecting fee for additional services (even the value-added ones) is not easy to justify internally within the

³⁴ The Asia Foundation (2018). *Business Partnerships Platform Round 1 (2015/16)*. BPP Final Report. Application Round 100173.

Bank leadership as well as externally with the Government and other stakeholders - while collecting fee for SMS banking (or other digital banking services) is a widespread practice by all COBs and many other financial institutions. However, without a fee collection scheme, offering free mobile banking services in the future might not be financially viable. Whereas the clients highly valued the service (free of charge in the pilot phase) there are many socio-economic determinants of their digital banking service adoption and use. Further research could explore these and other factors to inform the design of mobile banking services in the future.

88. Raising revenue to cover the cost represent a fundamental challenge for application of digital banking in the future. Considering the nature of VBSP customers who are the poor, the low-income and belong to other vulnerable groups, concerns about the inevitable cost of m-banking services were raised especially among those who live with just enough to cover their basic needs in remote, mountainous, ethnic minority dominated areas such as Tồng Sành commune of Bát Xát (Lào Cai) and An Hưng commune of An Lão (Bình Định). However, it is important to note that some Khmer respondents of Thới Xuân commune of Cờ Đỏ (Cần Thơ) or the Hre participants from An Lão town (Bình Định) have indicated to the review team their willingness to pay to avail m-banking services, the only condition being that the cost should be reasonable. On the one hand *the readiness to pay for m-banking services depends on clients' accessibility, their attitude to the adoption and actual usage of these services*. Therefore, in this case, ethnicity is not necessarily the key determinant on the adoption and use of m-banking. Instead, depending on geographical conditions and distance from clients' residence to the administrative centers the availability of telecommunication infrastructure and accessibility of this service to local residents may have a positive relationship with the adoption and use of m-banking services. On the other hand, *the willingness to pay for m-banking services will be further considered by clients when they may come to choose these new methods or the traditional face-to-face transactions*. Within the scope of this study, if the adoption of m-banking services is equivalent to going paperless, the majority of clients would prefer direct transactions and having a receipt. In this regard, age is not a determinant because both middle-aged and young female client respondents share their preference of a payslip as proof of payment. As a young Kinh female customer from Bình Định indicated: "*To have something holding in my own hand is more preferable and have GLs for clarifications*" (FGD, female, Kinh, An Lão district, Bình Định).

89. Cost structure revisit for expanding new services. For expanding new services, VBSP might need to address at least two important questions. First is to work out a cost-sharing strategy with clients. Second is to revisit the cost sharing with mass organizations - which currently constitute around 40-45 percent of the total operational cost of VBSP. While the former question needs further consideration in order to make sure that introducing m-banking services would be inclusive to all the VBSP clients, the latter appears to be a reasonable option that VBSP could explore. With applications of digital banking services, cost for paper work and "direct" management (in terms of direct visits, meetings, supervisions etc.) will be reduced. Estimates of concrete cost savings for the mass organization in the VBSP trust loan management are demonstrated in Section 4 of this report. At this stage, it could be confirmed that the SMS notification services (and hence the introduction of future m-banking services) will surely save the cost for the mass organization in the VBSP loan management and this creates a background for revisiting the cost-sharing structure between VBSP and mass organizations.

90. Future adaptation of digital banking services by VBSP will need to be culturally sensitive. Qualitative results of this study seem to demonstrate the antecedents of initial trust played a significant influence on behavioral intention to use mobile banking services. Given that access to

financial services in rural and remote areas are mostly operated in cash or over-the-counter exchanges, even some Kinh respondents (both low-income middle-aged and young women) do not yet see the value of the newest advances in technology.³⁵ This population was likely reluctant to risk losing everything by using new financial innovations. Furthermore, SMSs sent from different numbers are ubiquitous, such as advertisements, so the locals seem to not have good impression with messages generated from the network; messages advertising loan packages, installments, etc. seen from the inter-ethnic dimensions, and ethnic minority groups are likely reluctant, more conservative, and do not trust outsiders (i.e. in this case with the lowland Kinh given their prior negative experiences).³⁶ Moreover, almost all studied ethnic minority groups often adopt a “wait and see” attitude; if someone shows they can do it, the rest will follow suit. This might eventually lead to intra-ethnic tensions and shared perceptions regarding the poor’s aversion to change. According to several interviewed local officials, a major reason for the ethnic minority non-adopters of mobile banking is often attributed to their timid nature and the aversion to change, shying away from new technology. It is crucial for the Bank to fully understand the preferences of their clients; especially which factors play an important role in encouraging or discouraging customers from using this banking channel. It is also important to further investigate whether their customers’ perceptions on mobile banking is influenced by culture. Ethnic minority men generally assume the task of dealing with outsiders when marketing household products; the male family members are more apt to speak the Kinh language coupled with their physical endurance and mobility to ride motorbikes over long distances or mountain stiff slopes.

91. Mobile phone upgrade for other m-banking services represents another challenge.

Regarding digital financial products, especially financial products that are compatible with smartphones, **clients’ decision-making process seems to depend on their judgment on whether smartphone use is a necessity in their daily work and life activities.** The qualitative results reveal that the type and nature of occupation is very likely the main determinant, rather than residential areas or affordability of a smartphone. In this regard, there is no difference between the Kinh and other ethnic minority clients. For example, both Kinh and ethnic minority women respondents engaged in agricultural activities in Bát Xát town of Lào Cai, An Lão town of Bình Định and Bình Thủy district of Cần Thơ City tend to think that smartphone is inconvenient because they found it bulky and more complicated to use compared to the ordinary phones - the “*cùi bắp*” models being the common terms used by many clients. Whereas a group of middle-aged Khmer women in Thời Xuân Commune of Cờ Đỏ district got their own smartphones and found it very convenient for both communication and entertainment. Some Khmer young farmer women from the same Khmer hamlet, however, prefer not to use smartphones because they are afraid their children will use them, which in turn will affect their (visual) health and psychological development. It is important to distinguish between possession (partial adoption) and use (total adoption) of smartphones among clients. As some clients indicated, they only use their smartphone for entertainment purposes (i.e. net surfing, listening to music, movie watching, etc.) while at home after work.

92. Technology upgradation requirement for VBSP. It seems that the technology base of VBSP is at an early stage of its development for digital banking. There are many anecdotal observations from this impact study indicating this relatively low technological base of VBSP in comparison to the

³⁵ As indicated in findings from two FGDs with both middle-aged and young women clients in An Lão district of Bình Định, and Cờ Đỏ district of Cần Thơ.

³⁶ Recent data indicate that the locals do not trust outsiders because of past experiences with the Kinh traders because of unfulfilled promises about providing seeds and fertilizers and guarantees of buying the crops. These broken promises affect the locals’ attitudes toward agricultural diversification opportunities and their participation in decision-making in these practices. See World Bank and CEMA (2019), *ibid.*

levels observed in other COBs. It should be mentioned that the IT infrastructure of VBSP was upgraded since 2013, under the Project “Upgrade and modernization of information technology system in VBSP”. Within the Project, VBSP in collaboration with Polaris (CBS-contractor) deployed “Intellect” or the Core Banking System in its 63 branches across the country. The function of this program meets the expertise and requirements of VBSP such as lending, loan collection, mobilization from savings, money transfer etc. The integrated core banking system actually provided a strong foundation in technology, which was a pre-requisite to support VBSP in successfully rolling out the mobile phone banking service. However, there will be a dire need to further upgrade the IT system to address the needs for the implementation of the mobile banking functions along with existing CBS.³⁷

93. Application of ICT requires changes in work procedures and staffing. The IT team has revised and modified additional functions of the Intellect Offline program in order to support printing forms and entering new phone numbers.³⁸ This is an example of changes in the procedures required for adapting ICT for m-banking services. It is noted that upgrading (physical) infrastructure is required (as discussed above), but it is equally important to upgrade the work procedures and institutional capacity to handle the system. This represents a long and complex process and VBSP is in the early stages of the journey. The Phase I of this Mobile Banking Project has provided useful experiences for VBSP to explore these challenges but the real challenges are ahead.



Photo credit: VBSP

³⁷ The Asia Foundation and VBSP (2015). *Feasibility Study Report. Application of New Technology for Mobile Phone based Products and Services For Vietnam Bank for Social Policies.*

³⁸ VBSP/IT Center (2019). *Báo cáo Xây dựng phần mềm quản lý thông tin số điện thoại khách hàng hỗ trợ cán bộ trong tác nghiệp* (Draft).

94. Application of ICT would require awareness raising and capacity development for clients and mass organizations. For clients, enhancing both access to smart phones and cell-phone literacy is required for expanding the SMS notification services as well as any other ICT applications in the future. This would be most challenging for the poor and ethnic minority clients - being major groups of clients of the Bank. For group leaders, capability of many GLs in using ICT applications for group management remains limited. It has been indicated that GLs have different qualifications, and with the difference in capacity, many elderly people have prestige within the community, but their technological acceptance remains limited in many cases. If a GL uses the SMS notification services as a client, the study team found that this would not be an issue as all the GLs met during the fieldwork appeared to have a relatively high level of mobile phone "literacy". However, using SMS services or other m-banking applications in the future to manage the SCGs requires certain level of "technical capability." For mass organizations, expansion of the SMS notification services and future ICT applications of the Bank would require both to redefine the roles of mass organizations in loan management as well as to enhance the capacity of mass organizations, especially at grassroots level, in using ICT for loan management.

6.2 Recommendations

95. Based on the findings, this impact study provides some recommendations to VBSP and TAF on expanding the SMS notification services.³⁹

96. Continuation of the SMS notification services. It is recommended that the SMS notification services should be resumed after being put on hold in April 2019. Given the benefits generated by the SMS notifications, there is no doubt that the SMS notification services should be continued.

97. Some important questions need to be addressed. While this study strongly recommends the continuation of the SMS notifications, it is also recommended that VBSP and the Foundation should address some important issues. Most notably, it is important to explore some cost-sharing mechanism so that fees could be collected from the clients who are willing to use SMSs for loan management. This is crucial for the SMS notification to be financially viable.

98. Expanding the SMS notification to interest payment is another important issue to address. The success in piloting the SMS notification to inform the principal payments and balances of the loan accounts provides a solid background to consider expanding the scope of SMS notification to inform the interest payments, which are on a monthly basis. For this expansion of scope, cost-sharing mechanism is essential to put the extended services into operation. This would be a useful preparation step for adopting more sophisticated types of mobile banking services in the future.

99. Piloting some simplifications in the loan management practices. While continuing and expanding the SMS notifications, VBSP should experiment some simplification to the general loan management practices, especially in terms of reconciliation and monitoring - which present a heavy workload for VBSP staff as well as mass organizations. This also requires VBSP to improve the database of its clients (and more importantly, arrangements to update the database) to make sure that the SMSs are sent to correct numbers.

100. Participatory design and social mobilization during the early phase of the implementation

³⁹ As highlighted in Sub-Section 6.1, there is a number of challenges for VBSP in future application of ICT (in addition to expanding the SMS notification services). However, within the scope of this impact study that focuses on the SMS notification pilot, only recommendations related to this SMS notification services are suggested.

of the above recommendations is critical to enable women and other vulnerable populations to voice out their needs. Specific strategies are needed to involve poor women and ethnic minority women in decision-making and project activities.

101. Tailored services options required for the poor and other disadvantaged clients.

The study indicated that there has been a significant portion of VBSP clients that were not included in the current SMS notification services due to their lack of access to or low literacy of mobile phone usage. For those clients, m-banking application requires innovations and special arrangements to improve access and raise awareness.

Annex

Background Data and Assumptions used for the CBA

Table A1 Unit Costs of Various Items used in the CBA

No.	Types of costs	Unit	Unit cost	Description	Source
1	Unit cost of SMS	VND/SMS	250	250VND/sms is the average cost of sending SMS to both MBF and non-MBF numbers	VBSP
2	Daily wage rate at district office (staff level)	VND/day	913,620	Wage & subsidies for VBSP staff per one transaction day	VBSP
3	Daily wage rate at branch (staff level)	VND/day	1,142,025	Assuming 1.25 times higher than the district level	VBSP and fieldwork
4	Daily wage rate at HQ (staff level)	VND/day	1,370,430	Assuming 1.5 times higher than the district level	VBSP and fieldwork
5	Daily subsidy for DGDX staff while working with SCGs	VND/day	450,000	Subsidy of VBSP for staff when visiting the communes or villages for monitoring	VBSP
6	Average daily wage rate of the local MO	VND/day	250,000	Estimated average daily wage rate of the local MO staff	Fieldwork
7	Average daily wage rate at village level	VND/day	200,000	Average daily work in agriculture at the villages	Fieldwork
8	Fuel cost for motorbike (GL, MO)	VND/day	50,000	Average fuel cost for GL and MO to visit villages in 01 day	Fieldwork
9	Depreciation cost of car (VBSP)	VND/day	351,604	Depreciation and maintainance per one transaction day	VBSP
10	Car fuel cost (VBSP)	VND/day	158,403	Fuel cost for car per one transaction day	VBSP
11	VBSP driver allowance	VND/day	15,000	Allowance for driver per one transaction day	VBSP
12	Vietcombank VND/USD of Dec 2019	VND/USD	23,230	Average VND/USD exchange rate in Dec 2019	VCB

Table A2 Basic Information for the CBA

VBSP total	Number
Numbers of DGDX	10,969
Staff of DGDX	3
No. of VBSP transaction office	631
No. of VBSP branch	63
No. of transaction office per branch	10
No. of DGGX per transaction office	17
No. of clients	6,700,000
No. of SCGs	134,000
No. of SCGs per DGDX	12
No. of clients per DGDX	611
Total SMSs sent between 10.1 to 30.9.2018	14,496,460
Average no. of SMS per month	1,610,717.78
Average no. of SMS per month per DGDX	147
Average of 10 pilot provinces	
Numbers of DGDX	1,741
Staff of DGDX	5,223
No. of VBSP transaction office	63
No. of VBSP branch	28
No. of transaction office per branch	856,608
No. of DGGX per transaction office	142,768
No. of clients	82

Table A3 Estimated Cost of the SMS Notification Services per DGDG per Month

	Costs Items	Unit cost	No.	Total in VND	Total in USD	Description	Source
1	Sending SMS	250	147	36,711	1.6	Average cost of sending SMS in one commune per month	VBSP
2	Consolidating the data at VBSP district transaction office	52,557	2	105,113	4.5	1 IT staff consolidating the infor required in 02 days for all DGDG in the district	Fieldwork
3	Consolidating the data at VBSP provincial branches	6,559	2	13,118	0.6	1 IT staff at district branch checking the data for the transaction offices within 02 days	VBSP and Fieldwork
4	Consolidating the data at VBSP HQ	125	2	250	0.0	1 IT staff synthesizing the data at the HQ level for all branches within 02 days	VBSP and Fieldwork
5	Depreciation of computers	13,714	3	41,143	1.8	3 computers used by the transaction office, branch, and HQ to consolidate the date required	VBSP and Fieldwork
6	Depreciation of printers	3,535	3	10,604	0.5	3 printers used at the transaction office, branch, and HQ for consolidating infor	VBSP and Fieldwork
7	Cost of printing	32,380	3	97,141	4.2	Estimated cost for printing	VBSP and Fieldwork
	Total cost = 1+2+3+4+5+6+7			304,081	13.1	Total cost of the SMS notification services per DGDG per month	VBSP and Fieldwork

Table A4 Estimated Cost Savings for DGDG in Reconciling the Clients' Loans Account per Month under Two Scenarios

	Costs Items	Unit cost	No.	Total in VND	Total in USD	Description	Source
1	Before the SMS notification services						
1.1	VBSP district staff to visit the SCGs for reconciling loan accounts	450,000	6	2,700,000	116.2	3 staff of DGDG to visit 06 SCGs (required 2 days per DGDG)	Fieldwork
1.2	Cost for car to go to villages for reconciling loan accounts	510,007	2	1,020,015	43.9	Depreciation and maintenance cost for 1 car for 2 days	VBSP and Fieldwork
1.3	VBSP driver allowance	15,000	2	30,000	1.3	Allowance for driver for 2 days	VBSP and Fieldwork
2	After the SMS notification services						
2.1	VBSP district staff to visit the SCGs for reconciling loan accounts	450,000	4.5	2,025,000	87.2	3 staff of DGDG visit 6 SCGs in 1.5 days	Fieldwork
2.2	Cost for car to go to villages for reconciling loan accounts	510,007	2	1,020,015	43.9	Depreciation and maintenance cost for 1 car for 1.5 days	VBSP and Fieldwork
2.3	VBSP driver allowance	15,000	1.5	22,500	1.0	Allowance for driver for 1.5 days	VBSP and Fieldwork
	Cost saved for DGDG in reconciling loan accounts per month (1-2)			682,500	29.4		

Table A5 Estimated Cost Savings for the MOs in Monitoring the Loans in one DGDG per Month

	Costs Items	Unit cost	No.	Total in VND	Total in USD	Description	Source
1	Before the SMS notification services						
1.1	MO staff at the commune visit SCGs for monitoring	250,000	4	1,000,000	43.0	12 SCGs per DGDG, visited by a team of 2 in 6 days per quarter	Fieldwork
1.2	Fuel cost for MO to visit SCGs	50,000	4	200,000	8.6	2 MO staff to visit the villages in 6 days per quarter	Fieldwork
2	After the SMS notification services						
2.1	MO staff at the commune visit SCGs for monitoring	200,000	2.7	666,667	28.7	12 SCGs per DGDG, visited by a team of 2 in 4 days per quarter	Fieldwork
2.2	Fuel cost for MO to visit SCGs	50,000	2.7	133,333	5.7	2 MO staff to visit the villages in 4 days per quarter	Fieldwork
	Cost saved for MOs to monitor SCGs per month			400,000	17.2		

Table A6 Estimated Cost Savings for the GLs in Monitoring the Loans in one DGDG per Month

	Costs Items	Unit cost	No.	Total in VND	Total in USD	Description	Source
1	Before the SMS notification services						
1.1	Work day to remind CSG members on the due dates	200,000	9	1,800,000	77.5	12 SCGs per DGDG, 3 days per GLs to remind the SCG members per SCG, 3 times per year	Fieldwork
1.2	Fuel cost for GLs to visit CSG members	50,000	9	450,000	19.4	12 GLs per DGDG travel in their villages to remind the SCG members on principal payments	Fieldwork
2	After the SMS notification services						
2.1	Work day to remind CSG members on the due dates	200,000	8	1,500,000	64.6	0.5 day saved per each time of visit (out of 3 days)	Fieldwork
2.2	Fuel cost for GLs to visit CSG members	50,000	8	375,000	16.1	12 GLs per DGDG travel in their villages to remind the SCG members on principal payments	Fieldwork
	Cost saved for GLs per DGDG per month (1-2)			375,000	16.1		

Impact Stories

Preface

The following accounts reflect real life experiences of people of various backgrounds coming from different parts of the country. A Kinh woman from Northern Vietnam migrated empty-handed to the Mekong River Delta and had to struggle through different menial jobs before becoming the owner of a factory outsourcing the manufacture of sports articles. A shaman of the Yao ethnic minority and head of a loan and savings group from a remote village in the Northwestern province of Lao Cai whole- heartedly devoted to the well-being of his co- villagers...

Rather than expecting a wholesome saga that highlights the social impact of the Project “Mobile Banking- Financial Inclusion and Economic Empowerment for the Low-Income Population and Women in Vietnam” - which would not be feasible given the limited scope of this pilot project, the reader may be obliged to piece together relevant fragments of the narratives that follow in order to get a glimpse into the process of positive gender transformation that occur in ordinary daily activities of our characters...

Similar narratives are likely to be found among customers or SCG leaders of the Project. Nonetheless, we have picked these stories because during the in-depth interviews, the respondents concerned have recounted their interesting experiences and insightful observations in such a clear and natural manner.



Photo credit: VBSP

Vignette 1: Female bricklayer and group leader

Chị ('Sister') Đinh Thị Kem is a 42 year old, Hre woman who is in charge of a loan and saving group of 54 members with a loan balance worth 1.9 billion VND. She currently lives with her husband and two children in the outskirts hamlet of mountainous town of An Lão of Bình Định coastal province.

Chị Kem says that when the first SMS were sent out, people were confused. Each day, 2-3 people came to her house to enquire about the messages, and she had to explain that these SMS were not about a fine notification from the Bank. With SMS, people would be reassured and not worried about 'whether the head of the loan group have lost my money'. Especially with the saving accounts people often ask questions such as 'how much is my interest this month? Receiving these questions sadden me because it says that they don't trust me, chị Kem reveals.

The SMS remind group members of their responsibility to pay the interest. Previously, group leaders had to come to each household to collect interests every month. This usually took 2-3 days of their time, and they had to come early in the morning or late in the evening when people had returned from the field. The pressure was on group leaders to arrange their own housework, because sometimes they were away until 9pm. This is because they could not just come to collect the interests, then leave, but had to socialize with their 'clients', and build mutual trust. Ethnic minority women at times submit loan request under one name (*vay ghép*), so chị Kem has to make it abundantly clear to them that this is not allowed. If the Bank finds out, the loan will be withdrawn.

Now thanks to the SMS notification services, chị Kem has more time to do the housework and meanwhile becomes a bricklayer, earning 270,000VND/day. In the past, she never travelled far for work, and only grew cassava and did weeding work for 1-2 hours, then came back and prepared to collect the interest. The brick-layering job gives her 6 million VND/month. She has additional income to buy fermented paste and pay tuition fees for her children.



Photo credit: VBSP



Vignette 2: A woman entrepreneur and loan borrower

Chị Trần Thị Thoan, a 43-year-old married Kinh woman with two kids, who has an outsource workshop for sport equipment with 12 full-time workers in an outskirt district of Cần Thơ City in Me Kong River Delta. Her husband is a construction worker and often away from home. She has been a customer of VBSP since early 2000. This was her first time having access to a loan (5 million VND) from the poverty reduction program for poor households. Then in 2005, her household was assessed as a 'near-poor' household and can loan up to 10 million VND. In 2010, her household was considered to have escaped from poverty, and the loan limit increased to 20 million VND. Recently, she has loaned 50 million VND from an employment aid program.

Remember the time prior to 2017, she had never used any electronic financial services. She shares that since VBSP piloted the SMS notification, she has been receiving updates on the loan and savings. She feels relief and assured because with SMS, she knows exactly what her account balance is. Previously, she often worried that for some reason, her savings would be lost. With the SMS stating clearly the exact balance, she is not troubled with thoughts like whether the head of the village did it correctly, and has to double-check the paperwork, loan contracts.

She thinks that SMS is considerably beneficial. She can check it in her phone whenever it is convenient. Remember the time when VBSP had not sent SMS, she had to find and check the hard receipts every single time. Even though the receipts have complete information, but sometimes it got lost and she couldn't retrieve it. With SMS sending information directly to her phone, she does not have to go to the head of the village each time to ask for updates. Each time she had a question, she must arrange other household works, then went to the head of the village's house. It cost 30 minutes of her time for each trip, because 'it's not okay if you just go to their house, ask one or two questions, then leave. There are small talks that often led to other stories, which took time.' With SMS notification, she does not need to ask anyone, and uses that spare time to enjoy having a meal with the family and conversing with the kids. Her daughter is studying at a university in Hồ Chí Minh City. She can video call her daughter on Zalo. Or having time to take-care of her mother-in-law who has been in-bed for the last 20 years ... She has been spending more time with her family and relatives to build stronger and more intimate relationships.

She has more time to enter data on the amount and product yield each day into a computer, in order to calculate wages for workers. Otherwise, she would have to stay up late to enter these data into the computer. With the new spare time, she can have coffee with her friends or business partners. Through these interactions and social networking, she has additional opportunities to foster relationship with new business partners... Starting with receiving SMS notification from VBSP, she gradually uses internet banking for transactions and payments. Before, she used to run to the Banks which took approximately an hour. Now, she has extra time for rest, even though it is just 5-10 minutes. Considering the convenience of i-banking, she has signed up for many of its payment methods, such as paying tuition fees for her daughter, business taxes, etc. She considers cash transactions to always have potential risk of losing it on the way, making mistakes when counting, etc. which often stirred up suspicion and conflicts between two parties. She confides that being a woman entrepreneur, whichever (service) that helps save time and effort, she will definitely give it a try.



Photo credit: Luong Xuan VBSP



Photo credit: VBSP

Vignette 3: Mr shaman group leader

Anh ('Brother') Triệu Cheo Nha is a 36-year-old married Yao shaman, father with three kids. He lives in a mountainous commune of Bát Xát district of Lào Cai Province. His wife is a stay-at-home Yao farmer. He is the head of a saving and loan group of 43 households with a loan balance reaches 720 million VND. Anh Nha also had loaned 30 million VND under poor-household category. Recently, he loans 50 million VND from a poverty reduction credit program. In his group, the majority of loan-receivers is male, with an exception of one household which the wife's name is on the loan paperwork (because the husband has issue with his name on legal documents). It is a custom of Yao people to receive a new name after their coming-of-age ceremony (*lễ cấp sắc*). In this case, the previous name of the husband is still kept on-file at the Commune People's Committee, and that does not match with his current name.

Anh Nha recounts that members of the group used to think that SMS from VBSP was fraudulent, so they just ignored it. Anh Nha's village is located on a hill with steep slopes. Majority of the roads are still made of dirt, which is extremely difficult to transport while raining. Before having SMS notification, he has to come to each and every household to notify them himself. People often went to work on the field, so he can only meet them early in the morning or late in the evening. Majority of households in the village is in difficult circumstances, so if there was no notice in advance, they would not prepare the money in-time to submit to him. There was a time when he came to collect interest at a household, people rushed out to sell something in the house to get the money. They would sell some paddies, chickens, etc. It took him about two days to travel around the village to collect interest. There were times when he couldn't meet them because they had migrated for work, or had not prepared the money in advance, so he had to come back again. He spent approximately 20 minutes at each household to explain to them. Therefore, he only had time to come to 3-4 households in a morning or evening. On average, it would cost him a tank of gasoline for each interest collection period (60-70,000VND/motorbike tank). During this period, his wife and kid had to handle all the housework, such as cooking, planting, etc. by themselves.

Now with SMS notification, people have displayed more trust towards him, and also taken his words more seriously. This is because if he only mentions the loan, people would not trust him. Now with SMS, people have access to their loan-related information themselves. Now anh Nha only needs to spend one morning to collect interest. It reduces his transportation time, so he has been spending that extra time on housework, such as cooking, cleaning, etc., having conversation with his children... He feels happier and more connected to his family. With the recent loan from VBSP, anh Nha is building a good-size buffalo barn. He intends to buy all the sick and weak buffalos in the village, and takes care of them. He believes that with the indigenous medicinal knowledge of Yao people, he will be able to bring the buffalos to recovery, which in turn will provide stable income to his family and other Yao households in the village as well.



Photo credit: VBSP



Photo credit: VBSP

Vignette 4: Ma'am People's Council Representative of the loan borrowers

Cô ('Aunty') Mơ is the head of the loan and saving group in Bát Xát town of North West province of Lào Cai that has 21 members of Kinh ethnic. In her town, interest collection is usually done on the 20th of each month. Each household has two days (18th and 19th) to prepare the money. She shares that the situation has been getting better because the clients are now receiving SMS on the deadline, so they can prepare the money in advance. Before, she had to spend one day to travel around the town and inform each household (21 of them) in person. There were times when she had to come multiple times to meet the loan receivers. Prior to SMS, she had to take care of her own housework before handling the group's tasks. Cô Mơ is also a representative of the Town People's Council and an owner of a local tailor shop. She has 5 seamstresses but she is the chief and only cutter. Prior to last month, she only received 50 orders. Now, having more time, she can receive up to 100 orders. Meeting and having conversations with loan receivers improve the mobilization of potential voters given her engagement in the local political system. This helps group leaders like cô Mơ to have the ability to recognize key issues happening in the local settings. Thus, the roles of group leaders at locally different political positions received better recognition and trust. For example, before whenever they went to collect the interest, the clients always had questions, such as 'why the interest this month increases?' They did not know that the Bank calculated interest on a daily basis. People at times took out their phones to calculate and verify whether the Bank's calculation was accurate. With SMS, the information is clear and clients display more trust towards group leaders. Group leaders also have more time for themselves, to hang out with friends, go to weddings together, etc. The saving and loan group of cô Mơ organized tours to Quảng Bình, Yên Tử, Hạ Long, General Võ Nguyên Giáp tomb, Hồ Chí Minh Mausoleum and his hometown. In the past, they only focused on doing business. In contrast, now they have access to updated information and have an open mind. Women within the loan and saving group text each other via Zalo, which reduces cellphone bills. It has become their new habit to have access to Wi-Fi, and they often ask each other about Wi-Fi passwords whenever they go.



Photo credit: VBSP



Photo credit: VBSP