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Microfinance Fund Management – Case Studies in Vietnam and the World



Abstract: - Microfinance in Vietnam provides primary financial services to people with low incomes and poor households, who are often excluded from the formal financial system. The goal of microfinance is to help poor people escape poverty and improve their quality of life. Microfinance activities in Vietnam are managed by the State Bank of Vietnam through a system of legal documents. There are 3 types of microfinance institutions: Official microfinance institutions: Licensed by the State Bank; Semi-official microfinance institutions: Licensed by the People's Committee of the province or city; and Microfinance programs and projects: Implemented by non-governmental organizations and social organizations. Microfinance has achieved many positive results: Minimization; Job creation; Promote socio-economic development. However, microfinance also has some limitations: Accessibility is not high, and Core performance is high risk. To develop solid microfinance, it is necessary: There is close coordination between state management agencies, microfinance organizations, and non-governmental organizations; There is policy support to raise people's awareness. Microfinance plays an important role in promoting economic and social development in Vietnam.

Keywords: Microfinance, Finance Inclusive, People's Credit Fund, poverty alleviation, gender equality, education, health, women, Vietnam Women's Academy...etc.

1. Introduction

Unlike conventional financial situations, in which lenders are primarily concerned with the borrower having enough collateral to cover the loan, many microfinance institutions focus on helping successful entrepreneurs. Microfinance funds are organizations that provide primary financial services to low-income people and poor households, who are often the formal financial category of the system. This service may include Credit - Loans to small businesses, farmers, and other individuals to start or expand a business, buy a home, or cover emergency expenses; Savings - Savings accounts allow people to save money safely and earn interest; Payments - Money transfer and payment services help people easily manage their finances; Insurance - Health insurance, life insurance and other types of insurance to protect people from financial risks; Other key financial services - Key financial consulting services, key financial education and other services help people make clear financial decisions.

2. Microfinance fund

2.1. Microfinance Fund

Microfinance, also known as microcredit, is a type of banking service provided to low-income individuals or groups who lack access to financial services.

While organizations participating in microfinance often offer loans—microloans can range from as small as \$50 to less than \$50,000. However, many banks offer additional services such as checking and savings accounts as well as micro insurance products, and some even offer financial and business education.¹² The ultimate goal of microfinance is to give impoverished people the opportunity to become self-sufficient.

2.2. History of microfinance

Microfinance is not a new concept. Small operations of this type have existed since the 18th century. The first appearance of micro-lending was due to the Irish Loan Fund system introduced by Jonathan Swift which sought to improve conditions for citizens. Ireland is poor.⁹ Microfinance became popular on a large scale in the 1970s. The first institution to receive attention was Grameen Bank, founded in 1983 by Muhammad Yunus in Bangladesh.¹⁰ In addition to providing loans to customers, Grameen Bank also asks customers to sign up for its "16 Decisions," a basic list of ways poor people can improve their lives.^{11, 16} The decision covers a wide range of topics, from calling for an end to the practice of providing dowries to married couples to keeping drinking water hygienic. In 2006, the Nobel Peace Prize was awarded to both Yunus and Grameen Bank for their efforts in developing the microfinance system.⁵

There are other microfinance activities around the world. Some larger organizations work closely with the World Bank, while other smaller groups operate in different countries. Some institutions allow lenders to choose exactly who they want to support, classifying borrowers according to criteria such as poverty level, geographic region, and small business type.

2.3. Experience in Microfinance Fund

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Some lessons about the Microfinance Fund can be summarized through the following main points: Microfinance is a banking service provided to low-income individuals or groups who cannot afford to access other financial services; Microfinance allows people to borrow affordable small business loans safely, in a way that is consistent with ethical lending practices; The majority of microfinance activities take place in developing countries, such as Bangladesh, Cambodia, India, Afghanistan, Democratic Republic of Congo, Indonesia and Ecuador, among many others³; Like conventional lenders, microfinance charges interest on loans and offers specific repayment plans; The global microfinance market is estimated to be worth approximately USD 187 billion by 2022 and is expected to exceed USD 488 billion by 2030.⁴

2.4. Current status of microfinance services in the world

Microfinance services are provided to unemployed people or people with low incomes because most people falling into poverty or people with limited financial resources do not have enough income to do business with microfinance companies. traditional financial institutions.

However, despite being excluded from banking services, people living on as little as \$2 a day still manage to save, borrow, or obtain credit or insurance, and they make payments. pay your debt. Therefore, many poor people often turn to family, friends, and even loan sharks (who often charge exorbitant interest rates) for help.

Microfinance allows people to borrow affordable small business loans safely and in a way that is consistent with ethical lending practices. Although they exist around the world, the majority of microfinance activities take place in developing countries such as Bangladesh, Cambodia, India, Afghanistan, the Democratic Republic of Congo, Indonesia, and Ecuador. 3 Many microfinance institutions, sometimes called microfinance institutions, specifically focus on helping women.^{5,6}

Microfinance institutions support a wide range of activities, from providing the basics—like savings accounts and bank checking—to start-up capital for small businesses and programs Education teaches investment principles. These programs may focus on skills such as bookkeeping, and cash flow management, and technical or professional skills such as accounting.

In many cases, people who seek help from microfinance institutions must first take a basic money management class. Lessons include understanding interest rates, the concept of cash flow, how financial arrangements and savings accounts work, how to budget, and how to manage debt.

After researching, customers can apply for a loan. Just as one would find at a traditional bank, a loan officer will help borrowers with applications, monitor the loan process, and approve loans. A typical loan, sometimes as little as \$100, may not seem like much to some people in developed countries, but for many poor people, it is often enough to start or maintain a business. or engage in other profitable activities.

2.5. Summary of microfinance lending regulations

Like conventional lenders, microfinance must charge interest on loans, and they create specific repayment plans with payments due at regular intervals. Some lenders require loan recipients to put aside a portion of their income in a savings account, which can be used as insurance if the customer defaults on the loan. If the borrower successfully repays the loan, they have just accumulated more savings.

Empowering women in particular, as many microfinance institutions have done, can bring greater stability and prosperity to families.⁷

Because many applicants cannot provide collateral, micro lenders often pool borrowers together as buffers. After receiving the loan, the recipient works together to repay the loan. Since the success of the program depends on everyone's contributions, this creates a form of peer pressure that can help ensure repayment.

For example, if an individual has difficulty using his or her own money to start a business, he or she may seek help from other group members or from a loan officer. Through repayment, loan recipients begin to develop a good credit history, which allows them to receive larger loans in the future.

Although these borrowers are often considered "very poor," the repayment rates of microloans are often higher than the average repayment rates of more conventional forms of financing. For example, Grameen Bank in Bangladesh, one of the original micro lenders, reports an average repayment rate of 98%.^{8,5}

3. Impact of Microfinance Fund

3.1. Objectives, types, benefits and criteria

The objective of microfinance is to help poor people escape poverty and improve their quality of life. By providing clearly described primary financial services, mainstream finance can help poor people invest in their businesses, educate their children, and build assets.

Different types of finance, including Non-governmental organizations (NGOs)

- NGOs are often founded by individuals or organizations that want to help the poor. They often provide key financial services to people in rural areas or other disadvantaged people; Micro banks - Micro banks are banks that are authorized to provide primary financial services to the poor. They often have extensive branch networks in rural areas; Credit Social Cooperative - Co-operative credit societies are institutions that are principally owned by their members and run by their members. They often provide microfinance services to their members, who are often farmers or small businesses; Microfinance funds play an important role in economic and social development

-By providing primary financial services to the poor, microfinance can help them create jobs, increase income, and improve their quality of life.

Benefits of microfinance: Poverty reduction - Microfinance funds can help poor people invest in their businesses, create jobs and increase income; Enhance gender equality - Microfinance funds can help women access key financial services, which can help them economically empower and improve their quality of life; Promote economic development - Microfinance funds can help promote economic growth by providing capital to small businesses; Improve education - Microfinance funds can help poor people pay for their education; Improved health - Microfinance funds can help poor people access health care by providing loans to pay for medical expenses.

Criteria for main microfinance activities: Accessibility - All poor people cannot continue to view mainstream services; Solidity - Some majors are not financially sound and may have to be closed; Core Performance - Mainstream Finance often charges high interest rates on their loans, which can make it difficult for borrowers to repay; Risks - Microfinance can be vulnerable to economic shocks and natural disasters.

3.2. *Benefits of microfinance, discussions*

Millions of people have benefited directly or indirectly from microfinance-related activities.¹² The Poverty Advisory Group, a global nonprofit organization headquartered in Washington, estimates that, as of 2021, more than 120 million people have directly benefited from financial-related activities. micro key.¹³ However, these activities are available to only a few of the world's poor, while an estimated 1.7 billion people lack access to basic financial accounts.¹⁴

The benefits of microfinance go beyond the direct impact of providing people with capital. Entrepreneurs create successful businesses that create jobs, trade, and overall economic improvement in a community.

Discussion for profit: Despite countless heartwarming success stories, microfinance is sometimes the target of criticism. Because microfinance interest rates are often higher than those of conventional banks, critics have argued that these operations are making money off the poor.¹⁵

In fact, some nonprofit micro lenders have converted to for-profit operations as they grow. One of the largest and most controversial banks is Mexico's Banco Compartamos. The bank was established in 1990 as a non-profit organization. However, 10 years later, management decided to transform the business into a traditional for-profit company. In 2007, it was listed on the Mexican Stock Exchange and its initial public offering (IPO) raised more than \$400 million.^{16,17}

Like most other microfinance companies, Compartamos Banco makes relatively small loans, serves a largely female clientele, and divides borrowers into groups.¹⁸ The main difference lies in how it uses the money it collects to pay interest and repay debt. Like any public company, it distributes them to shareholders.¹⁹ In contrast, nonprofits take a more charitable view of profits, using them to expand the number of people they help or create more programs.

Other criticisms of microfinance

In addition to the division between nonprofit and for-profit microfinance enterprises, other criticisms exist. Some say \$100 personal microloans aren't enough money to bring about independence — instead, they force recipients to work subsistence-level trades or just meet their needs. basic needs like food and shelter.

These critics argue that a better approach is to create jobs by building new factories and producing new goods. They cite the examples of China and India, where the growth of large industries has led to stable jobs and higher wages, thereby lifting millions of people out of the lowest levels of poverty.

Other critics argue that the presence of interest payments is a burden. Despite good repayment rates, there are still borrowers who cannot or fail to repay their loans because of failed business ventures, personal disasters, or other reasons. So this extra debt can leave microcredit recipients even poorer than when they started.

3.3. *Concerns about for-profit microfinance*

In addition to Compartamos Banco, many large financial institutions and other major corporations have established for-profit microfinance divisions, such as Citigroup and Barclays.^{20,21,22} Other companies have created mutual funds that invest primarily in microfinance companies.

Compartamos Banco and its for-profit companies have been criticized by many, including the grandfather of modern microfinance, Yunus. The real immediate fear is that, in their desire to make money, large microfinance banks will charge higher interest rates, which could create debt traps for low-income borrowers.²⁰

But Yunus and others also have a more fundamental concern: the incentive for microcredit should be poverty alleviation, not profit. By their very nature – and their obligations to shareholders – these publicly traded companies operate against the original mission of microfinance: to help the poor, above all.

In response, Compartamos and other for-profit microfinances counter that commercialization allows them to operate more efficiently and attract more capital by attracting profit-seeking investors. Their argument is that by becoming a profitable enterprise, a microfinance bank can expand its reach, providing more money and more loans to applicants. who have low incomes? For now, however, philanthropic and commercialized micro funders still coexist.

3.4. Synthesize microfinance from the perspective of benefit and cost analysis

General terms of microfinance loans: Like conventional lenders, microfinance must charge interest on loans, and they create specific repayment plans with payments due regularly. Some lenders require loan recipients to put aside a portion of their income in a savings account, which can be used as insurance if the customer defaults on the loan. If the borrower successfully repays the loan, he or she has accumulated additional savings.

Benefits of microfinance: The benefits of microfinance go beyond the direct impact of providing people with capital. Entrepreneurs who establish successful businesses can then provide jobs and transactions to help improve their communities. In addition, the International Finance Corporation (IFC) has helped establish or improve credit reporting bureaus in 30 developing countries. It also advocates the addition of relevant laws to regulate financial activities in developing countries.

Some criticisms of microfinance: While the interest rates of some microfinance institutions are lower than those of conventional banks, critics have alleged that these operations are making money from the poor.¹⁵ In addition, many large financial institutions and other large corporations have established for-profit microfinance departments, raising concerns that, in their desire to make money, these larger bankers will charge higher interest rates, which can create debt traps for low-income borrowers.²⁰ Some have argued that personal microloans do not provide enough money to provide a realistic path to independence.

Bottom line: Microfinance is a form of banking service provided to low-income individuals or groups who lack access to financial services. Institutions typically lend amounts ranging from \$50 to less than \$50,000, but they can also offer checking and savings accounts, and some offer financial and business education. The ultimate goal of microfinance is to give impoverished people the opportunity to become self-sufficient. Some criticisms of the microlending industry as it grew include excessively high interest rates on small loans extended, a profit motive contrary to its original purpose of helping the poor, and the loans being so restrictive that they cannot truly make poor borrowers self-sufficient.

4. Microfinance institution – “Tinh Thuong” Microfinance Limited Liability Company (TYM) in Vietnam²³

After 30 years of formation and development, TYM is operating in 12 provinces/cities of Vietnam¹; By the end of 2021, TYM provides microfinance services in 80 districts/towns with 768 communes/wards/towns. TYM has established and put into operation 20 branches and 77 branch offices and transaction offices, and 18 locations within the branches; organized activities at 4,563 transaction points, attracting 179,937 members and customers to participate. As of December 31, 2021, the total disbursed capital reached VND 3,990.9 billion and the total outstanding capital balance reached VND 2,122.7 billion; savings balance reached 1,797.1 billion VND; TYM's total capital reached 2,277.4 billion VND, of which equity reached 19.84%²⁴. TYM's human resources team is also constantly growing and operating more professionally, with 575 staff, including 298 technical staff. TYM has built a strategy for the period 2021-2030, clearly affirming the vision of "Becoming the best microfinance organization in Vietnam, providing leading Microfinance services for individuals and households." low-income families, with special priority given to poor and disadvantaged women.

For nearly 30 years, TYM has had positive impacts on the lives of many poor women and communities in areas where TYM operates through (1) Women's Health Care Activities; (2) Capacity building activities; (3) Social work; (4) Education; (5) Economy; (6) "Home of love"; (7) Community.

With operational results that have had a positive impact on the community, TYM has been honored to receive many noble awards and certificates of merit such as A Certificate of Merit from the Prime Minister (1999), First and Second Class Labor Medals, three (2002, 2007, 2012), Vietnamese Women's Award (2007) and many certificates of merit from the Vietnam Women's Union, Outstanding Microfinance Institution, Microfinance Institution targeting the poor... Whole Fund Planet was awarded Outstanding Credit Officer in the Asia-Pacific region in 2014, 2015, and 2016.

4.1 Impact on family economy

4.1.1 Increase opportunities to access financial services for women and families

Born and started operating in the early 90s of the 20th century, in the context that Vietnam is a poor country with a very high rate of poor households and capital for the development of economic activities is still very scarce. TYM's activities have truly met the needs of society and people, especially poor households, in terms of loans for production development, increased income, and improved living standards. Furthermore, TYM's target audience is women - who have little opportunity to directly access formal financial services. During this period, for poor households with no collateral, in addition to limited capital from the Social Policy Bank, it is very difficult for poor households to access capital from other official credit institutions. With TYM, people borrow money without needing collateral, moreover, the loan procedures are simple and convenient, and once they are a member of TYM, they can access sustainable financial services, meaning they can borrow capital continuously after completing debt repayment. This is a very important factor because poor people cannot escape poverty if they only have access to capital in a short time, with a few loans. This is even more meaningful as TYM always targets disadvantaged groups in society: poor women and low-income women.

4.1.2 Improve efficiency of loan use

As mentioned, TYM members receive loans continuously during their participation. Most members have participated for many years, and many members have even joined TYM for decades. They have been loaned many times so they do not remember the exact number of times they borrowed money, what type of loan they borrowed, how to use it, and how effectively it was used. To obtain information on loans, capital use, and capital use efficiency of TYM members, the investigation team has narrowed the scope of collecting this information for about the last 3 years - from January 2019 to the present time. point evaluation.

During its operation, TYM has paid great attention to developing its products to meet the needs of its members and to support them in being able to borrow and use loan capital in accordance with their circumstances. suitable for actual conditions. Up to now, TYM has 9 loan categories for different purposes, including loan categories for production and business development to generate income and loan categories for consumption purposes. does not generate income.

4.1.3 Raise awareness and practice savings for members and customers

The evaluation team focuses on analyzing changes in economic status, diversity of industries, occupations, production activities, changes in household assets, and several other aspects brought about by TYM's loans. Changes in the family will be due to contributions from many different sources of income. It is impossible to accurately dissect the contribution from TYM loan activities or to what extent, especially in terms of changes in household economic classification and housing status. However, the evaluation also tried to consider what changes resulted directly from the use of TYM loans. Furthermore, combine quantitative and qualitative survey methods to have a basis to confirm these results.

4.1.4 Changes in family economics from TYM loan activities

The evaluation team focuses on analyzing changes in economic status, diversity of industries, occupations, production activities, changes in household assets and a number of other aspects brought about by TYM's loans. . In fact, changes in the family will be due to contributions from many different sources of income. It is impossible to accurately dissect the contribution from TYM loan activities or to what extent, especially in terms of changes in household economic classification and housing status. However, the evaluation also tried to consider what changes resulted directly from the use of TYM loans. Furthermore, combine quantitative and qualitative survey methods to have a basis to confirm these results.

4.2 Impact on non-financial activities on member's family

In addition to assessing the economic impacts, the assessment also considered the social impacts TYM brings to members and families. The most known services include: organizing free health checks for members: 68%; giving a loving home: 52%; organizing seminars to share experiences: 51%; Organizing cultural, artistic, and sports activities: 49%; Organizing training for members: 46%; Awarding scholarships to excellent students in difficult circumstances: 45%.

4.3. Gender changes in families of customers and TYM members

In recent years, with the correct reform policy of the Party and State, Vietnam has achieved many impressive achievements in economic development, especially in the work of hunger eradication and poverty reduction, an important contribution to which has been made. encouragement from the charity microfinance organization TYM. With TYM's support over 30 years of operation, nearly one million seven hundred thousand women have received loans to support production, business, and career development in different fields such as agriculture and handicrafts. entrepreneurship, small business... Many women have escaped poverty thanks to TYM's loans. Besides, TYM also participates effectively and actively in social, community, and volunteer activities. Particularly noteworthy is TYM's role in supporting the promotion of gender equality. When members joined TYM, they had many opportunities to receive knowledge training in many fields such as microfinance management, business development, production techniques, use of technology, and more. discussion activities, sharing experiences on parenting, reproductive health care, ...etc.

4.4. TYM's contributions to local socio-economic development and human resource development for the Vietnam Women's Union

4.4.1. TYM's contributions to local economic development

Participating in TYM has given women the opportunity to interact, meet, receive training, and attend workshops and seminars to improve knowledge and techniques and thus have a better understanding of production activities. business.

4.4.2. TYM's contributions to local social values

In addition to economic contributions to women in the area where TYM is located, TYM also contributes many social benefits, such as through activities, meetings, and exchanges at clusters organized by TYM. Women are better aware, know how to harmonize family and social relationships, and discuss with each other how to behave with their husbands, grandparents, and neighbors, especially education and training of children. Improve knowledge of digital technology such as using smartphones through instructions on using TYM's Zalo group or Facebook...etc.

4.4.3. Contributions to the development of human resources for local Association officials

It can be said that TYM and the local Women's Union always have a close relationship. The development of TYM members the development of association activities and the development of Women's Union members always have an influence on each other. Women who are members of the Women's Union can become members of TYM and receive support from TYM and the Women's Union in many economic and social activities.

4.5. Factors that bring TYM's success

It can be said that after 30 years since its establishment, TYM has achieved outstanding achievements, including organizational development and improving service quality, thereby fulfilling its mission. TYM's operational results have brought positive economic and social impacts to target groups including low-income individuals and households, especially poor and disadvantaged women. Besides, TYM also actively contributes to the economic and social development in general in the localities where TYM operates.

4.5.1. TYM successfully applies the main principles of microfinance and designs microfinance products suitable for target groups.

Ensuring financial sustainability to provide effective and long-term financial services

Interest rate ceilings could damage poor people's access to financial services. Microfinance institutions need to be financially sustainable to reach a significant number of poor people. That is one of the most basic principles of microfinance. Since not becoming an official microfinance organization, TYM has applied this principle. When becoming an official microfinance organization, TYM has even more favorable conditions in ensuring financial sustainability to be able to provide long-term financial services to its target group. Although, the evaluation also has We have received some comments that TYM's loan interest rates are a bit high, but overall, the application of interest rates to cover necessary costs has helped TYM grow more and more in terms of geographical area. increasingly expanding, with more and more members and the important thing is that the majority of TYM members always trust and stick with TYM. This further proves that for low-income groups, it is important for them to have long-term access to financial services.

4.5.2. TYM provides financial products suitable for customer groups

When providing any type of service, having suitable and attractive products for customers is a vital factor for service providers, so TYM has paid great attention to developing its products. me. At present, TYM has 6 types of loan products and 4 types of savings products to meet the diverse needs of members. What is more important is that TYM's products are suitable for its target group. In addition to loans for the purpose of generating income, TYM members also have access to loans for consumption purposes, especially when encountering illness, risks in life, or emergencies such as money to cover children's educational expenses at the beginning of the school year. These products are essential to support poor and low-income households to overcome difficulties that often occur in their lives.

TYM's loans are small, moderate in size, and suitable for the conditions, ability to use loan capital, and ability to repay debt of low-income households. On the other hand, the loan level is gradually increased in subsequent borrowings, reducing the risk level when using loans as well as increasing the efficiency of households' loans thanks to the fact that they gain experience from previous times. borrow in advance.

Regarding debt repayment methods, like most microfinance institutions, TYM applies a gradual repayment mechanism with a weekly or every 4-week cycle. It can be said that the method of paying capital gradually is the key to the success of microfinance institutions, including TYM, and is very suitable for low-income customer groups, which is the driving force to help them develop. This mechanism brings many benefits: stimulating borrowers' dynamism in using capital, calculating business to have money to repay loans; Helping borrowers repay capital more easily, instead of having to pay a large amount at the end of the cycle by paying many small amounts; It is like a form of savings for borrowers, helping them not to have to sell products from using loan capital or assets to repay debt at the end of the cycle or not being able to repay the debt with a large amount of money to pay; ensuring high repayment rates and minimizing risks of overdue debt and capital loss for microfinance institutions. In fact, TYM members' debt repayment rate is very high, with almost no overdue debt, even though they do not have to mortgage assets when borrowing. This reflects the reasonableness and correctness of many aspects of TYM's operations, from mechanisms and policies to operations.

4.5.3 Easy access, loans without collateral, simple and convenient procedures are TYM's strengths in the long run

Most of TYM's services are provided right in village and commune communities. TYM employees often have close, close contact with members and customers. This close, regular relationship has helped TYM and its members and customers have a very close relationship, understanding and trusting each other. TYM has also built a team of dedicated, enthusiastic, and professionally qualified staff. These factors have helped TYM improve service quality and members and customers are always attached to TYM.

A significant and persistent obstacle to borrowing from commercial banks is the need for collateral. However, members do not encounter this obstacle when accessing TYM's loans. Besides, TYM also has many advantages when the loan procedure is very simple, convenient, fast, does not take much time, and does not require long

travel. These factors are very important for female customers in rural areas when the nature of their work is diverse and busy and the geographical distance from their residence to the bank is quite far and not really practical safe.

4.5 .4 TYM always values non-financial services - added value that is valuable and meaningful for human and social development

In addition to providing very effective financial services, TYM also supports non-financial activities for members, customers, and communities in the area where TYM operates which no official financial institution can do. TYM. This non-profit support is not intended to polish TYM's name or brand but comes from a concern and desire to truly contribute to human development and social development. Because of this, TYM has received love, respect, and appreciation from the people, the community, the Party, the Government, and departments in the localities where TYM operates. With positive contributions in both economic and social aspects, TYM has also received enthusiastic support, cooperation, and support from the people, Party leaders, Government, relevant departments, and especially the attachment of members and customers. This is also one of the important factors that help TYM develop and achieve success during its operations.

4.5.5 TYM has the trust and loyalty of customer members

This can be said to be a very important factor for the success and sustainable development of TYM and not every financial service provider has it.

5. Conclusion

Despite these conditions, microfinance remains an important tool for promoting economic and social development. By providing financial services to the poor, microfinance can help them escape poverty and improve their quality of life. Microfinance plays an important role in promoting economic and social development in Vietnam, especially in reducing poverty, creating jobs, and improving the quality of life for low-income people.

Key components of Microfinance in Vietnam: Expanding access to financial services: Institutional digital microfinance and consumer microfinance accelerate rapidly; Contribute to poverty reduction: Microfinance helps poor people have capital to invest in production and business, create jobs and increase income; Promote economic development: Microfinance supports small and medium-sized enterprises to develop, contributing to economic growth; Improving quality of life: Microfinance helps people have conditions to study, take care of their health and improve their material life.

Microfinance also has some limitations that need to be resolved: The possibility of further follow-up is not high: Some poor people, especially those in rural areas, still do not have access to Microfinance services; High benefits: Lending benefits of institutional microfinance are often higher than interest rates of commercial banks; High risk: Microfinance activities can easily be affected by economic activities and natural disasters; The management capacity of some microfinance organizations is limited.

To develop sustainable microfinance, there needs to be reasonable distribution among state management agencies, microfinance organizations, and non-governmental organizations. Policy support is needed to help microfinance improve management capacity, reduce lending interest rates, and expand access to microfinance services for the poor.

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