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People's Credit Funds (PCFs) in Vietnam

- an alternative form of financial institutions-

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People's Credit Funds (PCFs)

Background informations

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History

- Since the establishment of savings and loan co-operatives in the middle of the 19th century
- Proponents have adhered to the philosophy that individuals in similar economic circumstances can achieve more by uniting with each other
- Individuals have been inspired by the idea of improving their situation through their own initiative rather than wait for the help and conditions imposed by others
- Often this self-help approach was the only way they could gain access to financial services at all.

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- **The Vietnamese Government chose to establish a revised system of rural savings and credit co-operatives**
- **People's Credit Fund (PCF) is the new name of credit co-operatives**
- **as part of a stated policy to reform and strengthen the country's banking system in line with the country's economic transformation**
- **The Vietnamese Government appears to recognise that a stable financial sector is an important prerequisite for economic development.**

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Statistics (november 2004)

- Number of provinces with PCFs: 53
- Number of PCFs: 901
- Number of PCF members: 955,657 households
- Number of members / PCF: 1,060 households
- Total Asset: 5.726.523Mio. VND or 3.700 Mio \$
- Total Asset / PCF: 6.356 Mio. VND oder 4 Mio \$
- Total Deposits and Savings: 3.940.742 Mio. VND
or 2510 Mio. \$

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- **Deposits/liabilities in %: 69%**
- **Total net loans: 4.975.683 Mio. VND or 3160 Mio. \$**
- **Total net loans Asset / PCF: 5000 Mio. VND or 3,1 Mio \$**
- **Net loans/total asset in %: 87%**
- **number of loans: 560,000**
- **benefit: 122.997 Mio VND or 7,8 Mio \$**

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- The SBV (State Bank of Vietnam) at present envisions a “Two-system” of PCFs and the CCF with their branches in provinces
- The SBV would be expected to continuously provide strong guidance and control, including foreclosure of PCF licenses
- SBV is therefore drafting guidelines also on auditing, training and deposit insurance
- The CCF has been instructed to care for the liquidity-exchange, funds-flow and market-approach within the PCFs
- At least for now, the SBV together with the CCF would also investigate the needs and reasoning of a potential Vietnam People's Credit Fund Union for the SBV's legal and administrative consideration.

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Objectives / Target Groups

- The goal of PCFs is to provide communities, particularly the country's rural population, with banking services.
- People's Credit Funds (PCF) would collect deposits from community members and provide others with credit for productive purposes.

Wat is a People's Credit Fund ?

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- a cooperative as enterprises (per the “Co-operative Law” 1997)
- a formal financial intermediar as credit institutions/ commercial banks (per the Bank Law 1998)
- having legal person status
- not only providing with credits, but having big fund raising potentials (long-term and stabile funding)
- based on a new cooperative-model of self-help, self-organisation and managerial autonomy
- supervisory and control by SBV
- existing not allon, but with regional and national network system, with CCF as the coordinator and locomotive

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The Purpose of Project:

- **advisory assistance than on technical support to set up an operational, decentralized network of People's Credit Funds (PCFs)**

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Important results:

- 1. The requisite legislation is adopted and a cooperative network and association established.
- 2. Efficient technical and legal supervisory bodies are set up.
- 3. A cooperative auditing systems is introduced.
- 4. A cooperative deposit security system is in place.
- 5. Liquidity balancing and refinancing procedures are organized and rules defined for the cooperation in the network.
- 6. Banking and business advice is secured for People's Credit Funds.
- 7. Management and staff of the network is qualified.



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THANK YOU FOR YOUR ATTENTION !

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