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Improving Operational Efficiency of the People's Credit Fund System in Thai Binh Province, Vietnam

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Abstract

People's Credit Fund is a type of cooperative credit institution operating in the fields of currency and banking, with operating areas mainly in agricultural and rural areas; the organizational structure is built according to the cooperative economic model, the main activity is to mobilize capital to provide credit and banking services to its members. People's Credit Fund is a type of cooperative credit institution that operates on the principles of voluntariness, autonomy, self-responsibility for operational results, and achieves the main goal of mutual assistance between living members. And carry out production and business activities in agricultural and rural areas, an area that is considered very sensitive and vulnerable to external

conditions. Moreover, even within the People's Credit Fund system, there are still many problems, leading to the lack of safety of each People's Credit Fund and the entire system. The article studies the theory of people's credit funds, including the concept and characteristics of people's credit funds and the people's credit fund system; Research the current status of people's credit fund system operations in Thai Binh province, Vietnam in terms of capital mobilization, lending and investment activities, products and services; present the difficulties of the province's people's credit fund system and thereby propose solutions to improve the operational efficiency of the province's people's credit fund system in the coming time.

Keywords: People's Credit Fund, People's Credit Fund System, Thai Binh Province

1. Introduction

It appeared in the second half of the 19th century and early 20th century and quickly became a widespread movement in European countries, America, Asia... with many different names such as Credit Cooperative, Credit and savings funds, People's Credit Funds, Cooperative Banks,... this economic model has become an important and indispensable economic part of the national economy not only in the developing countries but also in economically developed countries such as the Federal Republic of Germany, the Netherlands, Canada,...

In Vietnam, the predecessor of the People's Credit Fund model is the Credit Cooperatives formed following the cooperative movement since the 1960s, along with changes in all aspects of socio-economic life, this type has also had changes in name, organizational structure and form of operation; However, in all circumstances, this type of credit institution always affirms its significant role in participating in solving goals related to agriculture, farmers and rural areas of the Party and State.

On the basis of being selected by the central government as one of 14 provinces and cities nationwide to pilot the project to establish a People's Credit Fund, Thai Binh has established a Pilot Steering Committee to establish a People's Credit Fund. In the province, and at the same time issued many documents directing the Party Committee and local authorities in the province to seriously deploy and implement. The State Bank's provincial branch, as a founding member of the People's Credit Fund, has proactively guided the content of operations and ensured legal administrative procedures for establishing the People's Credit Fund and organizations. Train staff, inspect, control, and ensure operations comply with regulations and charters. The first pilot phase in 4 districts: Thai Thuy, Hung Ha, Tien Hai and Vu Thu with 12 communes establishing new People's Credit Funds and 5 communes having credit cooperatives licensed to operate under the Banking Ordinance, a credit cooperative and finance company since 1992.

With active participation, by December 31, 1994, the whole province had 16 People's Credit Funds established with 3,859 members joining, charter capital reaching 435 million VND, mobilized capital reaching 1,785 million VND and Loan balance reached 3,039 million VND. From the initial effectiveness of the pilot implementation, in March 1995, the Provincial Party

Standing Committee agreed to expand the establishment of People's Credit Funds in all districts and towns to better serve loan needs. Capital to develop production and business, promote the process of restructuring the agricultural and rural economy towards industrialization and modernization.

After being established, the People's Credit Fund system in the province is constantly consolidated, perfected and developed. In particular, since the implementation of Directive No. 57-CT/TW, dated October 10, 2000 of the Politburo, the project to restructure the People's Credit Fund system in the area for the period 2011 - 2015, project to restructure the People's Credit Fund system in the area from 2016 - 2020 and from 2021 to now, People's Credit Funds in the province have increased their charter capital according to the charter capital level. approved by the Provincial State Bank, there is no domination of charter capital and operations by a small number of members; proactively strengthen the management and supervision of activities, especially the activities of transaction offices, ensuring quality, efficiency, and in accordance with the actual operations of each People's Credit Fund; restructure business activities, have business strategic orientation, improve competitiveness, enhance information technology application and modernize banking technology; Basically completing the overcoming of shortcomings and violations in operations, safety ratios in operations are guaranteed, bad debt is at a low level of 0.5%/total outstanding debt; constantly strive to develop members, focusing on mobilizing idle capital from members and residents, thereby providing capital in a timely manner, creating conditions for members to develop production, and limiting lending. Heavy interest and "black credit" in the locality.

With the contributions of the people's credit fund system of Thai Binh province to the province's economic development activities, research on the people's credit fund system of Thai Binh province is currently very necessary.

2. Theoretical basis

Concept and characteristics of People's Credit Fund

People's Credit Fund is a type of credit institution present in many countries around the world with different names such as: In Quebec Canada, Desjardins People's Credit Fund; in the Federal Republic of Germany, it is the Cooperative Bank; in the US it is a Credit Union; Rural Savings and Loan Fund (Cote d'Ivoire); People's Bank (Rwanda); Village Savings and Credit Fund (Mali); In the Netherlands, it is the Rabobank grassroots cooperative banking system; In Yunnan, China it is a credit fund; and in Vietnam it is the People's Credit Fund (a new type of credit cooperative based on learning from the experience of the Desjardins Credit Fund system, Quebec, Canada).

According to the US National Credit Union Association, the People's Credit Fund is a non-profit financial institution, built to serve groups of people with similar characteristics in terms of workplace, place of residence, is managed and controlled by the members themselves and are also users of the services that the People's Credit Fund provides, which is mobilizing savings deposits from members to lend and provide loans. Providing other financial services at reasonable prices.

According to the World Council of Credit Unions, the People's Credit Fund is a type of private and cooperative financial intermediary, owned by members and managed by

the People's Credit Fund in a democratic manner. Owner. The People's Credit Fund operates with the aim of meeting the financial needs of all members through encouraging savings, lending to members and through other activities decided by the members themselves, to ensure ensure that the needs of its members are met in the best and most lasting way, so the People's Credit Fund needs to pay attention to financial stability.

With the above concepts, the People's Credit Fund is understood as a financial intermediary organized in the form of "mutual", mobilizing capital by receiving deposits and lending to these depositors. The People's Credit Fund has the following characteristics:

First, the People's Credit Fund is a financial intermediary organization with legal status; the main activity is currency trading by receiving interest-bearing deposits to attract idle capital, then using those amounts to lend back to the economy.

Second, the private nature is demonstrated by the fact that the members are natural persons or legal entities voluntarily established, not established by the State.

Third, all individuals and organizations that meet the legal conditions and agree to the charter and related regulations can join the People's Credit Fund without any discrimination or coercion.

Fourth, the People's Credit Fund operates as a "cooperative" in which the depositors are the bank owners. On the other hand, the People's Credit Fund makes loans of a cooperative nature organized around a special social group (members are people with similar characteristics in terms of place of residence, occupation).

The concept of the People's Credit Fund System is a unified whole, created by People's Credit Funds, each People's Credit Fund is an autonomous unit, has legal status, operates independently, take responsibility for your own activities, and at the same time link together to unify and coordinate activities with the goal of mutual support among members, ensuring safety and development for each People's Credit Fund. As well as for the whole system.

The People's Credit Funds operate in close connection with each other, forming a safe and effective linkage system. Each People's Credit Fund is an independent legal entity but has a close relationship with each other through capital regulation, credit supply, technical consulting, information, and staff training, risk dispersion and safety mechanism, inspection and control throughout the system to ensure the system's sustainable development.

In the world, the People's Credit Fund system is formed according to two system models including distributed system and linked system:

A distributed system is a system in which the connection between the constituent units is quite loose; the sharing of common system resources is not respected; the representative role, strategic direction, foreign affairs and public relations of the coordinating agency are overlooked; the sharing of resources is often spontaneous and has no direct relationship with the focal agency. Typical examples of the distributed system model are the cooperative credit institution system in the US, English-speaking areas in Canada, in Australia (before 1992), some countries in Latin America, and the region. West and Central Africa. But up to now, most distributed system models have been or are being converted into linked system models.

A *linked system* is a system in which the component parts are tightly linked together; the coordinating agency plays an important role in strategic direction, representing interests and taking care of members; sharing of resources and common services of the development system at the senior

partner level; Grassroots organizations operate according to unified standards throughout the system. Typical examples of the linked system model are the cooperative credit institution system in Europe (Germany, France, the Netherlands), in Quebec - Canada, Australia.

Table 1: Differences between People's Credit Funds and Commercial Banks

Criteria	People's Credit Fund	Commercial Bank
Ownership	A type of credit institution that is a cooperative, owned by members participating in the People's Credit Fund.	It is a type of joint stock credit institution, owned by capital contributing shareholders
Target	Support members, develop the community, improve lives, and develop the local economy	Profitable for shareholders
Management, administration and control	Managed, operated and controlled democratically by representatives elected by members, regardless of capital contribution.	Centrally managed, operated and controlled by major capital shareholders
Role of member/ shareholder	All members are eligible to participate in the member congress and run for leadership positions of the People's Credit Fund, each member has 01 vote.	Encourage shareholders to attend the General Meeting of Shareholders. The candidacy for leadership positions of commercial banks focuses on the group of shareholders with a large number of shares. Each share is 1 vote.
Providing financial services	Providing financial products and services at the most reasonable costs for members	Providing competitive financial products and services to attract a wide range of customers to bring the highest profits.
Handling profits	Net profits are used to pay interest on members' capital contributions, pay bonuses to members according to the level of use of products and services of the People's Credit Fund and set aside funds to accumulate and develop the Credit Fund. use the people	Net profits at the end of the year are paid dividends to shareholders and deducted from funds according to regulations

Source: Anh, 2013

3. Current status of operations of the people's credit fund system in Thai Binh province, Vietnam

Capital mobilization activities

By the end of 2022, in Thai Binh province, there will be 85 People's Credit Funds operating with a total of 152,837 members, an increase of 2,490 members compared to 2021, operating in 147 communes, wards and towns. Town; among them, there are 44 People's Credit Funds expanding their operating areas to 62 adjacent communes.

By December 31, 2022, the total operating capital of the People's Credit Funds reached 11,913 billion VND, an average of 140 billion VND/fund. Total charter capital reached 379 billion VND, an average of 4.46 billion VND/fund, an increase of 23% compared to 2021, accounting for 3.2% of total capital; Of which, 59 People's Credit Funds have charter capital of over 3 billion VND, 19 People's Credit Funds have charter capital of 2 - 3 billion VND and 7 People's Credit Funds have charter capital of from 1 billion VND to under 2 billion VND; There is no situation where members contribute capital exceeding 10% of the charter capital of the People's Credit Fund at the time of capital contribution. The People's Credit Funds have increased their charter capital in accordance with the Project to consolidate and develop the People's Credit Fund system to 2020, with a vision to 2030. Total capital mobilized from savings deposits reached 11,132 billion VND, an average of 131 billion VND/fund, accounting for 93.4% of total capital, an increase of 12.1% compared to 2021. Of which, 83/85 People's Credit Funds have positive growth rates. Loans from Cooperative Bank Thai Binh Province Branch account for 0.7% of capital; other capital accounts for 2.7% of total capital.

Regarding lending and investment activities

As of December 31, 2022, the total loan balance of the

People's Credit Funds reached 8,639 billion VND, an average of 101.6 billion VND/fund, an increase of 4.8% compared to 2021. In which, there are 66/85 People's Credit Funds' credit balance increased, 19/85 People's Credit Funds' credit balance decreased compared to December 31, 2021; The total deposit balance of People's Credit Funds at Thai Binh Cooperative Bank branch reached VND 3,136 billion, an increase of 39.7% over the same period in 2021. Total capital investment in Cooperative Bank Cooperatives of People's Credit Funds reached 1,448 million VND.

In recent times, the State Bank branch in Thai Binh province has focused on directing and consolidating the operations of the People's Credit Fund system and handling weak People's Credit Funds; conducted 18 inspections and dozens of tests for the People's Credit Fund; At the same time, closely monitor, inspect and supervise the process of implementing restructuring plans, associated with bad debt handling of People's Credit Funds in the area; Direct People's Credit Funds in the area to build a system of internal policies, regulations and processes; Review, edit, and complete internal regulations on governance, control, and administration; internal processes on credit operations, accounting, and secure payment of treasury; Thereby, controlling and evaluating risks that may occur in each business process to take timely preventive and handling measures to ensure safety and gradually improve quality and operational efficiency. The average bad debt ratio of People's Credit Funds is well controlled at 0.55%/total outstanding debt.

The management, administration and control apparatus of the People's Credit Funds has been consolidated; Members of the board of directors, chairman of the board of directors, director, head of the control board and members of the control board ensure eligibility and standards according to regulations for each position. Of the total of more than 1,000

officers and employees working at 85 People's Credit Funds in the area, nearly 70% of officers have university or postgraduate degrees. Training and retraining to improve professional and management qualifications for staff is paid attention and focused by the funds and is regularly cared for and supported by the State Bank branch in Thai Binh province. Every year, officials and employees of the funds are sent to attend short training courses on professional expertise as well as fund management.

Regarding professional work, the People's Credit Funds always focus on promoting the diversification of capital mobilization forms, expanding and improving credit quality to ensure safety and efficiency. With the principle of purpose and operating principles of the cooperative type of credit institution, People's Credit Funds operate on the principle of autonomy and self-responsibility for business results, with the goal of the purpose is to support the community to contribute to socio-economic development in rural areas. As a result, the proportion of savings deposits mobilized from members/total savings deposits reached 59.2%. The proportion of member loans/total outstanding loans reached 99.7%; Thereby, contributing to limiting loan sharking and "black credit" in the area.

Diversify and modernize products and services

In addition to traditional capital mobilization and lending products, service activities for commercial banks are also effectively deployed by People's Credit Funds such as providing payment and money transfer services, foreign currency payment agent service for licensed banks; Carry out collection and payment operations for members, etc. Professional processes are thoroughly understood by People's Credit Fund staff and handle work quickly, according to procedures, safely and conveniently for customers. Row; at the same time, generate part of the revenue from service activities.

Most People's Credit Funds in Thai Binh province have headquarters that meet operating conditions. People's Credit Funds regularly invest and upgrade technical facilities and information technology systems to meet digital technology requirements. 100% of People's Credit Funds have performed operations on the network system, software; Investing in upgrading facilities, modernizing technology, installing surveillance cameras, ensuring security and operational safety, exchanging information through management software, via email, quality and efficiency. Work efficiency has been significantly improved, while reducing costs and improving reputation with party committees, authorities and people.

Strengthen the roles and responsibilities of Cooperative Banks

With the main goal of linking, supporting and enhancing the efficiency of the operations of the People's Credit Fund system, acting as a focal point and playing the role of regulating capital for the People's Credit Fund system, in 2022, Cooperative Bank Thai Binh province branch has done a good job of regulating capital for People's Credit Funds in the area and meeting reasonable and valid capital needs of the funds.

To attract capital, the Cooperative Bank branch in Thai Binh province has proactively managed capital flexibly, closely following market interest rate developments, seasonality in system operations, and reasonable interest rate mechanisms.

Physical; Transfer capital from surplus to shortage areas, support People's Credit Funds in the area to operate stably. By the end of December 31, 2022, the Cooperative Bank received deposits from People's Credit Funds with a balance of VND 3,119 billion, an increase of 40.2% compared to 2021; the branch's outstanding loans to People's Credit Funds reached nearly 102 billion VND.

For People's Credit Funds that have encountered difficulties and problems, the Cooperative Bank branch in Thai Binh province has closely coordinated with local authorities to find out the causes, remove bottlenecks and provide support. Process quickly and effectively; especially the capital support work of the Cooperative Bank and the Fund ensures system safety, helping the People's Credit Funds overcome financial difficulties and quickly return to normal operations. Thanks to that, in recent times, no People's Credit Fund has been in difficulty or beyond control.

Difficulties in the operation of the People's Credit Fund System of Thai Binh province

Currently, in Thai Binh province, there are 85 People's Credit Funds operating with 85 headquarters and 60 transaction offices; however, among them, up to 74% of People's Credit Funds have not been granted Land Use Rights Certificates. In the coming time, it is recommended that the People's Committee of Thai Binh province continue to pay attention and direct relevant units to remove difficulties in granting certificates to People's Credit Funds that have existed since the pilot years of establishment. Now.

The People's Credit Fund is an independent economic organization, self-employed, self-responsible, operating area is a commune, ward or town. When risks occur, they may be unexpected risks (if any). False rumors, easily leading to mass withdrawals of people's money) handling is difficult. Therefore, we recommend that the Government soon amend and supplement the Deposit Insurance Law to better protect the interests of depositors, as well as increase the role of Cooperative Banks in participating in inspection and supervision. Monitor the activities of the People's Credit Fund, contribute to ensuring operational safety, and firmly consolidate the People's Credit Fund system.

Although most People's Credit Funds operate basically stably, however, there are still many financial limitations and low equity capital, leading to difficulties in investing and equipping facilities, technology, development and modernization of products and services, not yet able to meet large loans, ability to compensate for losses when facing business risks... Therefore, Cooperative Banks need to research and find sources Capital received from foreign-funded projects with low interest rates entrusted to People's Credit Funds for implementation, contributing to helping People's Credit Funds reduce capital mobilization costs and have realistic conditions. Implementing policies to develop agricultural and rural credit, thereby limiting usury and "black credit".

4. Some solutions to improve the operations of the People's Credit Fund System of Thai Binh province

To effectively implement the goals and orientations of monetary policy management and banking operations in the coming years, especially continuing to implement the tasks of restructuring the system of credit institutions according to "Project to restructure credit institutions associated with

handling bad debts in the period 2021 - 2025" after being approved by competent authorities, focusing on handling weak credit institutions; At the same time, effectively implement the socio-economic development goals of Thai Binh province, along with safe and flexible adaptation, focusing on making good use of opportunities to promote economic recovery and development, The State Bank branch of Thai Binh province has directed the good implementation of solutions to consolidate and enhance the operations of People's Credit Funds in the area in the coming time, specifically:

Firstly, strengthen the management, consolidate and rectify the operations of the People's Credit Funds in the area, direct the People's Credit Funds to implement in accordance with the content, solutions and progress in the Structural Plan. Again, associated with bad debt handling in the period 2021 - 2025.

Second, focus on effectively implementing inspection and supervision of activities of People's Credit Funds, especially weak People's Credit Funds; Carry out cross-inspection of the People's Credit Fund in other provinces and cities according to the guidance of the State Bank and promote micro-supervision of the People's Credit Fund system to promptly warn and prevent Risks and violations may occur.

Third, continue to direct the People's Credit Funds in the area to strictly implement the regulations and directions of the Government and the State Bank for the People's Credit Fund system, especially Directive No. 06 /CT-TTg dated March 12, 2019 of the Prime Minister on strengthening solutions to ensure operational safety and firmly consolidate the People's Credit Fund system; Directive No. 06/CT-NHNN dated October 2, 2018 of the Governor of the State Bank on rectifying and strengthening the prevention and control of violations of the law to ensure security and safety of operations in the system. People's Credit Fund system.

Fourth, closely coordinate with local authorities to closely monitor the activities of People's Credit Funds to proactively prevent and handle violations and prevent insecurity from occurring. Orderly and safe operation of the People's Credit Fund system.

Fifth, proactively and strongly communicate guidelines, mechanisms and policies on monetary policy management, banking operations in general, mechanisms and policies on direction and administration of the Government and the Bank. State Bank on the operations of the People's Credit Fund in particular, thereby creating conditions for the People's Credit Funds in the area to raise awareness and well implement policies, contributing to increasingly healthy operations, safe and effective.

5. Conclusion

Promoting traditions and achievements of a long history of 30 years of construction and growth; with achievements and lessons learned, in the coming time, the People's Credit Fund System of Thai Binh province will continue to seriously implement resolutions, directives and projects of the State Bank of Vietnam on economic development. collective sacrifice; Strengthen consolidation and development in accordance with the goals and principles of cooperative credit institutions according to the provisions of law and international practices; operate safely, effectively, stably and sustainably, meet capital needs, improve financial access of People's Credit Fund members, aiming at the main goal of mutual support and assistance. mutual support

between members to serve production, business, and improve life; Improve financial capacity, healthy financial situation for People's Credit Funds, strive to have no weak People's Credit Funds with charter capital of over 2 billion VND by 2030, Bad debt is below 3%, the proportion of member deposits reaches at least 65% of the total mobilized capital of the People's Credit Fund, 85/85 People's Credit Funds operate profitable business; The management and professional activities of the People's Credit Funds are gradually digitized according to the State Bank of Vietnam's planning roadmap on digital transformation. The People's Credit Fund system is increasingly consolidated and strengthened, ensuring safe operations, actively supporting agricultural and rural development, limiting usury, and ensuring social security, hunger eradication, poverty reduction, and promotion of local collective economic development.

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