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The Relationship between Credit Accessibility and Job Creation: Empirical Evidence from Tra Vinh Province, Vietnam*

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Abstract

The goal of this research is to examine how credit (loan) can help rural households in Tra Vinh province create jobs in the wake of the COVID-19 outbreak in Vietnam over the last two years. The authors performed a direct survey, using a questionnaire, with 300 customers who had loan records at the Tra Vinh VBSP branch under the loan programs. From January to April 2021, jobs will be available at 07 transaction offices in districts and cities (Cau Ngang; Duyen Hai, Tieu Can, Cang Long, Tra Vinh City, Chau Thanh, Tra Cu). Using the multivariate regression method, the research has found 12 factors affecting the ability to access the employment loan program: Age, Educational Level, Occupation of households, Income, Household land area, Asset, Loan, Interest rates, Loan procedures, Loan purpose, Credit relations. From the above research results, the authors have proposed solutions to improve the ability to access credit to create jobs for each subject group at Viet Nam Bank for Social Policies, Tra Vinh Province in the future.

Keywords: Credit Access, Households, Job Creation, Vietnam Bank for Social Policies, Tra Vinh Province

JEL Classification Code: D24, J54, R21, R51, Z23

1. Introduction

According to statistics from the Bank for Social Policies (VBSP) report on job creation in Tra Vinh Province from 2016 to 2020, the Bank provided loans to support, maintain, and expand jobs. Table 1 shows that outstanding loans were VND 189,001 billion in 2017, an increase of VND 113,921 billion (up 151.7%) compared to 2016, with the number of

customers with outstanding loans being 8,297 customers, an increase of 3,214 customers (up 163%) compared to 2016 (VBSP, 2021). VBSP in Tra Vinh province has supported loans to many unemployed employees who are the underprivileged, the disabled, and rural workers who desire to have the opportunity to work through the National Fund for Employment. Preferred finance sources to build and develop production and business activities, as well as contribute to self-employment for themselves, their families, and the society.

In Tra Vinh province, the average loan balance and loan balance at VBSP Table 1 demonstrates that the National Employment Fund loan balance reached an average of 22 million VND per home, contributing to program execution. the national goal of creating a new countryside and putting the “One Commune One Product Program” into action It has so far helped to the creation of jobs, the reduction of unemployment, and the improvement of workers’ lives through loans to support job creation, job maintenance, and expansion.

The National Employment Fund’s loan program is a significant policy credit activity that has aided in the implementation of the National Target Program on Poverty Eradication. Poverty reduction and job creation, as well as reduced unemployment in cities and increased utilization

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Table 1: Outstanding Loan Balance for Job Creation from 2016–2020 (VBSP, 2021)

No	Targets	Unit	2016	2017	2018	2019	2020
11	Overdue	VND Million	260	197	233	231	212
22	Bad debt	VND Million	589	435	396	291	379
33	Outstanding balance	VND Million	75,080	76,988	88,516	116,160	189,001
44	Overdue debt ratio	%	0.35	0.26	0.26	0.20	0.11
55	Bad debt ratio	%	0.78	0.57	0.45	0.25	0.20
66	Average outstanding balance	VND Million	12	13	15	19	22
77	Regulated loan amount	VND Million	50	50	50	50	100

of working time in rural areas, all contribute to structural change. The labor structure and the economic structure are in sync. Thousands of successful start-up models have emerged as “bright spots” in the job creation financing program, contributing significantly to the development of socio-economic life in their communities (Barslund & Tarp, 2008).

In Tra Vinh province, social policy credit activities have actively contributed to poverty reduction, job creation, ensuring long-term poverty reduction and social security, contributing to the construction of a new rural area, and limiting the situation of workers leaving the area and going to work elsewhere. Many workers in rural and urban areas produce items as a result of the preferential capital support, production, husbandry, cultivation, and the restoration of traditional craft villages, assisting many households in escaping poverty and continuing to rise in life, contributing to the narrowing of the rich-poor divide, lowering unemployment rates, and completing the criteria for constructing a new rural area.

Funds managed and loaned by VBSP have been highly effective due to the timely attention of the authorities at all levels, the mass organizations entrusted at all levels, and the VBSP always pay attention to and regularly coordinate to promote the work of VBSP. However, there are still many obstacles and roadblocks in the way of VBSP implementation. As a result, the National Employment Fund’s credit capital has fallen short of the demand. The funding source for the capital supplement was quite minimal on an annual basis, especially in the first two years (2019–2020) The Fund’s capital is mostly supplemented by a portion of loan interest, whereas the State Budget does not provide additional capital. As a result, only 30–35 percent of capital requirements will be met. Hence, Tra Vinh province’s demand for capital to create, maintain, and expand jobs has yet to be addressed.

On the other hand, the beneficiaries of loans from the Fund are not too difficult compared to poor households, so it is not reasonable to give priority to this object to borrow at an interest rate equal to the loan interest rate for poor households, leading to Dependent psychology, unwillingness

to repay loans on time of borrowers and create inequality among credit beneficiaries, preferential policies of the Government.

2. Literature Review

Stiglitz and Weiss (1981) showed that demand theory may not be able to explain access to credit in terms of asymmetric information. Lenders do not have enough information about the default risk of borrowers and cannot raise the equilibrium interest rate in the credit market. In other words, the flow of credit does not simply follow the theory of supply and demand; It is complicated by a coordinated process of individuals applying for credit, then the lender determining what percentage of the funds are to be granted, based on their perception of the borrower’s creditworthiness.

Diagne (1999) used the concept of credit limit to analyze the determinants of household access to and participation in informal and formal credit markets in Malawi. Households are found to be credit constrained, on average, both in the formal and informal sectors; they borrow, on average, less than half of any increase in their credit lines. Furthermore, they are not discouraged in their participation and borrowing decisions by further increases in the formal interest rate and/or the transaction costs associated with getting formal credit. This suggests that getting access to credit is much more important than its cost for these households. Hence, credit policies should focus on making access easier rather than providing credit with subsidized interest rates. The composition of household assets is found to be much more important as a determinant of household access to formal credit than the total value of household assets or landholding size. In particular, a higher share of land and livestock in the total value of household assets is negatively correlated with access to formal credit. However, the land remains a significant determinant of access to informal credit. Therefore, poor households whose assets consist mostly of land and livestock but who want to diversify into non-farm income generation activities may be constrained by a lack of capital. As informal loans are usually too small to

help poor households start a viable nonfarm business, these households may be forced to rely on farming as the sole source of income, despite its unreliability because of the frequency of drought in Malawi. Finally, formal and informal credit is found to be imperfect substitutes. In particular, formal credit, whenever available, reduces but does not eliminate informal borrowing. This suggests that the two forms of credit fulfill different functions in the household's intertemporal transfer of resources.

Households with lower credit needs are more likely to produce and operate enterprises in low-risk, capital-intensive sectors, resulting in lower capital requirements. Credit access is influenced by household labor factors such as agricultural land ownership and education level. Households with a high level of education can use science and technology to increase productivity and risk tolerance in the production process (Benjamin et al., 2015). Furthermore, households with a high level of education find it easier to obtain information from financial institutions. Poor households frequently have low levels of education, making it difficult for them to obtain capital; lack of collateral is the most common cause for poor households' inability to obtain credit (Senadjki et al., 2017). Access to funding from credit institutions or poverty reduction programs is hampered by lending rates. Households with higher education have lower loan needs in the informal sector. Due to a lack of access to credit, a significant number of households with many dependents and a bad credit history tend to raise informal credit demand (Gideon & Hirota, 2015; Truong et al., 2020).

Ololade and Olagunju (2013) examined the determinants of credit access by rural farmers in Oyo state Nigeria. Specifically, the study identified the socio-economic characteristics of the rural farmers, examined the factors affecting access to credit by the rural farmers, identified constraints faced by rural farmers in credit acquisition. The binomial logit model revealed that significant relationships existed between sex (-2.0187), marital status (-1.9786), lack of guarantor (2.1517), high-interest rate (6.8263), and access to credit. The variables were significant at 10%. It is concluded that there is a need for financial institutions to help look into the conditions for obtaining credit by farmers so that the less privileged among them will be able to benefit from credit disbursement especially in the aspect of high-interest rates, guarantor, and collateral security.

Phan et al. (2013) studied credit models for households, showing a positive influence of the following factors: age, income, education level, land, informal loan purpose, loan term. Informal borrowing affects farmers' ability to repay loans. Informal flexible loan terms can compensate for high-interest rates. Lower interest rates will increase the number of households accessing credit (Khandker, 2009).

Land acreage has a positive meaning, according to Tran (1998), and has a relationship with farm households' ability

to access formal capital in Vietnam. The education level of the household head also has an impact. Households with a stronger ability to access formal capital have a positive significant impact on their ability to access formal capital, and the household head has a role in society.

Bui and Truong (2012) examined how shrimp producers in Tra Vinh province were able to acquire financial capital. The study shows that 5 factors have a positive correlation with a household's ability to access credit: income, working time (production experience), loan interest rate, number of times the household has access to credit, loan transactions with credit institutions, and the number of local credit institutions. In contrast, the distance between one's home and the district headquarters is negatively related to one's capacity to get formal credit.

3. Research Methods

The author's team performed direct interviews with 300 individual business households, implemented a binary regression model, and used SPSS software to examine resource accessibility. Loans under the job creation loan program at the Tra Vinh province branch of the Bank for Social Policies take the following form:

$$\text{Accessibility to loans} = f(\text{Age, Educational level, Income, Occupation, Land area, Collateral, Amount of Loan, Loan purpose, Interest rate, Loan procedures, Credit relationship})$$

Inside:

The dependent variable is accessibility is a binary variable representing the ability to borrow money for the job creation loan program at VBSP in Tra Vinh province (Table 2).

The authors performed a direct survey, using a questionnaire, with 300 customers who had loan records at the Tra Vinh VBSP branch under the loan programs. From January to April 2021, jobs will be available at 07 transaction offices in districts and cities (Cau Ngang; Duyen Hai, Tieu Can, Cang Long, Tra Vinh City, Chau Thanh, Tra Cu). A proportionate stratified random sampling strategy is used in this study. The purpose of the study is to collect information on customer characteristics and bank factors that affect the ability to get loans from the VBSP's job creation loan program in Tra Vinh province.

4. Results and Discussion

The results of Binary logistic regression analysis with a research sample including 300 customers who transacted loans for job placement loan programs at Tra Vinh Social

Table 2: Summary of Variables and Expected Signs

Variable Name	Measurement
Accessibility to loans	Binary variable, get value 1 if the loan is accessible, else get value 0
AGE	Borrower's age at the time of survey (years)
Educational Level	Number of years of schooling of the borrower (Years)
Income	Borrower's monthly income (VND million/month)
Occupation	Binary variable, take value 1 if the occupation is stable, otherwise, get value 0
Household's land area	The total residential area and agricultural land area (ha)
Collateral	VND million
Loan	Loan amount accepted to be disbursed (VND million)
Loan purpose	Binary variable, receive the value 1 if the loan is for the right purpose, otherwise, it will receive the value 0
Interest rates	Is the loan interest rate according to the terms (%/year)
Loan procedures	Loan procedures, 1 = simple, quick disbursement, 0 = complicated, slow disbursement
Credit relations	Borrowing relationship with other credit institutions, 1= yes, 0 = no

Table 3: Regression Results of Factors Affecting Access to Loans of Job

Symbol	β	S.E.	Wald-test	Sig.
Age	-0.052	0.032	2.753	0.097*
Educational Level	0.254	0.151	2.821	0.093*
Occupation	1.329	0.742	3.210	0.073*
Income	0.467	0.191	5.980	0.014***
Household's land area	0.001	0.000	4.696	0.030**
Collateral	0.045	0.009	28.379	0.000***
Loan	-0.043	0.019	5.020	0.025**
Interest rates	-3.453	0.155	4.951	0.026**
Loan procedures	1.957	0.780	6.293	0.012**
Loan purpose	0.939	0.557	2.840	0.092*
Credit relations	2.130	0.797	7.150	0.007***
Constant	16.739	13.814	1.468	0.226

***, **, * Are the 1%, 5% and 10% statistical significance, respectively.

Policy Bank showed that 12/12 factors were statistically significant at 1%, 5%, and 10% levels (Table 3).

Collateral: Customers with a high collateral value are more likely to obtain bank loans ($\beta = 0.045$, significant at 1%), while other variables remain unchanged. When the marginal effect of the asset factor increases by 1 unit, the household's ability to access credit increases by 0.045 times.

Income: Customers' access to loans is positively related to their income ($\beta = 0.467$, significant at 1%). The impact coefficient is $\beta = 0.467$, which is in line with initial predictions and statistically significant at 1%, indicating that the higher the average income, the easier it is to access the loan.

Interest Rate: The regression model is negatively affected by interest rates, with the regression coefficient

8=-3.453 having statistical significance at 5%. That is, assuming all other conditions remain constant, the higher the interest rate, the less likely a consumer will be able to receive loans. When the marginal impact coefficient of the interest rate factor is increased by one unit, the regression coefficient decreases by 3.4 times. Customers who have a credit relationship with a credit institution, credit fund, or other microcredit institution, have more credit access ($12 = 2.130$, significant at the 1% level) than other customers.

Procedures: The loan procedure factor has a positive impact on individual customers' ability to access loans ($\beta_{13} = 1.957$, significant at the 5% level). The simplified, easy, and less cumbersome procedures will make it easier for individuals to get loans.

Capital: The larger the loan size, the lower the ability to access loans of the employment loan program at Tra Vinh VBSP ($\beta_{10} = -0.043$, significant at 10%).

Land area: Similarly, land area (DTICH) has a positive relationship with the probability of accessing the loan program for job creation at VBSP ($\beta_5 = 0.01$, significant at 1%).

Occupation: Individual customers with steady jobs are more likely to be approved for loans than those with insecure jobs or who are unemployed ($\beta_3 = 1.329$, significant at 1%). Customers with a loan purpose in accordance with the employment policy will have a higher probability of approving loans than other customers ($\beta_{11} = 0.939$, significant at 1%).

Education: is the education level variable that has a positive impact on the dependent variable of the research model ($\beta_3 = 0.254$, significant at 1%). Households with a high degree of education, have easy access to banks since they are well-informed and aware of potential risks.

5. Policy Recommendations

5.1. For Loan Customers

Customers must thoroughly comprehend each criterion in the set of credit rating criteria, completing and fully meeting the requirements actively and proactively, hence enhancing access to official capital and shortening the time it takes to obtain it. They are required to attend training courses regularly, participate in experience sharing sessions to apply in production and business, and actively participate in local teams and unions. Borrowers must increase their knowledge and sense of responsibility while borrowing and using loans; they must continually learn to enhance their loan management and use capacity, boosting capital efficiency.

Customers need to specifically develop a loan plan from each stage in the process of expanding production and business (products, capital allocation, human resources, how much output, technology, machinery, etc., profitability, etc.) The more specific and feasible the plan, the more confident the bank will be, the higher the successful disbursement rate will be, and the larger the capital scale will be.

5.2. For Bank for Social Policy in Tra Vinh Province, Vietnam

The Bank needs to actively disseminate and propagate credit programs and policies that have been assigned by the Government, introduce to the people special credit products for rural areas so that customers can realize the superiority of the bank.

The bank needs to pay attention to staff training and professional development for them to understand their job better; to guide loan procedures efficiently and without confusion, and to completely disseminate information about loan products and necessary conditions to get a loan, thus avoiding a situation where customers must repeatedly go up and down and wait too long in the loan process. It is necessary to prioritize investment in production and business cycles, to negotiate with borrowers for medium and long-term loans for borrowers' facilities to operate effectively. Following the lending business procedure to the letter, including the customer's civil behavior capacity, the customer's attitude, the effective plan's efficiency, the project's economic efficiency, and so on. The loan's objective must be clear and defined, the borrower's collateral must be established, and the loan's usage must be monitored on a regular basis (Nguyen & Nguyen, 2019).

Bank officials also require detailed instructions, explanations, and specifics of loan procedures, including loan programs, interest rates, and other terms that customers must be aware of before taking out a loan. Bank officials must make it clear to customers that if they need a loan, they must follow the provisions and clauses in the loan contract or mortgage contract, to avoid a situation where the customer does not understand, resulting in customer complaints or dissatisfaction. Attention should be paid to secured loans of customers borrowing directly from the banks. Individual customers can not only easily access loans but also enjoy lower loan interest rates than unsecured loans because the lending interest rates always include quantified risks. The Branch should not include collateral in the lending decision. Collateral should only be considered as a second source of debt collection after the cash flow generated from the business plan.

The VBSP Tra Vinh branch needs to provide guidance on establishing a credit institution with interest rates that are appropriate for each subject and a repayment period that

is appropriate for each loan program. Bank officials must disseminate and direct loan procedures in a simple and quick manner, in line with people's levels of awareness, so that individuals do not have to go back and forth multiple times or wait too long to get a loan.

5.3. For Local Government

Leaders of the provincial localities must aggressively promote the “national target program on building a new rural area”. This provides favorable conditions for people to fully use their skills and abilities. Government assistance to banks is critical in determining the quality of loans.

The local government must regularly organize training sessions, start short courses to foster and disseminate knowledge and skills, and impart the experience of experts in developing key local industries; create a motivating environment, encourage people in the same field of production and business to regularly exchange techniques and experiences.

Loan procedures of customers are mainly through local certification and notarization of documents. Therefore, the verification and notarization procedures need to be simplified, concise, and accurate, saving time, thus avoiding customer dissatisfaction with loan application procedures. Moreover, offer customers easier access to bank credit.

Local governments should aggressively adopt a number of programs to interact with firms in the province and nearby provinces/cities to create more jobs, particularly in the outsourcing industry, textiles, fine arts, and handicrafts. This is helpful for businesses because it allows them to use low-cost labor, as well as for individuals because it allows them to supplement their income outside of their usual activities.

Leaders of ward and town People's Committees should collect opinions on a regular basis, organize meetings between people and bank officials to assess capital needs in production, and respond to farmers' inquiries about loans.

6. Conclusion and Limitations

Activities are conducted for supporting, maintaining, and expanding jobs through lending activities provided by the National Fund for Employment and capital mobilized by the VBSP; applicable to units and individuals under VBSP, and customers borrowing from VBSP to support job creation, job maintenance, and job expansion.

Lending activities to support jobs, maintain and expand jobs from the National Fund for Employment and the capital mobilized by VBSP; applicable to units and individuals under VBSP, customers borrowing from VBSP to support job creation, job maintenance, and expansion. During the

COVID-19 pandemic, to meet the needs of the economy, VBSP modifies its lending program to the present economic situation to offer new products that are more flexible and give more incentives, allowing individuals to take advantage of more diversified credit programs.

Due to a limited research time, as well as limited resources and funding, the author could only collect data on 300 respondents who use the loan program to solve their problems. At the same time, the results are based on the samples taken using a random sampling method. The major disadvantage of using simple random sampling is sampling error. This occurs when the sample selected doesn't accurately represent the population, even though it was selected randomly and without bias.

Although there are sufficient samples to meet the conditions for the proportional stratified random sampling method, the representativeness is low. The next research direction needs to expand the scope and scale of the research to propose new factors to complete and develop a research model with a more practical application of science.

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