An Analysis of Factors that Influence the Income of Poor Women: A Research Survey in Ho Chi Minh City of Vietnam

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Abstract

Poverty reduction is one of the most important national targets in development all over the world. Real evidence shows that women play a significant role in poverty reduction in developing countries. Researching in loan program for poor women in the Vietnam bank for social policies in Binh Tan district, Ho Chi Minh City shows that income of poor women is impacted by some factors like number of dependent people in family, income before loaning, number of educational years, value of loan... The factor having the most impact is income before loaning while value of loan factor has a very little impact.

Keywords: poor women, income, Ho Chi Minh City.
1. Introduction

Women play an important role in improving their family income. One question is whether loaning with low interest could help them escape from poverty effectively or not. This article concentrates on analyzing the factors having impact of poor women income after loaning from the Vietnam bank for social policies in Binh Tan district, Ho Chi Minh city. Results of this research could be good reference for conducting credit programs more effectively to the poor people in general and the poor women in particular.

2. Theoretical basis

According to Michael Todaro, a popular feature of poor people is low living standard and this standard is closely related to their low income. Low living standard is expressed through main aspects: lack of essential commodities in living, lack of educational, medical and other social services. Low living standard is not only the result but also the source causing persistent poverty which is very difficult to escape. This is a popular cycle of poverty in developing countries: low income leads to low living standard, low living standard leads to limited education, bad nutrition and bad health, multiple births, low savings; all leads to low investment, low labor productivity, bad working attitude, high ability of unemployment and finally, all leads to low income again. This cycle is repetitive year after year.

According to a Japanese economist, Harry T. Osima, one of the important solutions helping poor people is to provide them with preferential capital. So, the government should consider credit institutions supplying poor people capital with low interest. If the poor have capital from these institutions easily, they can invest to produce more or do business so as to increase their income and escape poverty efficiently.

In Vietnam, many reports show that most of the poor live in rural areas. They often have no or very little asset, capital, and experience. Lack of working skills, unemployment or irregular job are very popular with them. So, they are very vulnerable to common risks like diseases, accidents; natural disasters (crop failure, drought, flood…); unstable price of agricultural products; irregular jobs… Notably, the vulnerability is observed more clearly in the family owned by women.

In order to help the poor, the first thing is to improve their income. The popular features of the poor are low education, lack of working skills and irregular jobs while their income depends a lot on these features. Therefore, most of them have low income and irregular job. To make them improve income, it is necessary to create for them or help them create a new suitable job which can support themselves and their families. One of the popular way to create a new job is provide
the poor with a loan so that they can create a job by themselves because only they know the best which job is really suitable.

In Todaro’s opinion, in general, most women in developing countries have bad affect from poverty. They have much lower income than men. It is easier for the families owned by women to become poor and they are also the poorest families. The reason of this statement is directly related to the status and role of women in society. Women must be charged of household chores and it makes them not have enough time to earn money. By the way, in some developing countries, women have little chance to study, so they can not have enough ability to apply for a high – salary job requiring a high level of education and in almost case, women are usually paid much lower men with the same position in working. Moreover, many women have no right to own land, capital and technology which makes their production become more inefficient. Therefore, poverty reducing policies should be considered more about poor women by “efforts to improve the status of women in society”, include giving them opportunity to access to education, find out suitable job and own basic production factors like capital, land, technology…

In Vietnam, according to the report “Globalization, gender and employment in transition economies: the case of Vietnam” (2006) written by UNDP, there is no great inequality in gender relation in many aspects such as age, health, nutrition, employment and freedom of movement… However, the imbalance in gender about responsibilities in family work can make the inequality increase in some way. Vietnamese women must be responsible for most of household chore, taking care of children. It puts them in such high pressure that they cannot have enough time to work outside their house to earn money or apply for a well paid job. The limitation in economic choice causes the problem that it is easier for the families owned by women to become poor than another families.

Thus, it is very necessary to concentrate on women in the battle to reduce poverty. If women receive initial capital support, they can escape their poverty more quickly and efficiently than man because of their better abilities in savings money and doing business in household scale.

3. Research method and data sources

3.1. Research method

This article uses both qualitative and quantitave method to analysis. Qualitative method analysis statement, causes of poverty and loan situation of poor women who participate in preferential credit program of the Vietnam bank for social policies in Binh Tan district, Ho Chi Minh City. Quantitative method applies regression econometric model to evaluate impact of
different factors on prospects for escaping poverty of these women and testing the reliability of the results.

3.2. Data sources

Secondary data bases on two sources: the first is results of the investigation about situation of poor people in Vietnam and Ho Chi Minh city in 2004 – 2010 conducted by Vietnamese Government Statistics Office (GSO) and some international organizations; the second is loaning situation data of the Vietnam bank for social policies in Binh Tan district, Ho Chi Minh city (VBSP). Primary data is collected from direct survey by questionnaire. 200 samples are taken from the customer list provided by VBSP. All collected data is processed by SPSS software.

4. Study results and discussion

4.1. An overview of the preferential credit program of the Vietnam bank for social policies in Binh Tan district, Ho Chi Minh city for poor women

Binh Tan district is a new district established in Ho Chi Minh city in 2003 with the population of 620,000 people (31/12/2011). This area has developed from agriculture and has had a lot of immigrants from another provinces. So, poverty situation is still very popular there. At the end of 2011, the number or poor family in Binh Tan district is 3,287 households with 15,285 demographic (accounted for 2,02% population).

The preferential credit program for poor women is one of many preferential credit programs for poor people who lack of capital of VBSP. In Binh Tan district, the outstanding loan of this program accounts for the largest proportion in total loan of this bank in 2011.

<table>
<thead>
<tr>
<th>Table 4.1. Outstanding loans of the preferential credit program for poor women in VBSP in Binh Tan district, Ho Chi Minh city</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>Total loans (millions USD)</td>
</tr>
<tr>
<td>Number of borrowers</td>
</tr>
</tbody>
</table>

Sources: Report of VBSP in Binh Tan district, Ho Chi Minh city

This table shows that there is an upward trend in both total loans and number of borrowers. To 31/12/2011, the loan from this program accounts for 44,45% total loan in VBSP. The value of every loan is between 240 to 1,430 USD. This program has probably developed well base on these figures.
4.2. Regression model and discussing results of model

4.2.1. Describe data from sample

The sample includes 200 women who joined in this program. The list of them is randomly taken from the 5000 ones - customer list of VBSP. Survey is conducted directly in house of these women following to the attached addresses on the list. This survey shows us some important results:

Firstly, in quantity, with the initial 200 women list, we find that there are 34 the same addresses (17%). It means that in a same address, there are more 2 people taking part in this program but in fact that there is one person joining it. On the other hand, there are 125 addresses (62.5%) do not exist or people in that address said that they did not know this program. So, we just find out 41 women who participated in this program by the initial list. After that, we must add 45 other addresses to find enough 50 observations for analysis by regression model. In summary, there are only 50 women on the list including 245 addresses of VBSP (20.04%) involved in the preferential credit program for poor women of VBSP. Moreover, many of them said that the real value of their loan was much lower than the value on book of VBSP.

Secondly, the activity of savings and loan local groups, one of the important parts of this program, also has many problems. All women taking part in this program must join in a savings and loan group in local as a required term. The main purposes of this group are to help poor women share and help together in doing business, manage the use of capital... But the fact is most of these groups have no or little helping activity in long term.

Thirdly, this study also expresses some features of poor women who borrowed loan from this program:

About age, their averaged age is 45.42. 66% of them is between 30 and 50 years old, 32% is over 50 years old and only 1% is under 30 years old.

About education, most of them have a middle education. 48% used to study in secondary school, 22% in high school and 28% in primary school...

About job, there are 3 popular jobs is business, worker and doing household chores. The group doing business is the most popular (56%) while worker group and doing household chores group have the same proportion (10% for each group).

About number dependent persons in family, 48% women have under 2 dependent persons, 42% have from 3 to 4 persons and 10% have over 4 persons. These dependent persons are people under 18 years old or people cannot work to support themselves.
About income, which connects closely to income, averaged income of poor women before loaning is 135 USD per month per person (or 1,620 USD per year per person).

About employment before loaning, there are 66% of them have a regular job, 20% have an irregular job and 14% have no job to earn money.

In conclusion, these results actually show that this program has some serious problems which cause the significantly differences between report of the bank and results of this survey. It may make a lot of questions about the real transparency and efficiency of this program, especially in evaluation and management of loan application.

4.2.2. Regression model and discussing results of model

To explore factors having affect on women’ income after loaning, the authors built a regression model including one dependent variable (income after loaning – INC2) and six dependent variables (age – AGE, number of education year – EDU, number of dependent person in family – DEP, helping from family – HELP1, helping from VBSP – HELP2, value of loan – LOAN). Model is as follows:

\[ \text{INC2} = a \cdot \text{AGE} + b \cdot \text{EDU} + c \cdot \text{DEP} + d \cdot \text{HELP1} + e \cdot \text{HELP2} + f \cdot \text{LOAN} \]

INC2: averaged month per month after loaning (unit: million VND)

List of independent variables:

<table>
<thead>
<tr>
<th>Name of variable</th>
<th>Explanation</th>
<th>Unit</th>
<th>Expectation impact trend on INC2</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGE</td>
<td>Age of borrower</td>
<td>Year</td>
<td>Trend (-), the younger woman is, the more income they can earn because the younger women have better health and working ability.</td>
</tr>
<tr>
<td>EDU</td>
<td>Number of education year, including basis and vocational education</td>
<td>Year</td>
<td>Trend (+), women having high level of education can have enough ability and knowledge to work more efficiently.</td>
</tr>
<tr>
<td>DEP</td>
<td>Number of dependent persons who are under 18 years old or cannot work to support themselves</td>
<td>Person</td>
<td>Trend (-), having lots of dependent persons can limited ability to work and make women’s income decrease.</td>
</tr>
<tr>
<td>HELP1</td>
<td>Evaluating the level of family support in the job created by loaning</td>
<td>1  5 following Likert scale</td>
<td>Trend (+), the higher level support, the more income they have.</td>
</tr>
<tr>
<td>HELP2</td>
<td>Evaluating the level</td>
<td>1  5</td>
<td>Trend (+), the higher level support, the</td>
</tr>
</tbody>
</table>
family support in the job created by loaning following Likert scale more income they have.

| LOAN | Value of loan from this program | Million VND | Trend (+), the more loan they borrow, the more ability they can create well – paid job. |

*Correlations procedure* of SPSS software said that AGE and HELP2 have very little correlations with INC2. So, model 1 has only 4 variables – EDU, DEP, HELP1, LOAN. Result of model 1 is as follows:

<table>
<thead>
<tr>
<th>Model 1</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>-1.625</td>
<td>1.667</td>
</tr>
<tr>
<td>EDU</td>
<td>.154</td>
<td>.095</td>
</tr>
<tr>
<td>DEP</td>
<td>.091</td>
<td>.297</td>
</tr>
<tr>
<td>HELP1</td>
<td>.636</td>
<td>.291</td>
</tr>
<tr>
<td>LOAN</td>
<td>.210</td>
<td>.103</td>
</tr>
</tbody>
</table>

This model has a very low $R^2$ (just 0.291) although all model is statistically significant with Sig.value of 0.1 (F-test has Sig.value 0.003). Therefore, an important variable is probably missed and the chosen model is not suitable.

Model 2 is built to solve problems of model 1. Model 2 still includes 2 variables from model 1 which are EDU and DEP. LOAN is changed into LOANS - Squared value of loan from this program. This model also is added a new variable – INC1 – Averaged income before loaning per month (unit: million VND). Model 2 is as follows:

<table>
<thead>
<tr>
<th>Model 2</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
</tr>
<tr>
<td>(Constant)</td>
<td>-0.906</td>
<td>.557</td>
<td>-1.627</td>
<td>.111</td>
</tr>
<tr>
<td>DEP</td>
<td>.364</td>
<td>.119</td>
<td>0.160</td>
<td>3.070</td>
</tr>
<tr>
<td>INC1</td>
<td>1.125</td>
<td>.068</td>
<td>0.887</td>
<td>16.467</td>
</tr>
<tr>
<td>EDU</td>
<td>.071</td>
<td>.037</td>
<td>0.104</td>
<td>1.887</td>
</tr>
<tr>
<td>LOANS</td>
<td>.004</td>
<td>.002</td>
<td>0.111</td>
<td>2.108</td>
</tr>
</tbody>
</table>
This model has a very high $R^2$ (0.887) which proves that independent variables in model 2 can explain 88.7% for the fluctuation of income after loaning. All model as well as all independent variables are statistically significant with Sig.value is 0.1 (F-test has Sig.value 0.000). So, model 2 is quite good to explain most of impacts having affect on poor women’s income after loaning. Here is the final result of model 2:

$$\text{INC}_2 = -0.906 + 0.364\text{DEP} + 1.125\text{INC}_1 + 0.071\text{EDU} + 0.004\text{LOANS}$$

There are some significant meaning from the result of model 2:

Firstly, income after loaning of poor women borrowing from this program is proportional to number of dependent persons, number of education year, averaged income before loaning per month and squared value of loan. While the impact trend of 3 factors - number of education year, averaged income before loaning per month and squared value of loan - is the same with initial expectation, the one of factor number of dependent persons is opposite to initial expectation. It may be because of the special nature of their work. Most of these women have simple manual work at home which can help them earn more money if they have help from family. It can be that having many dependent persons is also mean having more help in working. Simultaneously, having many dependent persons in family gives them a strong motivation to work hard to support their family.

Secondly, women’s income before loaning is the factor having the strongest effect on their income after loaning. It proves the fact that people who can earn more money before loaning have more ability to improve their income effectively after that. The reason for that is probably they are able to use capital better the others.

Thirdly, loan – the only factor from the preferential credit program for poor women – is the factor having the most minimal impact on their income after loaning. Although the trend of LOANS factor shows that this impact gradually increases following to amount of loan, it still very little in model 2. It seems quite similar to the theoretical basis, the loan has influence on women’s income after loaning as a start to do business by themselves and everything then is completely dependent on their ability to use capital. Do not misunderstand that the amount of capital plays the most important role in the improvement of poor women’s income. It implies that the way to help poor people more effectively is provide them with opportunities to improve their individual capacity in working and tell them how to set up and develop their small business, "give a fishing rod instead of fish".
4.2.3. The impact of credit programs for poor women of VBSP in Binh Tan District, Ho Chi Minh city

Firstly, economical impact on poor women

The main purposes of loaning are to use capital to start a small business at home or expand an available one from the previous time, accounting for 54% of 50 observations in this survey. The next purpose is to buy new materials to produce in small scale at home like incense instruments, sewing machines, over lock machines, washing machines… These two purposes are good ones because they can easily supply for poor women a suitable job without requiring high level of education or technology. However, there is also 14% of borrowers using their loan for wrong purposes which do not create any job and generate income. The averaged value of loan for every women is 500 USD, the minimum is 240 USD and the maximum is 1,000 USD.

After loaning, mostly their employment and income status are significantly improved. There are 82% of observations having a regular job, 12% having irregular job and only 6% having no job. The averaged income also increases substantially with 210 USD per month per person. Moreover, group of women who have regular jobs also has higher income than another group, reaching 230 USD per month. In contrast, widow group has the less increase in their income, just 130 USD per month.

In general, all economical aspects of poor women after loaning are markedly improved. Many women have created a suitable job from this loan and increased their income. This is consistent with the theoretical about positive impact of providing capital on improving women poverty.

Secondly, psychological impact on poor women

This impact mainly comes from increasing poor women’s opportunities in participating in local social activities because of this program. According to the provisions in the contract with VBSP, poor women must join a group including local people who have taken a loan from VBSP before loaning, called Saving and Loaning Group (SLG). The responsibilities of this group is to choose new borrowers through public commentary, managing the using of loan of group’s members, collecting monthly interest and principal on behalf of VBSP. This is also a place for old and new borrowers sharing their working experiences and helping together. All of these activities can give poor women a chance to contribute their idea for community, improve their knowledge and social status and encourage them to escape poverty. However, results of this survey shows that the frequency of joining social activities after loaning has no improvement, only remaining at 32%. Most of these women have joined in social activities for a long time because they have
some position in local government. There are 74% of 50 observations said that they did not receive any support from their SLG or VBSP except for the loan. 16% said that they had a very little help, 10% had a common help. Nobody received a lot of support from VBSP. These could have limited a lot of positive psychological impact which poor women should have received from this program. VBSP probably considers just about lending and collecting interest and principal while another important aspects of loaning like consulting, helping borrowers build their business plan, monitoring the use of capital… are being neglected. Therefore, some of borrowers said that they might not be the poor, they just joined this program because of its low interest. In this case, it is impossible to make purposes and meanings of this program become real. In conclusion, psychological impact from loaning on poor women is negligible because they do not received enough support from VBSP and SLG.

5. Conclusions and policy implications

Firstly, VBSP should evaluate the effect of this program basing on targets which really show the improvement poverty like employment, income after loaning instead of the number of borrowers or total loaning. These targets can give a true information about impacts of loaning on increasing income and escaping poverty of participants.

Secondly, the individual capacity in working plays an important role in improvement poverty of poor women. So, it is very necessary to help them gain this capacity through many ways. For example, organizing some short – term classes in local to train them how to use capital effectively, do their own business in small scale, manage their family finance; providing fund for them to learn working skill (sewing, embroidery, animal husbandry, horticulture, handicrafts…) in local small production facilities; popularizing examples of women who are successful in business to other women…

Thirdly, process of evaluation and management borrower’s profile need to be reviewed carefully. The regulation of loaning also needs to be more strict to avoid the fraud bellowed. All these work should be done frequently by an independent monitoring group, including regular one and irregular. Besides, it is necessary to reorganize the activities of SLG.

Finally, loaning through local political organizations needs to be adjusted. At present, loaning through local political organizations is increasing because it can help VBSP save much cost and time. However, it also has some disadvantages like making the informative distance between VBSP and borrowers increase, most of staff in loaning local political organizations have no working skill in loaning but they have to be responsible for many parts of loaning process. To make loaning through local political organizations more effective, VPSB should have suitable
training for these staff and let staff of VBSP cooperate closely with the staff in local political organizations. Moreover, it would be better if there is a cross-checking mechanism between two sides to keep this program transparent and efficient.

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