

The Impact of Social Capital on Credit Access for Poor Women in Ha Tinh, Vietnam

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Abstract

Access to credit plays a crucial role in the economic development of poor women. Social capital is a significant factor in augmenting loan amounts for impoverished women to increase credit access. A comprehensive assessment of the impact of social capital on poor women's credit access is imperative. This study utilizes survey data from 114 impoverished women in Ha Tinh province, combined with Ordinary Least Squares (OLS) regression, to ascertain the influence of social capital on poor women's credit access. The research findings reveal that social capital significantly impacts poor women's credit access through three dimensions: formal networks, informal networks, and trust. Moreover, the study demonstrates that loan characteristics and the attributes of borrowers and households also substantially influence poor women's credit access in Ha Tinh province, Vietnam.

Keywords: Credit Access, Social Capital, Poor Women, Ha Tinh, Vietnam.

1. INTRODUCTION

Economic development and poverty reduction have been enduring goals of nations worldwide. To achieve these objectives, countries have consistently sought to allocate credit resources effectively to stimulate self-reliance among impoverished households. Expanding access to credit is an indispensable component of poverty alleviation efforts in low-income countries. At the macroeconomic level, credit constraints contribute to persistent income inequality and decelerated economic growth. At the microeconomic level, limited credit can adversely impact the income and welfare of households, particularly the poor (Boucher et al., 2009). Moreover, credit access for impoverished households is often hindered by a lack of collateral, illiteracy, or elevated default risks (Okten and Osili, 2004).

The term "social capital" has been prevalent in the global lexicon for a considerable period (Baker, 1990; Bourdieu, 1986; Coleman, 1988; Fukuyama, 2001, 2002; Halpern, 2005; Lin, 1999, 2001; Portes, 1998; Putnam, 1995, 2000), yet it remains relatively novel within the Vietnamese context. To date, social capital is recognized as a resource that intertwines shared values and knowledge within a society, facilitating trust, cooperation, and mutual support among individuals and

organizations. It catalyzes shared development and the creation of collective value (Coleman, 1988; Bourdieu, 1986; Lin, 2001; Portes, 1998). Social capital is a vital resource for fostering sustainable livelihoods for all workers (Woolcock and Narayan, 2000; Grootaert, 1999). By accessing social capital, individuals and households can enhance their income and improve both their material and spiritual well-being. The significance of social capital in household economic development is undeniable. While it was previously overlooked, social capital has become a focal point of scholarly inquiry due to its indispensable role in human life (Putnam, 1995, 2000). Social capital has exerted profound influences on economics, politics, and the lives of individuals, particularly the impoverished. The close-knit relationships among family members, friends, and sociopolitical organizations have empowered the disadvantaged with the motivation, knowledge, and resources necessary for personal and household economic advancement (Coleman, 1988).

The relationship between social capital and access to financial resources has been a persistent focus of scholarly inquiry. There is a particular need to promote access to credit for marginalized groups such as poor women and other disadvantaged workers. This is especially pertinent given the numerous challenges faced by Vietnamese women, particularly impoverished rural women in Ha Tinh province. Consequently, this paper delves into an evaluation of the impact of social capital on credit access, as measured by the amount of formal credit obtained by poor women in Ha Tinh, Vietnam. The objective is to identify strategies to enhance credit accessibility for poor women in Ha Tinh and, more broadly, for disadvantaged populations across Vietnam, thereby fostering sustainable economic development and successful poverty reduction.

2. LITERATURE REVIEW

Numerous studies on the impact of social capital on credit access have demonstrated a positive correlation between the two. Ajam and Tijani (2009), for instance, highlighted the role of social capital in accessing microcredit in Ekiti State, Nigeria, and found that it had a positive influence on microcredit access. Key factors influencing microcredit access included the number of associations households belonged to and their monetary and labor contributions to these groups. The research indicated that participation in social networks and associations improved households' credit access. Heikkilä et al. (2009), in a Ugandan case study, corroborated the positive impact of social capital on credit access. However, they found that the relationship between interpersonal trust and loan access was insignificant. Lawal et al. (2009), in a study of cocoa-farming households in Nigeria, showed that associations and networks served as mechanisms for accumulating social capital. The research demonstrated that an increase in one unit of social capital increases these households' access to credit. Guison et al. (2004) examined the role of social capital in financial development in Italy, revealing that households in regions with high social capital were more likely to access formal credit than informal sources. Talavera et al. (2012) investigated the impact of social capital on bank credit access in China. Their

nationwide survey found that entrepreneurs who engaged in more social activities were more likely to secure loans from commercial banks. Moreover, they discovered that members of political parties had greater access to state-owned banks. To obtain loans from specific types of banks, individuals needed to participate in relevant social networks. Okten and Osili (2004), studying how family and community networks influenced individuals' credit access with credit institutions, emphasized the crucial role of communities in providing information, which reduced customers' search costs and lending institutions' monitoring and enforcement costs. They argued that these networks were instrumental in helping individuals identify lending sources and in facilitating credit decisions by financial institutions. Bourdieu (1986) defined social capital as a resource provided by members of a group.

Other studies, however, concentrate on distinguishing factors influencing credit access, such as loan characteristics or individual and household attributes, specifically:

Loan characteristics such as interest rates, collateral, and purpose can significantly influence household access to credit. In their study, Fuchs and Beck (2004) found a positive impact on credit access among farm households by interest rates, arguing that higher interest rates increase the cost of borrowing. In contrast, Tra and Lensik (2007) concluded that households with substantial collateral and a business-oriented purpose for borrowing are more likely to access formal credit due to increased trust from financial institutions.

Individual and household characteristics: Women's access to credit is influenced by various factors, including income and occupation. Numerous studies have explored the characteristics of poor women and their ability to access suitable credit options. Campbell and Mankiw (1989) assert that income has a positive impact on credit access, as higher income levels ensure the capacity to repay loans. Okten and Osili (2004) demonstrated in their research that the distance from home to the credit institution negatively affects credit access, as greater distance increases the monitoring and screening costs for credit institutions.

In summary, based on a review of previous scholarly research, the components of social capital identified in this study are formal social networks, informal social networks, and trust. Indicators to measure these social capital components are derived from the theoretical framework of social capital measurement. Previous studies have demonstrated that social capital has a positive effect on access to credit. Additionally, some research has measured the impact of other factors, such as individual and household characteristics and loan characteristics, on rural households' credit access.

3. RESEARCH METHODOLOGY AND RESEARCH MODEL

3.1. Overview of the study area

Ha Tinh province, situated in the North Central Coast region of Vietnam, borders Nghe An to the north, Quang Binh to the south, Laos to the west, and the East Sea to the east, with a coastline

spanning 137 kilometers. Encompassing an area of over 6,000 square kilometers and a population of approximately 1.3 million, Ha Tinh has experienced significant changes in poverty rates over recent years. According to reports from the Ha Tinh People’s Committee, the number of poor and near-poor households fluctuated between 2020 and 2023. Notably, there was a decrease in both poor and near-poor households from 2020 to 2021. In 2020, there were 13,412 poor households and 16,462 near-poor households in Ha Tinh province. By 2021, these numbers decreased to 11,566 and 15,675, respectively, as reported by the Ha Tinh People’s Committee. From 2022 to 2023, this downward trend continued in 2022 and 2023, attributed to the provincial government’s sustained efforts in implementing the National Target Program on poverty reduction. In general, access to credit for poor women in Ha Tinh province has been highly effective, accurately targeting the needs of individual households and women. The Ha Tinh Party Committee and People’s Committee have implemented well-designed plans and targets to facilitate this progress. Field surveys conducted at the community and household levels revealed tangible improvements, including enhanced infrastructure, renovated housing for poor households, increased employment opportunities and stable incomes, and greater participation in social activities among women.

3.2. Data collection method

Quantitative data were collected through a survey administered to impoverished women in districts, towns, and cities across Ha Tinh province. A cluster sampling technique was employed to ensure geographic representativeness and statistical significance. Following Tabachnick and Fidell (1996), a minimum sample size of $N \geq 8k + 50$ was calculated for regression analysis, where N represents the sample size and k is the number of independent variables. Given eight independent variables in this study, a minimum sample size of 114 observations was required. Consequently, a larger-scale survey was conducted, with a minimum sample size of 150 impoverished women across 13 districts, towns, and cities within the province. The sample size for each district/city/town was determined proportionally based on the population. After data cleaning to remove incomplete observations, the final analysis included 114 observations, representing 76% of the original sample. Detailed results are presented in the table below.

Table 2. Statistical Table of Female Poverty in Ha Tinh Province

No.	Area	Quantity	Proportion
1	Cam Xuyen District	13	11.4%
2	Can Loc District	12	10.5%
3	Duc Tho District	9	7.9%
4	Huong Khe District	9	7.9%
5	Huong Son District	8	7.0%

No.	Area	Quantity	Proportion
6	Ky Anh District	9	7.9%
7	Loc Ha District	8	7.0%
8	Nghi Xuan District	8	7.0%
9	Thach Ha District	10	8.8%
10	Vu Quang District	3	2.6%
11	Ha Tinh City	16	14.0%
12	Hong Linh Town	5	4.4%
13	Ky Anh Town	4	3.5%
Total		114	100.0%

Source: Survey results from 114 impoverished women in Ha Tinh province.

3.3. Analysis method

Qualitative research was conducted through interviews with experts, credit officers, and government officials to explore factors influencing credit access among poor women in Ha Tinh province, Vietnam, and to refine the measurement scale and questionnaire. Quantitative research employed ordinary least squares (OLS) regression analysis to test hypotheses and models. Quantitative data were analyzed using SPSS 26.0.

3.4. Research model

Building upon the qualitative findings of this study and drawing on the previous research of Okten and Osili (2004), Heikkilä et al. (2009), Fuchs and Beck (2004), Tra and Lensik (2007), Phan Dinh Khoi (2013), and Campbell and Mankiw (1989), the author develops a model to assess the impact of social capital on credit access among poor women in Ha Tinh province, Vietnam, as follows:

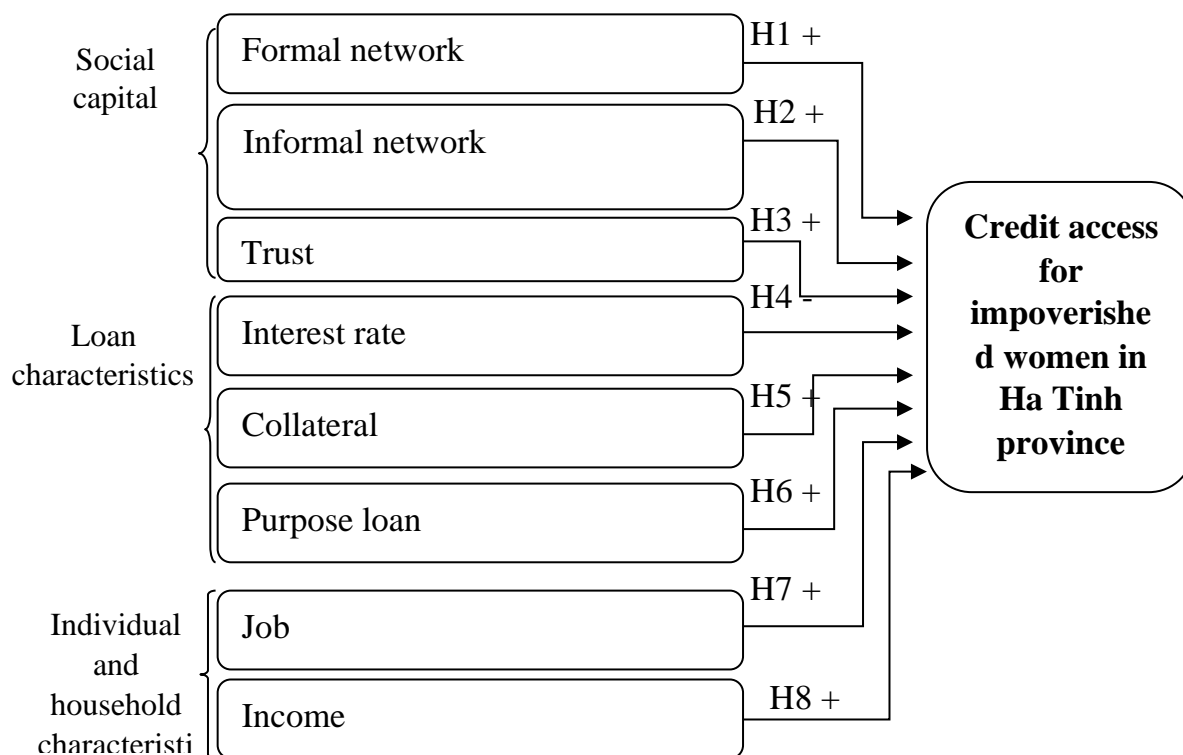


Figure 1. Proposed research model

Source: Proposed by the author group

The proposed factors and scales have received substantial support from experts, as evidenced by the qualitative research findings. Detailed scale results are provided in Table 1.

Table 1. The Proposed Measurement Scale For The Factors

Variable name	Notation	Expectation sign	Description	Source
The amount of formal credit accessed by impoverished women	LNtindung		Natural logarithm of the total amount of formal credit accessed by poor women.	
Social capital				
Formal networks	Formal_net	+	The number of groups, organizations, and associations in which poor women participate in.	Okten and Osili (2004)
Informal networks	Informal_net	+	The number of individuals prepared to assist during difficult circumstances.	Okten and Osili (2004)
Trust	Trust	+	Dummy variable, coded as 1 for 'no trust', 2 for 'uncertainty', and 3 for 'trust'.	Heikkilä et al. (2009)
Loan characteristics				
Interest rates	Interest_rate	-	Interest rate on borrowed capital (Unit: %)	Fuchs and Beck (2004)

Variable name	Notation	Expectation sign	Description	Source
Collateral	Collateral	+	Collateralized asset value	Tra and Lensik (2007)
Loan purpose	Purpose_loan	+	Dummy variable, equaling 1 if the loan is for production or business purposes, and 0 for other purposes.	Tra and Lensik (2007)
Individual and household characteristics				
Job	Job	+	Dummy variable, equaling 1 if employed, 0 if unemployed	Phan Dinh Khoi (2013)
Income	Income	+	Annual household net income (Unit: 1,000VND)	Campbell and Mankiw (1989)

Source: Compiled by the author

4. RESEARCH FINDINGS

4.1. Descriptive statistics

Of the total 246 livestock farming households/farms in Binh Duong province, a majority of 86.6% were headed by males, with the primary age group ranging from 30 to under 50 years old, accounting for 74.4%. Moreover, the majority of farm owners possessed at least an intermediate-level education and above. The specific characteristics of the sample are detailed in Table 2.

Table 2. Descriptive Statistics of The Survey Sample

		Mean	Standard Deviation	Count	Percentage
Age of the borrower (Age)		44.6	11.1		
Household scale (hh_size)		5.5	1.6		
Borrowers' educational level (Education)		7.4	3.6		
Household income (Income)		61.951	29.505		
Household head (Hh_head)	Non-household head			94	82.5%
	Household head			20	17.5%
Ethnicity (ethnic)	Others			44	38.6%
	Kinh ethnic group			70	61.4%
Marital status (marital_status)	Unmarried			15	13.2%
	Married			99	86.8%
Job (Job)	Unemployed			34	29.8%
	Employed			80	70.2%

Source: Analysis of survey results

The sample of 114 poor women surveyed in Ha Tinh province exhibited a mean age of 44.6, indicating a relatively advanced age for borrowers. The average household size of these women was 5.5 members, which is considered quite large. The educational attainment of the borrowers was relatively low, with an average of only 7.4 years of schooling. The average household income was approximately 61.951 million VND per year. A significant majority (82.5%) of the poor women were non-household heads. Moreover, the Kinh ethnic group constituted the largest proportion (61.4%) of respondents. The majority of the surveyed women were married (86.8%). Notably, a high unemployment rate of 29.8% was observed among the sample. Based on the survey findings, the characteristics of the sample are quite representative of poor women in both Ha Tinh province and Vietnam as a whole.

4.2. The influence of social capital on credit accessibility

After filtering the data to include 114 observations from poor women in Ha Tinh who had accessed formal credit, a linear regression analysis was conducted to assess the impact of various factors on the value of formal credit loans obtained by these women in Ha Tinh province. The results are as follows:

Table 4.16. Ordinary Least Squares (OLS) Regression Model Estimation Results

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	8.375	0.460		18.189	0.000		
	Formal_net	0.149	0.063	0.119	2.380	0.019	0.682	1.466
	Informal_net	0.153	0.088	0.081	1.743	0.084	0.802	1.247
	Trust	0.167	0.085	0.090	1.963	0.052	0.813	1.230
	Interest_rate	-24.454	7.529	-0.213	-3.248	0.002	0.399	2.508
	Collateral	0.024	0.001	0.781	17.854	0.000	0.897	1.114
	Purpose_loan	0.242	0.121	0.085	1.993	0.049	0.944	1.059
	Income	0.017	0.004	0.364	4.701	0.000	0.286	3.497
	Job	0.525	0.190	0.171	2.758	0.007	0.447	2.235
Model Summary				ANOVA ^a				
Adjusted R Square			0.806	F	59.748	Sig.	0.000 ^b	

a. Dependent Variable: LnTD

Source: Survey findings from 114 poor women in Ha Tinh who have accessed credit

The model fit was assessed using an adjusted R-squared, which was found to be 0.806. This indicates that 80.6% of the variation in successful entrepreneurship can be explained by the independent variables in the model. The F-statistic was highly significant (F = 59.748, p < 0.01),

providing strong evidence that the model is a good fit for the data. In other words, the independent variables are linearly correlated with the dependent variable, and the model is reliable at the 99% confidence level.

Based on the regression results, the final column (VIF) for multicollinearity diagnostics indicates that all VIF values are less than 5. Therefore, there is no evidence of multicollinearity among the independent variables.

Regression results reveal that social capital measures, including formal networks (Formal_net), informal networks (Informal_net), and trust (Trust), exert a positive influence on the value of formal credit loans for poor women in Ha Tinh province. Specifically, formal networks are significantly associated with loan values at the 95% confidence level, while informal networks and trust are significant at the 90% level. Loan characteristics also significantly impact the value of formal credit loans for poor women in Ha Tinh province at the 95% confidence level. Interest rates (Interest_rate) exhibit a negative relationship, whereas collateral (Collateral) and loan purpose (Purpose_loan) have a positive relationship with the value of formal credit loans. Among borrower characteristics, both job (Job) and income (Income) have a positive impact on formal credit loan values at the 99% confidence level.

5. DISCUSSION

This study employs a linear regression model to assess the impact of social capital, encompassing formal networks, informal networks, and trust, on credit access among poor women in Ha Tinh province. Additionally, the research delves into the specific characteristics of loans, borrowers, and households that influence the credit access of poor women in Ha Tinh province. Credit access is operationalized as the amount of credit obtained by poor women from formal credit institutions.

The research results indicate that formal networks, informal networks, and trust have a positive impact on the value of formal credit loans among poor women in Ha Tinh province. These findings align with previous studies by Okten and Osili (2004) and Heikkilä et al. (2009). Consequently, it can be asserted that increased social capital enhances the formal credit access of poor women in Ha Tinh province.

A survey of 114 poor women in Ha Tinh province revealed that all participants were members of at least one social organization. Involvement in formal social networks such as women's associations, farmers' associations, or religious organizations facilitated information exchange regarding credit access. The interconnectedness and interactions within these networks enabled members to share information about the regulations and procedures of various credit institutions, thereby enhancing their ability to access formal credit. Furthermore, membership in women's or farmers' associations allowed households to obtain loans from the Policy Bank through the

guarantee mechanisms provided by these organizations, increasing their chances of securing formal credit.

For financial institutions, transaction costs, including the costs of monitoring and screening borrowers, are significant determinants of lending decisions. Consequently, banks often mitigate risk by limiting lending to clients about whom they have comprehensive information. While social capital plays a crucial role in accessing formal credit, collateral is another essential factor in securing loans. Formal financial institutions, particularly banks, typically require collateral as a precondition for lending. Poor women with assets to pledge as collateral are more likely to obtain loans, a finding consistent with previous research by Tra and Lensik (2007). Furthermore, interest rates are a significant concern for poor women seeking loans. Given their often precarious economic conditions and unstable incomes, the cost of borrowing can significantly impact their ability to repay loans. High interest rates can reduce both repayment capacity and formal credit access, supporting the findings of Fuchs and Beck (2004). Additionally, the presence of stable employment and higher household income among poor women positively influences their ability to repay loans. Consequently, individuals with stable employment and higher-income households are more likely to secure loans. This finding aligns with previous research by Phan Dinh Khoi (2013) and Campbell and Mankiw (1989).

6. CONCLUSION

This study presents descriptive statistics and data analysis from a sample to investigate the impact of social capital on formal credit access among poor women in Ha Tinh province. The estimated regression models support the hypothesis that social capital significantly influences poor women's ability to access formal credit in Ha Tinh. However, beyond social capital, other factors such as interest rates, collateral, loan purpose, job, and income also affect the probability of accessing formal credit. Notably, interest rates exhibit an inverse relationship with credit access among poor women. Higher interest rates increase the cost of borrowing, thereby burdening borrowers with higher debt repayments and deterring them from seeking loans. Moreover, a higher risk of default or the uncertainty of loan repayment may make banks hesitant to lend. Although government regulations exempt poor households from collateral requirements, the need to borrow through associations necessitates formal membership, potentially hindering access for some. In instances where collateral is required, a clear inverse relationship emerges. Conversely, job and income demonstrate a positive influence on the value of loans accessed by poor women in Ha Tinh. Based on these findings, the study proposes policy implications to enhance credit access for poor women in Ha Tinh.

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