

## Financial Inclusive banking

*A social Bank to Ensure Happiness and Social Safety Net for the Poor*

*Taking Banking to the Unbanked*

### Introduction

VBSP being a government vehicle to undertake the government's poverty alleviation programs, it required a full spectrum financial inclusive Banking product with capability to support its large volumes and micro-finance features. Innovation to include micro-finance features and offline model for transaction points are the key aspects.

In view of this VBSP has undertaken the modernization of its Technology platform so that:

- ❖ The reach and spread of VBSP is not limited by limitations of its Technology platform
- ❖ The technology platform eliminates or minimizes the operational inefficiencies
- ❖ The system should allow complete visibility of the utilization of the funds.

With the successful completion of the project, VBSP has successfully achieved the above targets and is now poised for efficient growth.

### About the Client

VBSP renamed Vietnam Bank for Social Policies (VBSP) in March 2003, and started to develop its own network of branches, while serving a much broader population including students, disable people, and micro and small entrepreneurs. VBSP was established to take over the poverty targeting program run by VBARD and consolidate all governmental programs lending to the poor and other vulnerable social groups.

VBSP operates under the Law on Credit Institutions and is supervised by the State Bank of Vietnam. It is fully guaranteed by the government for its solvency, funding, and deposit insurance.

VBSP has only 692 physical branches but has 11,000+ Transaction points where 70% of its total transactions volume is carried out.

### The Business Requirement

VBSP needed a Core Banking platform, which would provide the benefits of a Centralized Core Banking solution as well as the flexibility of a distributed system catering to the special needs of Inclusive Banking. The Project had the objective of building a Technological platform that can help the bank expand its Inclusive Banking to every corner of Vietnam. Following were the key objectives of the Project.

1. The system should allow the bank to easily expand to new remote regions without the need for setting up a Physical branch.

2. The system should increase the productivity of the employees. The offline-inclusive banking solution should allow three staff members to setup a temporary bank branch in the middle of nowhere (where there is no network) and service up to 3000 customers in a span of 3 hours.
3. The system should produce a rich set of Operational and MIS reports in addition to the various regulatory reports. And these reports should be generated automatically from the system without the need for any manual consolidation or intervention. These reports should enable the management to check and validate the effectiveness of different Loan programs.
4. The system should minimize fraud and ensure that no role-player can manipulate the data and the system for his/her benefit.
5. The system should be scalable to handle huge volumes

### **Intellect Solution**

The following are the distinguishing features of the Project

- ❖ Use of Design thinking for Implementation Design that allowed identifying the risks of the project (points of Volatility). This is explained in response to question 9.
- ❖ The sheer size of the Legacy system transformation involving Data Migration, Training and Change management.

Following are the key metrics of the Volumes handled in the system

1. No of Customers/Households: 8.59 million
  2. No of Active Accounts (Loans and Deposits): 17.3 million
  3. Total No of Loan Disbursals Transactions done on Intellect since Go live: 2.96 million
  4. Total No of Loan Repayments transactions done on Intellect since Go live including Principal and Interest: 79.6 million
- ❖ Smart design of the Inclusive Banking solution to enable very high operational efficiencies (this is detailed in the solution components in Question 5). Also the solution allows to setup a temporary branch anywhere with distinct role players (Maker, Authorizer, Cashier).

### **Business Value Addition**

- . The project fulfilled the following Business and IT strategies
  - Growth not to be limited by the limitations of the system
  - The new system along with the re-engineered processes has brought about great operational efficiencies by
    - Minimizing efforts of consolidating data from across the branches
    - Intelligent screen design with short keys, templates and utilities allows faster transaction entry in bulk while still having checks and balances to eliminate errors

- .The system has allowed the bank to break away from linearly incrementing staff to expand business.
- Also the successful implementation of the project has put in place a Technology platform that would serve them well for the next decade or more.
- The IT team for the most part can be independent of the IT vendor to support the business in their growth objectives.
  - The open source Jasper reporting framework integrated with Intellect gives the IT team the flexibility to configure any additional reports on their own as per the needs of the changing business.
  - The highly parameterized system allows the IT team to support business growth in terms of opening new branches, creating new Products etc.
  - The system supports VBSP's ambitions of operating like a regular commercial bank at their branches while still supporting the Microfinance and Policy banking initiatives.

## Highlights

- ❖ Total number of accounts (Loans and Deposits): 17.3 million
- ❖ Total number of active CIFs (Households): 8.6 million
- ❖ Total number of Transaction points (Mobile branches): 11,230
- ❖ Total number of Loans given under Lending for the Poor Program: 3.2 million
- ❖ Total number of Loans given to Students: 2.1 million
- ❖ Total number of Loans given for Water and rural sanitation: 2 million