LUND UNIVERSITY
School of Economics and Management

Master's Programme in Economic Development

Determinants of Financial Inclusion

A Case Study of Remittance Recipients in Vietnam

by

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EKHS22
Master's Thesis (15 credits ECTS)
June 2020
Supervisor: Anders Ögren
Examiner: Seán Kenny
Word Count: 17,000

Abstract

The topic of financial inclusion has attracted attention from several researchers and policymakers in the recent years. However, there has been limited number of studies in the context of Vietnam, especially to explore the factors driving financial inclusion in the country. The thesis aims to investigate the determinants of financial inclusion in Vietnam with a focus on a special group: the remittance recipients or migrant households. This qualitative study employs a constructivist grounded theory approach in which 27 Vietnamese migrant households are the key units of analysis. A 2-week field study was conducted at 4 provinces in the Mekong Delta, Central Highlands, and North Central Coast regions of Vietnam in November 2019 to capture information about how remittances were spent, which serves as a basis to explore financial inclusion determinants among remittance recipients. All data were triangulated with observational data, field notes, verbal data collected by discussions with 6 former remitters, 10 expert interviews conducted before and during the field trip as well as speeches and discussions during the 3rd Asia Finance Forum: The Future of Inclusive Finance, organized by the Asian Development Bank prior to the field trip to ensure the credibility and reliability of the results. The findings show that remittances were primarily used for living expenses, followed by social relationship maintenance, paying debts, upgrading/building houses and forming informal financial networks. Remittance recipients in Vietnam appeared to have average financial literacy to make reasonable financial decisions for them. However, there were mismatches in the individuals' demands and the services provided by the formal financial institutions. High costs, complex documentation requirements and inflexibility were defined as limitations from formal financial institutions as supply-side in providing suitable financial services to migrant households. Besides, from demand perspectives, insufficient income of migrant households, Vietnamese strong cash culture, in turn, kept remittance recipients from using banking services. Remitters were found to not only affect the spending patterns of their families, but also influence their households' decisions to use services provided by formal financial institutions, hence affecting the demand-side of financial services.

Keywords: financial inclusion, financial literacy, financial development, remittance, Vietnam

Acknowledgements

Special thanks go to Dr. Anders Ögren, my thesis supervisor, who has been with me from my first-year Master thesis until now, my second-year Master thesis. I truly appreciate all discussions, advices, and suggestions he has made to not only during my research but also to help me discover my specific interests in finance-related fields for economic development.

I would like to thank Dr. Anders Ögren again, Department of Economic History, PI of project P17-0157 funded by Jan Wallander and Tom Hedelius Foundation at Handelsbanken, and Louise Wrange, Lund University's VentureLab, LU Innovation for joint financial support to make my field trip for this research come true.

I also want to say thanks to my five contacts in Vinh Long, Gia Lai, Thanh Hoa, Nghe An, all connections who led me to these valuable informants, and all experts who participated in my discussions to help me gain deeper understanding about the financial inclusion and financial literacy topics, especially in the Asian and Vietnamese contexts. I also appreciate the speakers, participants I met and our fruitful discussions at the 3rd Asia Finance Forum: The Future of Inclusive Finance. In this matter, my thanks go to the Asian Development Bank (ADB) who organized and extended the valuable invitation to me.

Table of Contents

1 Introduction ... 1

1.1 Background ... 1

1.1.1 Financial Inclusion ... 1

1.1.2 Vietnam's Emigration & Remittances ... 5

1.2 Aim, Purpose & Research Questions ... 12

1.3 Thesis Outline ... 13

2 Literature Review ... 14

2.1 Understanding Financial Inclusion ... 14

2.1.1 Financial Inclusion versus Financial Exclusion ... 14

2.1.2 Costs Associated with Being Informally Served or Financially Excluded ... 17

2.2 Determinants of Financial Inclusion ... 18

2.2.1 Common Determinants of Financial Inclusion ... 18

2.2.2 Financial Literacy & Its Roles in Financial Inclusion ... 21

2.2.3 Financial Development & Its Roles in Financial Inclusion ... 23

2.3 Financial Inclusion and Its Determinants in the Vietnamese Context ... 25

3 Methodology ... 29

3.1 Qualitative Research Design ... 29

3.1.1 Constructivist Grounded Theory Methodology ... 29

3.1.2 Research Design Plan ... 30

3.2 Data Collection Strategies ... 32

3.2.1 Questionnaires Design for Interviews with Vietnamese Migrant Households ... 33

3.2.2 Access to the Field & Selection of Vietnamese Migrant Households for Interviews ... 34

3.3 Data Analysis Procedures ... 40

3.4 Strategies to Evaluate the Quality of Study ... 41

3.5 Ethical Considerations ... 42

4 Results and Discussions ... 44

4.1 Spending Patterns of Remittance Recipients ... 45

4.1.1 Living Expenses ... 48

4.1.2 Social Relationship Maintenance ... 49

4.1.3 Paying Debts ... 51

4.1.4 Upgrading/Building Houses ... 52
4.1.5 Forming Informal Financial Networks ... 53
4.2 Determinants of Financial Inclusion for Remittance Recipients ... 56
4.2.1 The Roles of Financial Literacy ... 57
4.2.2 The Roles of Financial Development: Supply- and Demand-side of Financial Services ... 60
5 Concluding Remarks ... 68
5.1 Significance of the Study ... 68
5.2 Practical & Policy Implications ... 69
5.3 Limitations ... 70
5.4 Future Research ... 71
References ... 72
Appendix A: "Big Three" Questions ... 86
Appendix B: Expert Interviews & Interviews with Former Remitters ... 87
Appendix C: The 3rd Asia Finance Forum: The Future of Inclusive Finance ... 93
Appendix D: Interview Questions to Vietnamese Migrant Households ... 94
Appendix E: Consent Form ... 99
Appendix F: Migrant Household Interviewees' Characteristics ... 101
Appendix G: A Calculation Example of "Hụi" ... 104

List of Figures

Figure 1.1: Financial Inclusion as a Key Enabler of 8 SDGs 2
Figure 1.2: Number of Financial Institutions per 1,000 km^2 in selected Southeast Asian Countries in 2018 3
Figure 1.3: Number of Financial Institutions per 100,000 Adults in selected Southeast Asian Countries in 2018 3
Figure 1.4: Number of ATMs per 1,000 km^2 in selected Southeast Asian Countries in 2018 .. 4
Figure 1.5: Number of ATMs per 100,000 Adults in selected Southeast Asian Countries in 2018 4
Figure 1.6: Migrant Stocks from Top 25 Countries in 2017 6
Figure 1.7: Migrant Stocks from Vietnam from 1960-2017 7
Figure 1.8: Top 15 Destinations of Vietnamese Migrants in 2017 7
Figure 1.9: Top 50 Largest Recipients of Personal Remittances in 2018 9
Figure 1.10: Personal Remittances, received (current US$) to selected Southeast Asian Countries from 2000-2018 10
Figure 1.11: Personal Remittances, received (% of GDP) to selected Southeast Asian Countries from 2000-2018 10
Figure 1.12: Personal Remittances, received (US$ millions) to Vietnam from Top 15 Largest Sending Countries in 2017 11
Figure 2.1: The Access Strand: Financial Access Dimension from Formal to Informal Providers 14
Figure 2.2: Distinguishment between Voluntary and Involuntary Financial Exclusion 16
Figure 2.3: Measuring Financial Literacy: Three Components 22
Figure 2.4: Measurements of Financial Inclusion versus Financial Development 25
Figure 2.5: Shares of Financial Institutions in Vietnam by Total Assets and Charter Capital 26
Figure 3.1: The Inductive Logic of Research in a Qualitative Study 30
Figure 3.2: Research Design Plan 31
Figure 3.3: Vietnam's Location Map 35
Figure 3.4: Locations of the Interviews on Vietnam's Inland Map 36
Figure 3.5: External Validation: Triangulation of Sources 42

Figure 4.1: Diagram of Selected Basic Codes, Aggregated Focused Codes and Formation of Categories for Research Question 1 47
Figure 4.2: Diagram of Selected Basic Codes, Aggregated Focused Codes and Formation of Categories for Research Question 2 61

1 Introduction

1.1 Background

1.1.1 Financial Inclusion

The definitions of financial inclusion still vary. To follow the definitions of majority well-established research (IFAD & World Bank, 2015; Park & Mercado, 2015; Sarma, 2008; World Bank, 2014), financial inclusion, as defined in this study, is the stage where individuals and firms have access to useful and affordable financial products and services from formal financial institutions that meet their needs. This study therefore focuses on financial inclusion brought by formal financial institutions.

The topic of financial inclusion has attracted attention from academia, policymakers, and financial institutions in the recent years. The G20's Global Partnership for Financial Inclusion (GPFI) and the Alliance for Financial Inclusion (AFI) (2012) has suggested that financial inclusion is a powerful tool for addressing critical issues of persistent poverty and underdevelopment (Mehrotra & Nadhanael, 2016). Several researchers agree that financial exclusion is one of the factors which generate persistent income inequality, poverty traps and lower growth (Aghion & Bolton, 1997; Banerjee & Newman, 1993; Galor & Zeira, 1993; Honohan, 2008). Within Asia and the Pacific (APAC) countries, Park and Mercado (2015) found that financial inclusion can significantly reduce poverty and lower income inequality. Financial inclusion was made a key priority of the World Bank in 2011 (Demirgüç-Kunt et al., 2018). On 25 September 2015, the United Nations (UN) General Assembly adopted the 2030 Agenda for Sustainable Development, along with a set of 17 development goals that are collectively called the Sustainable Development Goals (SDGs). According to the UN Capital Development Fund (UNCDF) (2019) and Klapper et al. (2016), while the SDGs do not explicitly target financial inclusion, greater access to financial services is a key enabler for 8 out of 17 goals (Figure 1.1).

Figure 1.1: Financial Inclusion as a Key Enabler of 8 SDGs

Source: UNCDF (2019) and author's own illustration

However, until 2017, using account ownership as a simple proxy of financial exclusion, as holding an account at a formal financial institution was considered as a basic financial service that any adult could obtain, about 1.7 billion adults, which was 23% of 2017 global adult population, were still unbanked (Demirgüç-Kunt et al., 2018). That number was 2 billion in 2014 (38%). Using the same proxy, in 2017, 45.6 million (69%) Vietnamese adults were unbanked. This number was 44.6 and 49.3 million, which translated to 69% and 79% of Vietnamese adult population in 2014 and 2011 respectively (World Bank, 2019).

The latest Financial Access Survey conducted by the International Monetary Fund (IMF) reported that in 2018 in Vietnam, per 1,000 km^2, there were only 13 financial institutions, which include branches of commercial bank, credit union, credit cooperative, microfinance institution and non-branch retail agent outlets of commercial banks altogether (Figure 1.2).

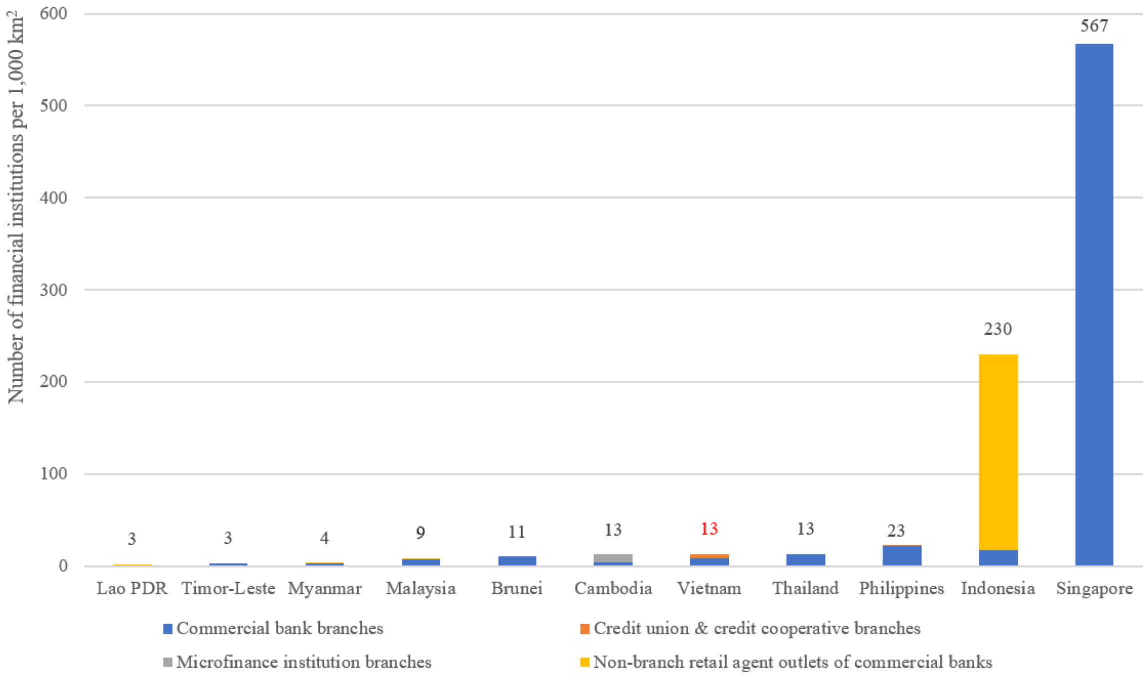

Figure 1.2: Number of Financial Institutions per 1,000 km^2 in selected Southeast Asian Countries in 2018

Source: IMF's Financial Access Survey 2019 and author's own illustration

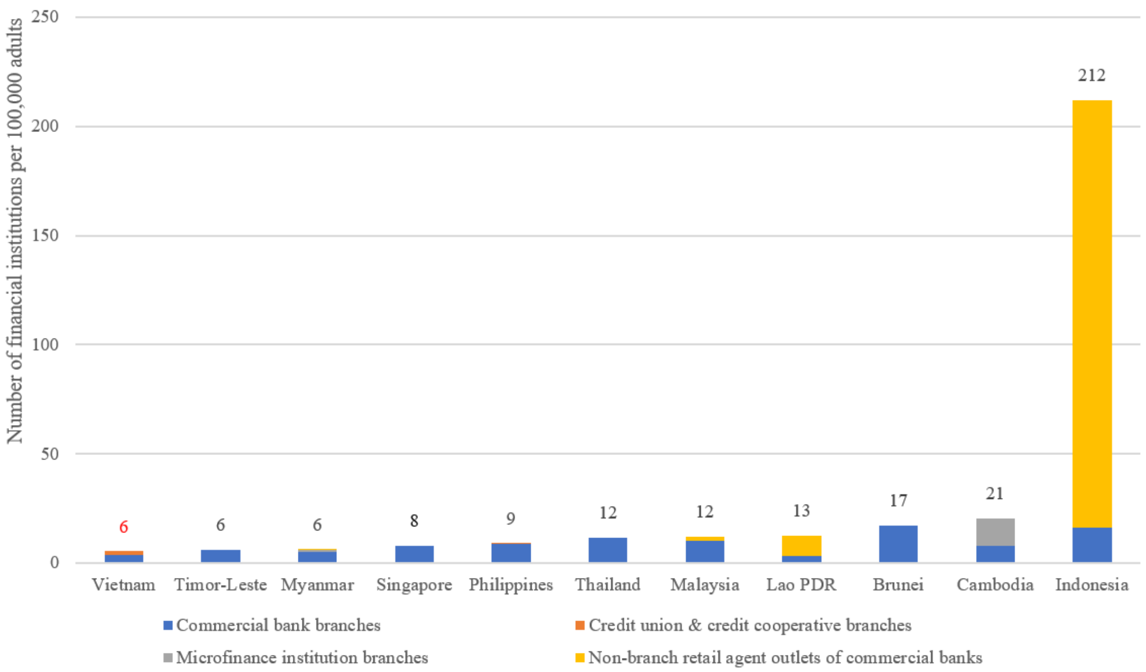

Figure 1.3: Number of Financial Institutions per 100,000 Adults in selected Southeast Asian Countries in 2018

Source: IMF's Financial Access Survey 2019 and author's own illustration

The results also show that compared to other countries in Southeast Asia, Vietnam had the least number of financial institutions per 100,000 adults with only 6 by the end of 2018 (Figure 1.3). Although the number of Automated Teller Machine (ATMs) per 1,000 km^2 in Vietnam is somewhat comparable with the other countries in the region (Figure 1.4), the number of ATMs per 100,000 adults in Vietnam was the fourth lowest among them (Figure 1.5).

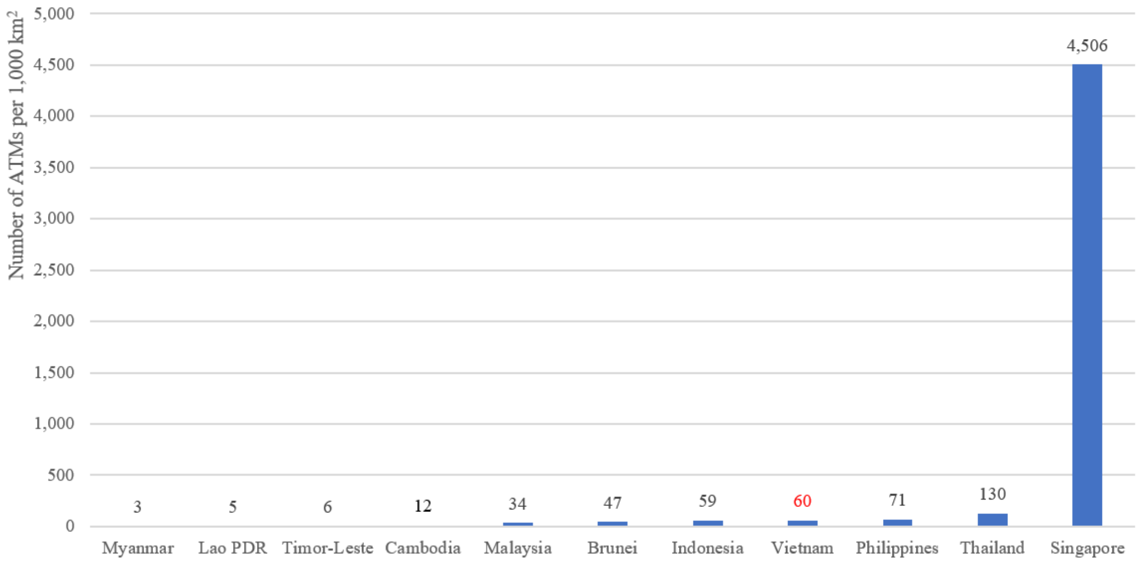

Figure 1.4: Number of ATMs per 1,000 km^2 in selected Southeast Asian Countries in 2018

Source: IMF's Financial Access Survey 2019 and author's own illustration

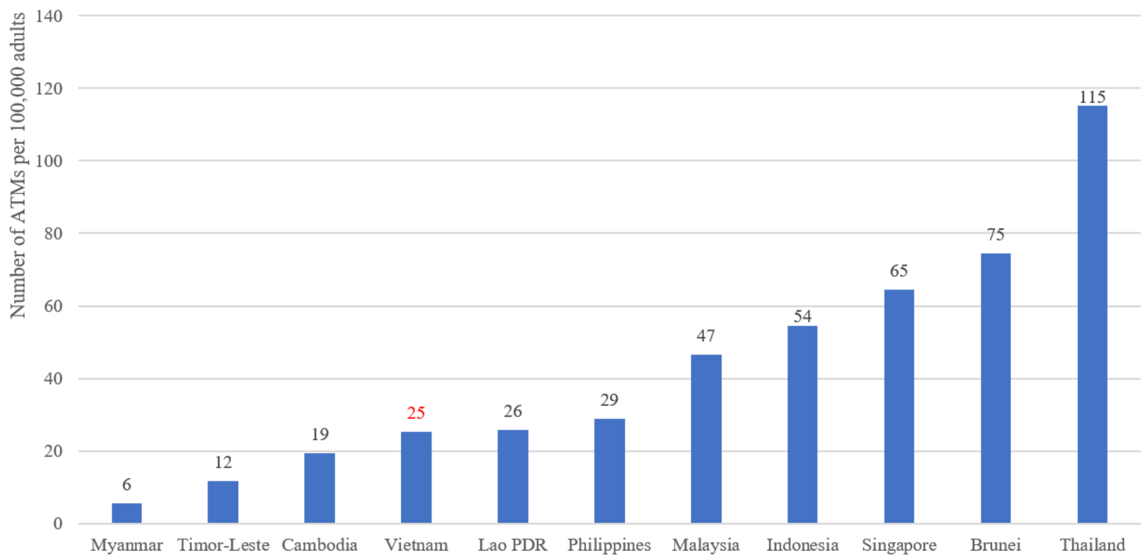

Figure 1.5: Number of ATMs per 100,000 Adults in selected Southeast Asian Countries in 2018

Source: IMF's Financial Access Survey 2019 and author's own illustration

1.1.2 Vietnam’s Emigration & Remittances

1.1.2.1 Overview of Vietnam and the Vietnamese’s Emigration

Vietnam has a long history of warfare, which played a large role in shaping not only the Vietnamese culture and traditions, but also economic strategies and policies of the country. After the Vietnam War in 1975, there have been three major periods of policy changes in Vietnam driven by the motivation to grow: Reunification (1975-1985); Doi Moi (1986-2007) which includes 2 sub-stages Renovation (1986-1993), Expansion (1993-2006); and Welfare State Construction (2007-present) (World Bank, 2016; Marzin & Michaud, 2016). In the 1980s, a few years after the Vietnam War ended, Vietnam was classified by the World Bank as one of the world’s poorest countries. Two decades later, in 2010, Vietnam was lifted from the world’s poorest list to become a lower-middle income country (World Bank, 2013).

In 2017, however, there were still about 9 million households living in extreme poverty in Vietnam (World Bank, 2018c). To seek ways to escape poverty, more and more Vietnamese have migrated overseas for better economic opportunities. The total number of overseas Vietnamese, who were residing overseas either permanently or temporarily, regardless of the timing of their migration or the circumstances under which they migrated, was reported at almost 2.7 millions in the same year. This number made Vietnam among the top 25 largest migrants-sending countries worldwide (Figure 1.6), only behind the Philippines, Indonesia and Myanmar among Southeast Asian countries.

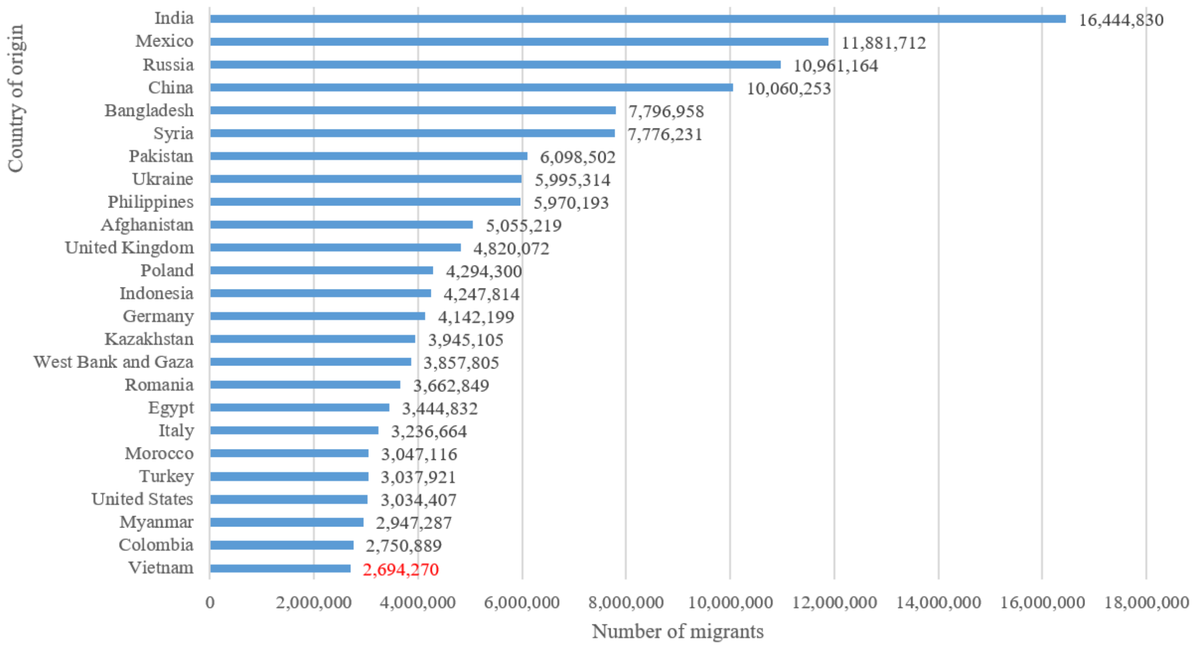

Figure 1.6: Migrant Stocks from Top 25 Countries in 2017

Source: World Bank's Migration and Remittances Data and author's own illustration

Vietnam's emigration started decades ago. Figure 1.7 shows a steady increasing trend of migration flow from Vietnam after the Vietnam War ended in 1975. From 1954 to 1975, the Democratic Republic of Vietnam (North Vietnam) was governed by the Vietnamese Communist Party, while the Republic of Vietnam (South Vietnam), was managed by a government backed by the United States and its allies such as Australia, South Korea (Small, 2018, p.53). The Vietnam War ended with the communist forces captured Saigon in April 1975 and renamed it to Ho Chi Minh City in 1976. During the 1970s, many Saigoneses and other Southern Vietnamese left the country (Small, 2018, p.53) out of fear of persecution and exclusion by the new Vietnamese government, which considered their former loyalties to be traitorous. Their destinations were mostly United States, followed by Australia, South Korea (the allies) and other countries such as Canada, neighbouring Asian and some European countries. Vietnamese tradition is characterized by the importance of family and extended family ties (Hirschman & Vu, 1996). Those Vietnamese who successfully relocated permanently to a new country would try to bring their family members gradually by naturalization, and the process would go on. That explains why, till date, almost half of Vietnamese migrants are living in the United States (Figure 1.8).

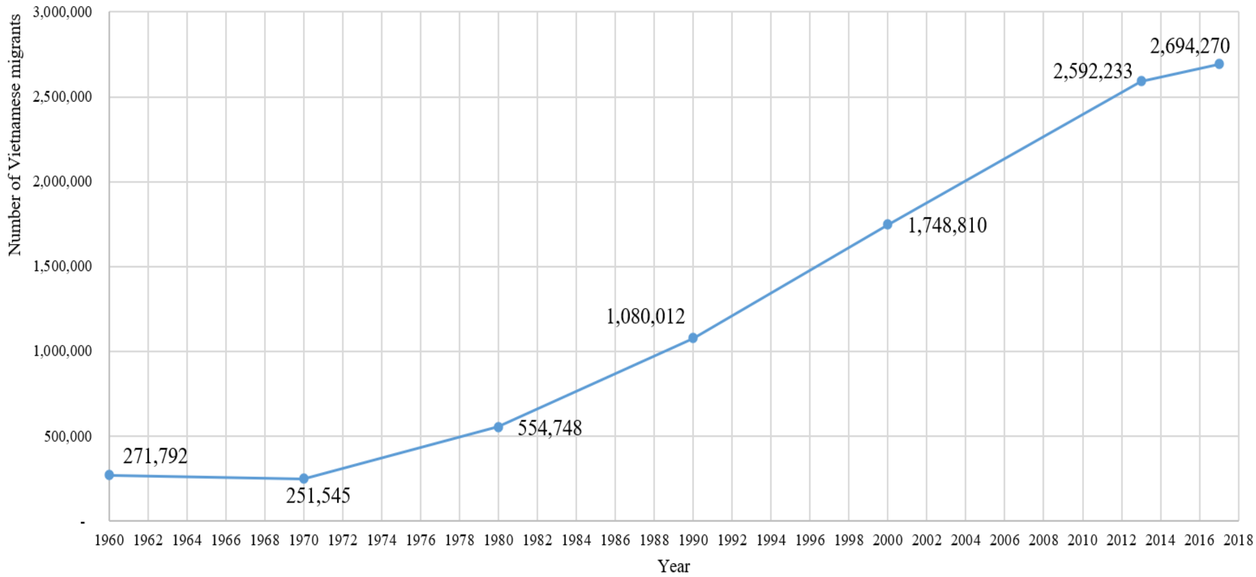

Figure 1.7: Migrant Stocks from Vietnam from 1960-2017

Source: World Bank's Migration and Remittances Data and author's own illustration

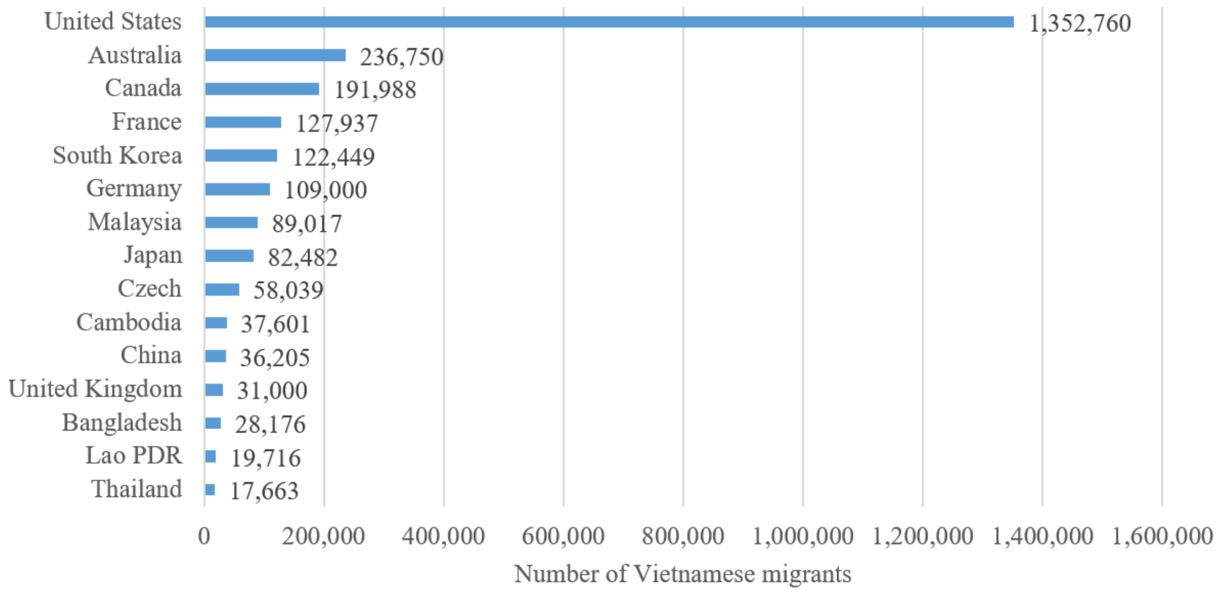

Figure 1.8: Top 15 Destinations of Vietnamese Migrants in 2017

Source: World Bank's Migration and Remittances Data and author's own illustration

In addition to the special historical ties to the United States, which resulted in a large number of Vietnamese residing there, IOM (2017) identified several reasons motivating Vietnamese to move overseas in the recent years. First, and more commonly nowadays not only in Vietnam but also worldwide is international labour migration with economic factors as key drivers. The economic reform has promoted Vietnamese labour migration (Small, 2012). Between 1981-1990, a total of 217,183 Vietnamese were officially contracted as labour workers in the Soviet

Union and Eastern Europe through government-managed export labour programs (IOM, 2003). In 2007, the Vietnamese government passed measures to ambitiously develop and expand its export labour programs with a goal of sending 100,000 workers abroad annually (Small, 2012). This resulted in an increasing number of Vietnamese migrant workers over years with 80,320; 88,155; 106,840; 119,530; 126,296 new labourers sent to 33, 38, 29, 22, 28 countries from 2012-2016 respectively (IOM, 2017). Taiwan, Japan, Korea, Malaysia, Macao, Saudi Arabia, and United Arab Emirates are among the top receiving countries of Vietnamese labour workers. Till date, besides the export labour programs managed by the government, Vietnamese labour workers can also seek overseas labour works through private labour brokers.

The second reason to migrate is marriages to foreign nationals. Apart from a natural formation of relationships, marriages between Vietnamese and foreigners might be for economic purposes (IOM, 2017). This group of people consider marriages as a mean for financial gains, often a result of family pressure. Many women from the Mekong Delta were reported to engage in such marriages with Taiwanese or Koreans over the years (Nguyen & Tran, 2012; IOM, 2017). Such marriages can quickly occur through matchmaking agencies.

Studying abroad is another reason motivating Vietnamese (IOM, 2017), especially the younger generations, to move to new countries. After graduation from their studies, some students can seek works and continue to live abroad or decide to move back to Vietnam. Relocating by job offers from companies located overseas is another reason to make Vietnamese professionals move. Some Vietnamese people, especially those who are poor, unemployed, or with low educational levels are sometimes also victims of human trafficking. While legal regulations on prevention and combating human trafficking in Vietnam are comprehensive, their implementation and preventive policies still encounter difficulties in preventing cross-border trafficking (IOM, 2017).

1.1.2.2 Remittances

Within this paper, remittances are defined as personal remittances. The past decades have seen a sharp rise in values of remittances in total international capital flows (Chami et al., 2003; Matuzeviciute & Butkus, 2016). Current remittance flows are more than three times the size of official development assistance (World Bank, 2018b). In some countries, personal remittances represent more than 10% of Gross Domestic Product (GDP) (Figure 1.9). According to IOM

(2017), in Viet Nam, during the Doi Moi period, remittances from overseas Vietnamese were important sources of income for recipient households and the country's development. With an accumulated large number of overseas Vietnamese, Vietnam has received an increasing amount of remittances over years and has been consistently in the list of top 50 largest recipients of personal remittances in term of values since the 2000s globally.

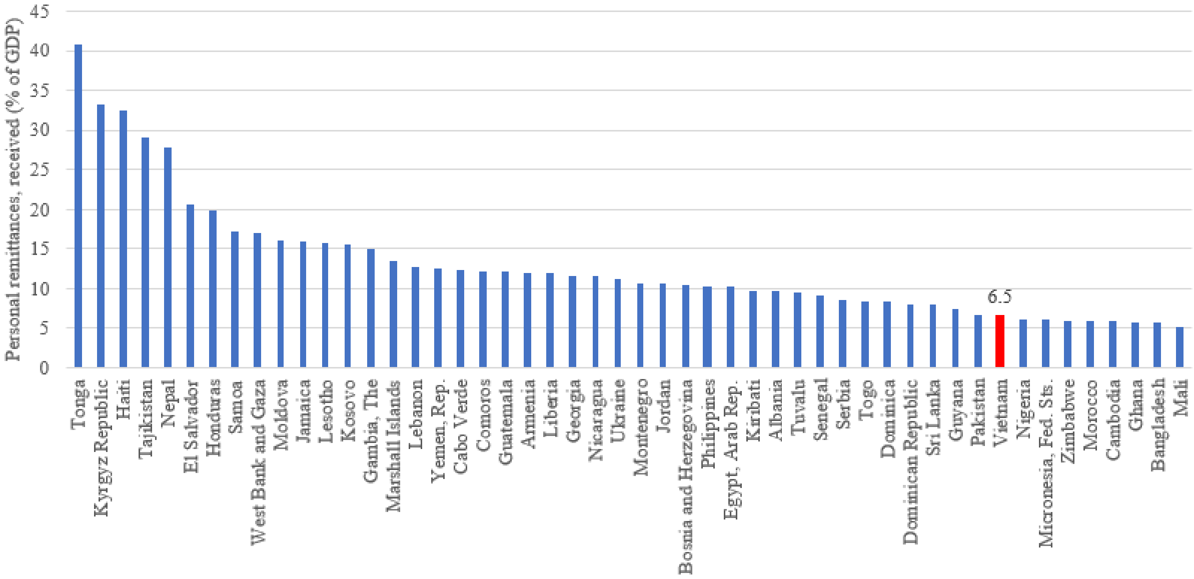

Figure 1.9: Top 50 Largest Recipients of Personal Remittances in 2018

Source: World Development Indicators and author's own illustration

Figure 1.10 illustrates the upward trend of remittances to Viet Nam, aside from a drop in 2009 due to the world economic downturn. Compared to other Southeast Asian countries, Vietnam has been the second largest destination for remittance receipts, in terms of both values (Figure 1.10) and the contribution in the country's total GDP annually (Figure 1.11), only behind the Philippines.

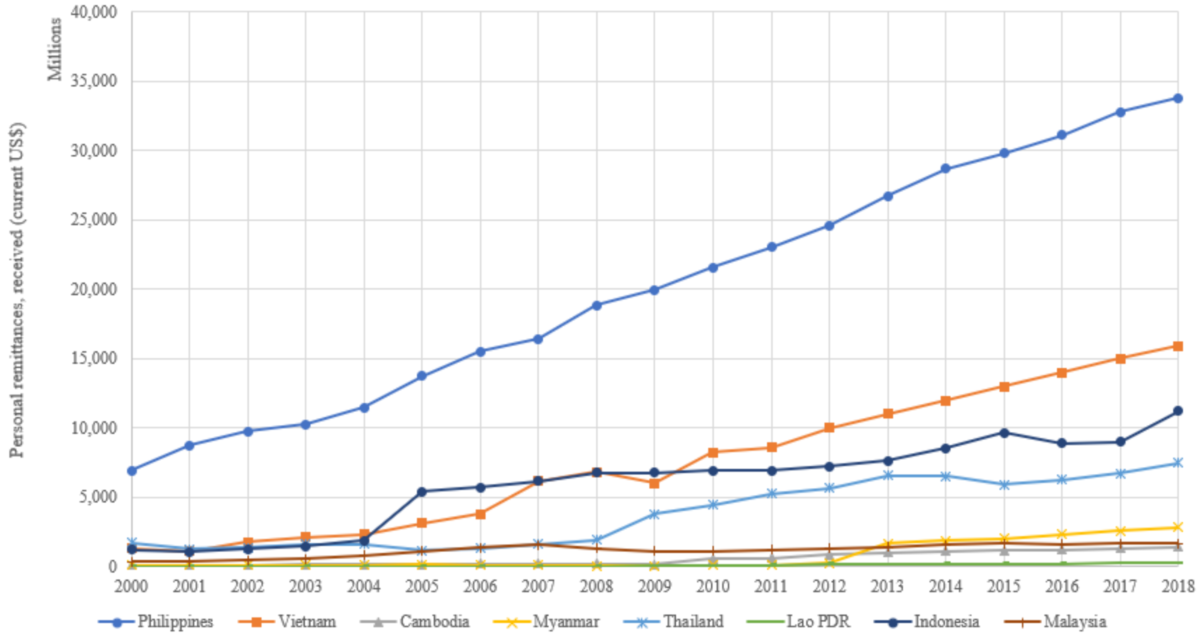

Figure 1.10: Personal Remittances, received (current US$) to selected Southeast Asian Countries from 2000-2018

Source: World Development Indicators and author's own illustration

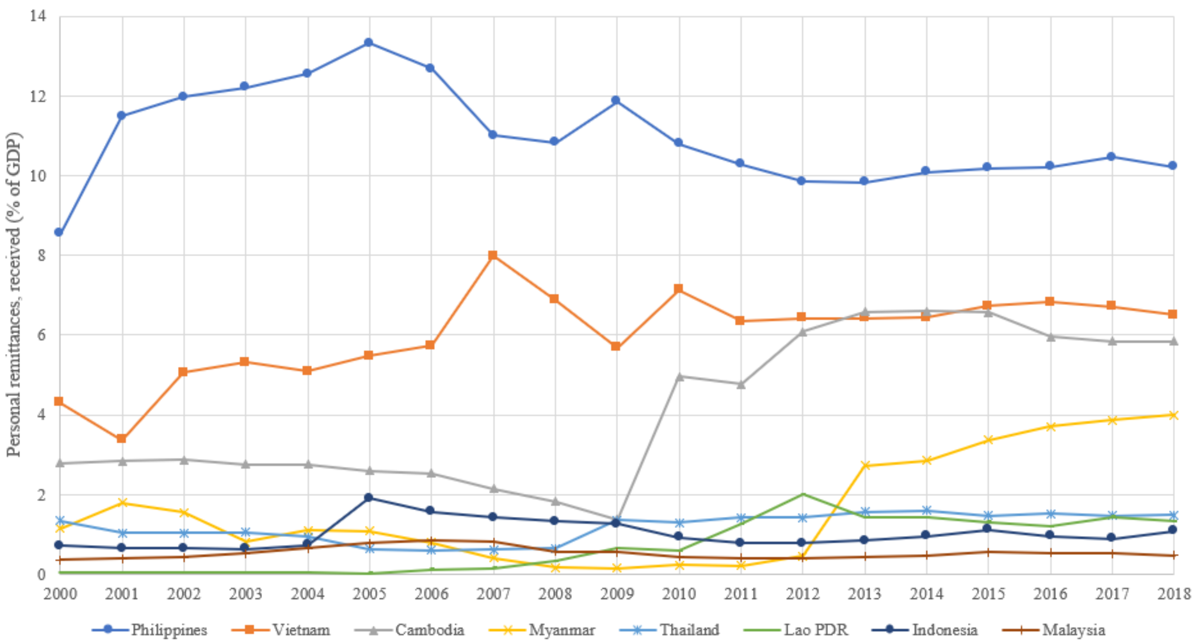

Figure 1.11: Personal Remittances, received (% of GDP) to selected Southeast Asian Countries from 2000-2018

Source: World Development Indicators and author's own illustration

Figure 1.12 shows the flows of remittances to Vietnam from abroad in 2017, with high numbers of Vietnamese in a specific country (Figure 1.8) translating into greater remittance receipts.

IOM (2017) noted that according to 2014 figures and statistics on wage levels and incomes of migrant workers going through official channels into Vietnam, approximately 25% of total annual remittances, equivalent to US$ 3-4 billions, was sent by Vietnamese migrant workers alone. This number alone translates to a large potential to have a significant impact on economic development of the country (IOM, 2017).

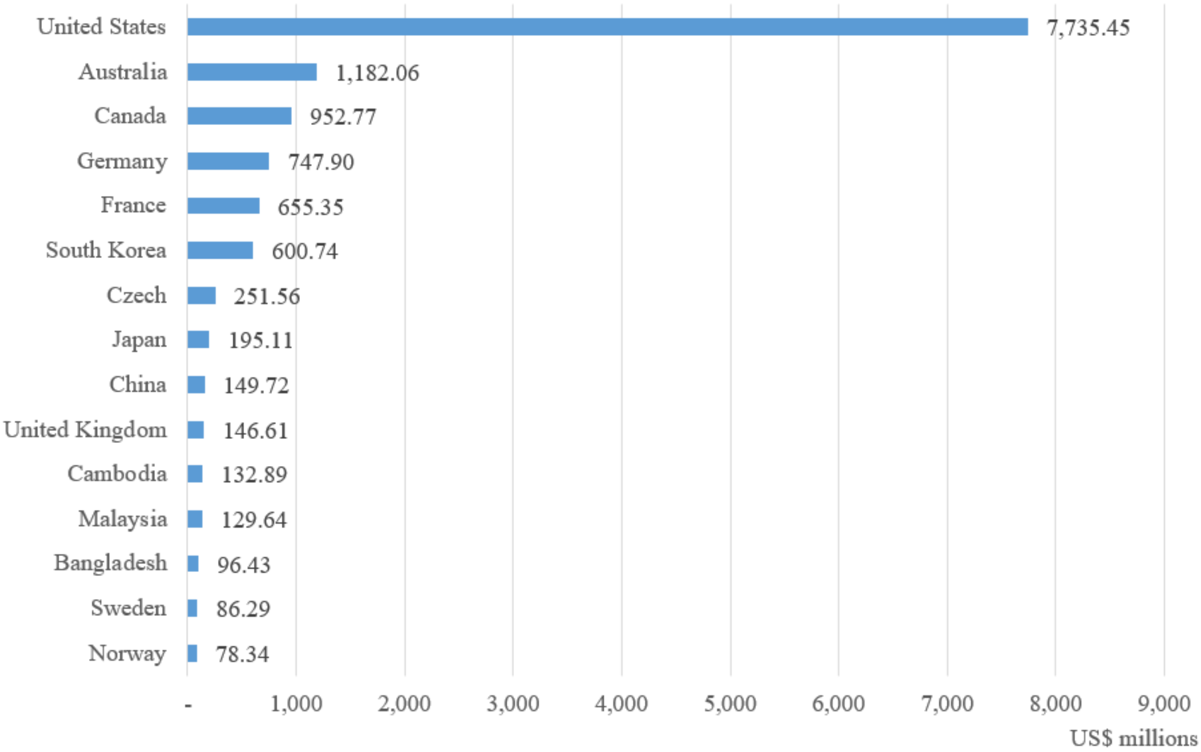

Figure 1.12: Personal Remittances, received (US$ millions) to Vietnam from Top 15 Largest Sending Countries in 2017

Source: World Bank's Migration and Remittances Data and author's own illustration

The role of remittances in economic development has attracted attention from several researchers with two distinct beliefs. One strand agrees that incoming remittances have increased the income of the recipient countries. Beside increasing the incomes of the migrants' families, part of the remittances can also be channelled into investments and contribute to the growth of the local economy and job creation for the non-migrants in the communities (Dang, 2003). Remittances encourage both consumer spending, financial sector development, and in turn, stimulate economic growth and poverty reduction (Ratha et al., 2011). On the other hand, remittance receipts are said to leave a negative impact on labour force participation when the migrant households become dependent on the remittance and see it as a substitute source for labour income (Barajas et al., 2009). Moreover, remittances may also have adverse macroeconomic impacts by increasing income inequality (Orrenius et al., 2010). However, a research piece with a focus on Asia by Imai et al. (2014) found that remittance flows had been beneficial to economic growth in a sample set of 24 Asian countries. Focusing on Vietnam, Kumar and Vu (2014) reported a bidirectional causality between remittances and economic growth in the country.

Nevertheless, a large proportion of remittance receivers remained unbanked or poorly served by regulated financial institutions, particularly in rural areas, which usually received almost 40% of total remittances (IFAD & World Bank, 2015). World Bank (2014) commented that there should be a positive relationship between remittance flows and financial inclusion because remittance flows are usually regular and predictable, which should, in principle, make remittance recipients relatively more inclined to join the formal financial sector. However, this seems to be less applied to the case of Vietnam as Vietnamese migrant households have received a large amount of remittances annually while the unbanked or poorly served population remains high.

1.2 Aim, Purpose & Research Questions

The purpose of the study concerns the fact that Vietnam has received a large amount of remittances annually while the unbanked or poorly served population remains high. The study is to explore the determinants of financial inclusion in Vietnam by investigating a subset of the population, the remittance recipients, or migrant households. This study uses a qualitative approach to understand if remittances are spent in an optimal way for recipients and what might be possible factors making them not to use financial services offered by formal financial institutions such as local banks.

The following questions will be examined:

1. How remittance recipients spend their remittances?
2. What are the determinants to make them financially included? What are the roles of financial literacy and financial development in financial inclusion for remittance recipients?

1.3 Thesis Outline

The remainder of this thesis is organized into five sections. Section 2 is a selective review of relevant research on financial inclusion and its determinants, including financial literacy and financial development. Section 3 describes the methodology. Section 4 analyses and presents the findings. Finally, section 5 concludes.

2 Literature Review

2.1 Understanding Financial Inclusion

2.1.1 Financial Inclusion versus Financial Exclusion

Even though financial inclusion topic has attracted great attention lately, the definition of financial inclusion still varies. One of the first attempts to study financial inclusion was by Sarma (2008). She emphasized the roles of formal financial institutions and defined financial inclusion as a process that ensured the ease of access, availability and usage of a formal financial system. World Bank (2005) recognized the existence of the informal providers by differentiating between those who were formally included, informally served, financially served and financially excluded as shown in Figure 2.1. Accordingly, the "formally included" are those who use financial services provided by banks and/or any other formal financial service providers who are regulated by the government. The "informally served" are individuals who are not using any formal financial services but using one or more financial products supplied by informal providers such as savings groups or unregulated moneylenders. With this, it is worthy noting that those who are not "financially included" are not necessarily "financially excluded". Similarly, individuals who are not "financially excluded" might not be "financially included" either.

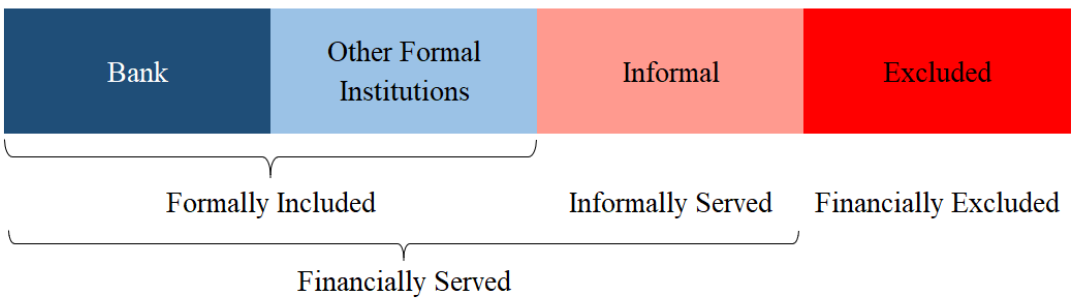

Figure 2.1: The Access Strand: Financial Access Dimension from Formal to Informal Providers

Source: Adapted from World Bank (2005)

This study, as stated from the beginning, focuses on financial inclusion brought by formal institutions, hence, the segments of “informally served” and “financially excluded” are of concerns of this thesis. The people belong to these group are called poorly served or underserved interchangeably throughout this research. The decision to investigate these segments was driven by several reasons. Firstly, it follows the definition of financial inclusion outlined by World Bank (2014) and most established scholars (Sarma, 2008; Cámara & Tuesta, 2017; Honohan, 2008; Park & Mercado, 2015). Secondly, even though the existence of informal financial sector cannot be denied, data availability is still a challenge. Lastly, being unregulated, the informal financial providers might bring higher risks to the people who are participating in their networks. The use of informal financial services is therefore not sustainable or even harmful. However, being aware about the informal financial providers is important to reflect and analyse the materials collected during this qualitative research.

When defining financial inclusion, “access” and “usage” are often mentioned by researchers. Access is determined by the supply of the services while usage is related to both demands and supply (World Bank, 2008). Cámara and Tuesta (2017) highlighted that financial inclusion were not only about the institutions’ characteristics but also about the synergy between institutions’ supply and users’ demands. Even a wealthy customer in an advanced financial system might choose not to use some financial services. Or a specific financial product might not be attractive to some customers because of ethical or religious grounds (World Bank, 2008). The “financially excluded” segment illustrated in the financial access strand in Figure 2.1 included people who were financially excluded either voluntarily or involuntarily (World Bank, 2005). The challenge in a financial inclusion research is to distinguish between voluntary and involuntary exclusion. The key issue is the degree to which the lack of inclusion derives from a lack of demand for financial services or from barriers that impede individuals and firms from accessing the services (World Bank, 2014).

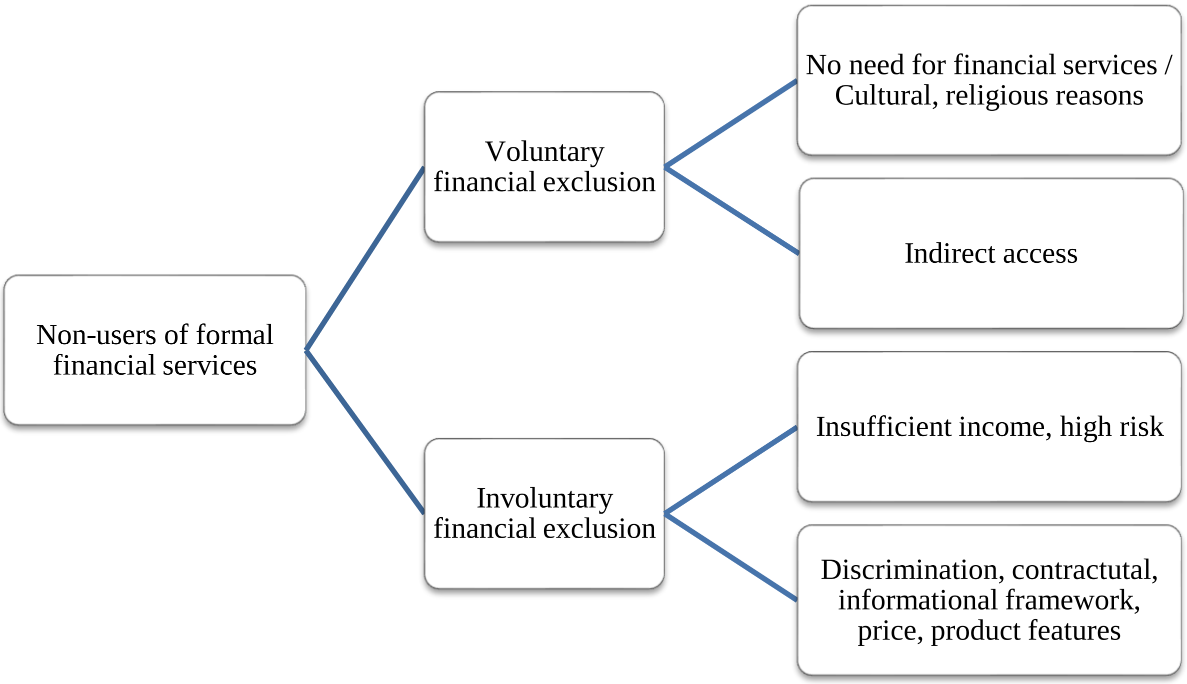

Figure 2.2: Distinguishment between Voluntary and Involuntary Financial Exclusion

Source: Adapted from World Bank (2008) and Amidžić et al. (2014)

Figure 2.2 illustrates the differences between voluntary and involuntary financial exclusion. Voluntary financial exclusion refers to a segment of population who choose to not use financial services because they do not see any needs, because of cultural or religious reasons, or because they have indirect access, such as a supplement bank card from a family member. According to World Bank (2008) and Amidžić et al. (2014), this type of exclusion is not a concern to policymakers as it is not a direct consequence of either market imperfections or government failures, but purely driven by a lack of demands. However, in the case of individuals who do not see any needs to use financial services, it might be because they have lack of financial knowledge or lack of information about financial products to be aware of their needs. In this case, financial literacy and specialized financial products which are tailored to meet their needs are essential to encourage financial inclusion. It is also applied to the case of cultural and religious constraints that specialized financial products which meet cultural and religious requirements are important to convert this group of people to users of financial services (Amidžić et al., 2014).

Conversely, involuntary financial exclusion includes a group of people who have demands for financial services but do not have access to them. The reasons might be because these people have insufficient income or excessive lending risk profiles identified by formal financial institutions. Other reasons might be discrimination based on social, religious or ethnic grounds (World Bank, 2008), complex documentation required, lack of information provided by formal financial institutions, unaffordable prices or inappropriate products features. The involuntary financial exclusion issue therefore should be addressed as it is a result of government failures or market imperfections (Amidžić et al., 2014), or both.

2.1.2 Costs Associated with Being Informally Served or Financially Excluded

There has been agreement among scholars about the benefits of financial inclusion. These include addressing critical issues of persistent poverty and underdevelopment (Mehrotra & Nadhanael, 2016), lessening unemployability, lowering income inequality, reducing poverty, enhancing financial stability and fostering economic growth (Aghion & Bolton, 1997; Banerjee & Newman, 1993; Galor & Zeira, 1993; Honohan, 2008; Park & Mercado, 2015; Beck et al., 2007; Bruhn & Love, 2014; Han & Melecky, 2013). Financial exclusion is associated with both risks and costs (Caruana, 2012). A large strand of literature agreed that financial exclusion brought higher costs to individuals in their everyday life (Conaty & Bendle, 2002; Kempson & Whyley, 1999; Speak & Graham, 2000). Handling a cash budget could make money management more expensive, complex, time-consuming, and less secure (Kempson, 2002, p.14).

Rutherford and Arora (2009, p.133) found that those with the least money were in fact in the greatest need of financial services. Their research also revealed that the poor, those who were most often financially excluded, were often willing to even pay to save (Rutherford & Arora, 2009, p.18). Some villagers in rural areas paid fees, sometimes as high as 30% a year, to store their money with someone in their villages due to the scarcity of these types of savings institutions in poor areas, while these villagers were in great need to look for a safe place to save, sometimes due to security reasons. Saving in informal channels carries much higher risks. Wright and Muteesassira (2001)'s study showed that over 99% of poor people saving in the informal sector lost an average of 22% of the amount they had saved in the last year. People who had access to formal savings services tended to save more, on average 3 times, compared to those who did not have the same access (Wright & Muteesassira, 2001).

The unbanked and poorly served people are also liable to higher credit charges, which can be ranging from 2-5 times higher than that of a traditional bank even in advanced economies like Britain in 1994 (Rowlingson & Kempson, 1994), or the U.S. in 2017 (Yun, 2017). These high costs included the fees of due diligence, administration, late payment and premium collections. Each fee was much higher compared to those who were financially included. In addition, those who are informally served or financially excluded usually bear additional costs to pay for their basic goods and services compared to people who have full access to financial services. Prepaid mobile phone and data schemes, utility payments methods, high cost credits and different insurance schemes are some of the main areas of life where additional costs can be incurred. In addition, financial exclusion has also been found to be associated with social and economic exclusion (Fernández-Olit et al., 2018; Kumar, 2011).

The costs associated with being informally served or financially excluded is therefore high. Financial exclusion unsurprisingly carries strong links to over-indebtedness and poverty (Krumer-Nevo et al., 2017; Gloukoviezoff, 2007).

2.2 Determinants of Financial Inclusion

2.2.1 Common Determinants of Financial Inclusion

2.2.1.1 Supply- and Demand-side Factors of Financial Services

The determinants of financial inclusion greatly depend on how researchers define financial inclusion. Sarma (2008) and Park & Mercado (2015, 2018) defined that financial inclusion was a process that ensured the ease of access, availability, and usage of financial system. As a result, access, availability, and usage of financial services were main determinants of financial inclusion according to them. To construct a set of indices to measure and compare financial inclusion across countries, they used banking penetration proxied by the number of bank account per 1,000 people to represent access. Availability was measured by the number of bank branches and number of ATMs per 100,000 population while usage dimension was the volume of deposit and credit relative to the GDP. In their attempts to measure cross-country financial inclusion, Chakravarty and Pal (2010) used outreach and usage as main determinants. The underlying variables, however, were similar to Sarma (2008) with bank branches and ATMs penetration representing outreach, while credit, deposit accounts and volume relative to the GDP represented usage. Amidžić et al. (2014) added another determinant of quality alongside with outreach and usage to measure financial inclusion. They argued that quality which included disclosure requirement, dispute resolution and cost of usage were important to determine financial inclusion level in an economy.

The above-mentioned attempts, however, mainly used supply-side aggregate data, and therefore, posed problems. Cámara and Tuesta (2017) argued that the way supply-side information was collected was not precise in capturing the appropriate extent of financial inclusion. It did not reflect the real population that was covered by access to the formal financial system or using financial services. For example, one person could hold several deposit and credit accounts. Moreover, a higher banking penetration by data of bank branches and ATMs coverage did not necessarily indicate an inclusive system since the geo-location of points of service and the level of utilization were still largely unknown. With that, they used different datasets of both demand- and supply-side of financial services to represent access, usage, and added a new determinant which was barriers indexed by distance to service points, trust towards the financial systems, costs, and documentation required. They argued that the barriers indicator brought an additional angle to assess the extent of financial inclusion since it offered the number of financially excluded individuals and the reasons perceived by these individuals for being excluded from the formal financial system. Even though Cámara and Tuesta (2017)'s arguments were reasonable, the financial inclusion definition, and therefore determinants presented by them, still had a issue raised by Park and Mercado (2018). They commented that barriers defined by Cámara and Tuesta (2017) were somewhat equivalent to the ease of financial access. By including the barriers, Cámara and Tuesta (2017) confused the conceptual clarity of financial inclusion as it actually combined the reasons for having and not having financial access in a financial inclusion measure. Therefore, there were possible overlaps between the dimensions "access" and "barriers" in Cámara and Tuesta (2017)'s argument.

Nevertheless, World Bank (2012) laid out a set of recommendation for policymakers regarding financial inclusion strategies. In which, World Bank (2012) recommended access, usage and quality as three main determinants to measure financial inclusion, with an advice to utilize data from both demand- and supply-side surveys (World Bank, 2015).

2.2.1.2 Socio-Economic and Demographic Factors

Another strand of research looks more into the demographic characteristics and socio-economic statuses to understand the demand-side of financial services to explain financial inclusion. Fungáčová and Weill (2016) argued that in most Asian countries, individuals' characteristics influenced the use of financial services. According to them, age increased the level of bank accounts, credit usage and savings behaviours, even though till a certain age threshold. This is in line with Allen et al. (2016)'s conclusion from their study about financial inclusion worldwide. The authors explained that it might be a result of a generational effect coming from both demand and supply sides. Older people may be less keen to use formal financial services as they are not familiar with using them. At the same time, formal financial institutions may spend more efforts to attract younger clients (Fungáčová & Weill, 2016).

Income was also identified as a factor to increase the possibility of owning a bank account (Fungáčová & Weill, 2016). Collins et al. (2009) conducted year-long interviews with 250 households who were impoverished villagers and slum dwellers in Bangladesh, India, and South Africa, and studied their financial diaries which recorded their money management decisions biweekly or monthly. They found that these individuals, with "lack of money", faced the greatest obstacle to gain access to financial services provided by formal financial institutions. This result accords with Demirgüç-Kunt and Klapper (2013), World Bank (2008) and Amidžić et al. (2014) that insufficient income is one of reasons leading to involuntary financial exclusion globally as shown in Figure 2.2.

In addition, educational attainment enhances financial inclusion. By examining the individual and country characteristics that determine ownership of a bank account and savings in 123 countries, Allen et al. (2016) found evidence that education, together with income, improved financial inclusion. In Asia, Fungáčová and Weill (2016) noted that more educated people were more financially included across the region. By looking into cross-country datasets in two years 2011 and 2014, Dattaa and Singh (2019) concluded that three components, income, education and health, enhanced financial inclusion in 140 economies worldwide.

In India (Chithra & Selvam, 2017) and East Africa (Wokabi & Fatoki, 2019), alongside with income level and educational attainment, population density was also identified as another significant determinant of financial inclusion according to the authors. Gender did not seem to make any significant difference in the level of financial inclusion in most Asian countries (Fungáčová & Weill, 2016) while it is the case in African countries such as Tanzania with a gender gap in usage of formal financial services (Lotto, 2018).

2.2.2 Financial Literacy & Its Roles in Financial Inclusion

The conventional microeconomic approach to saving and consumption decisions posits that a fully rational and well-informed individual naturally consumes less than his income in times of high earnings and hence accumulates saving to support consumption when income falls (Modigliani & Brumberg, 1954; Friedman, 1957). Lusardi and Mitchell (2014) pointed a problem with this microeconomic model. The model generally assumes individual with abilities to formulate and execute saving and financial management plans. These abilities, or skills, however, are not simple and require the individuals to have capacity to undertake sometimes complex economic calculations and to have expertise in dealing with financial markets (Lusardi & Mitchell, 2014). Therefore, financial knowledge and education still play critical roles in individuals' decisions related to their money usage, i.e., spending, saving, investment and financial planning.

Several other literature recognizes the link between financial literacy and good financial decision making, financial knowledge across all regions (Nicolini & Haupt, 2019; Buch, 2017; OECD, 2016; Atkinson & Messy, 2013; Berry et al., 2018; Jamison et al., 2014). Grohmanna et al. (2018) conducted a cross-country study examining the link between financial literacy and financial inclusion in 143 countries in 2014. They found a positive and significant relationship between financial literacy and financial inclusion across income levels and subgroups within various economies.

However, defining, measuring financial literacy, and evaluating impacts of financial literacy are challenging. These challenges include research methods to obtain reliable measures of financial literacy (Bongini et al., 2018). Most of the available financial literacy measures used in most research were based on survey results from a set of 3 multiple-choice Lusardi and Mitchell (2006)'s "Big Three" questions (Nicolini & Haupt, 2019). Each question covers each topic: interest compounding, inflation, and risk diversification (Appendix A). The "Big Three" questions have been well-known and widely used to capture information about financial literacy because of its simplicity and ease to use. However, the question set is very limited with only three questions, and hence, might not reflect the right financial literacy level of the respondents. New measures with new financial literacy assessment tools are therefore required to have deeper analysis (Nicolini & Haupt, 2019). Other challenges for financial literacy assessment are sampling problems and a lack of a control group to which positive changes in behaviour as a result of improved financial literacy could be compared (Collins & Holden, 2014, p.83).

To overcome the above mentioned challenges, OECD (2011) developed a detailed toolkit for financial literacy and inclusion measurement. The questionnaire is very comprehensive with 49 questions designed to capture information about financial knowledge, financial behaviour and attitudes in order to assess levels of financial literacy (Figure 2.3). The "Big Three" questions are incorporated too. Demographic information is also collected to capture the baseline differences of the correspondents. The toolkit includes a detailed methodological guidance which covers sampling requirements, data collection, analysis, and reporting process. The toolkit has been updated regularly with the latest version released in 2018 (OECD, 2018). Since its introduction and piloting in 2010, more than 40 economies, mostly within the G20 and OECD International Networks, have used the questionnaires to measure the financial literacy of adults in their countries.

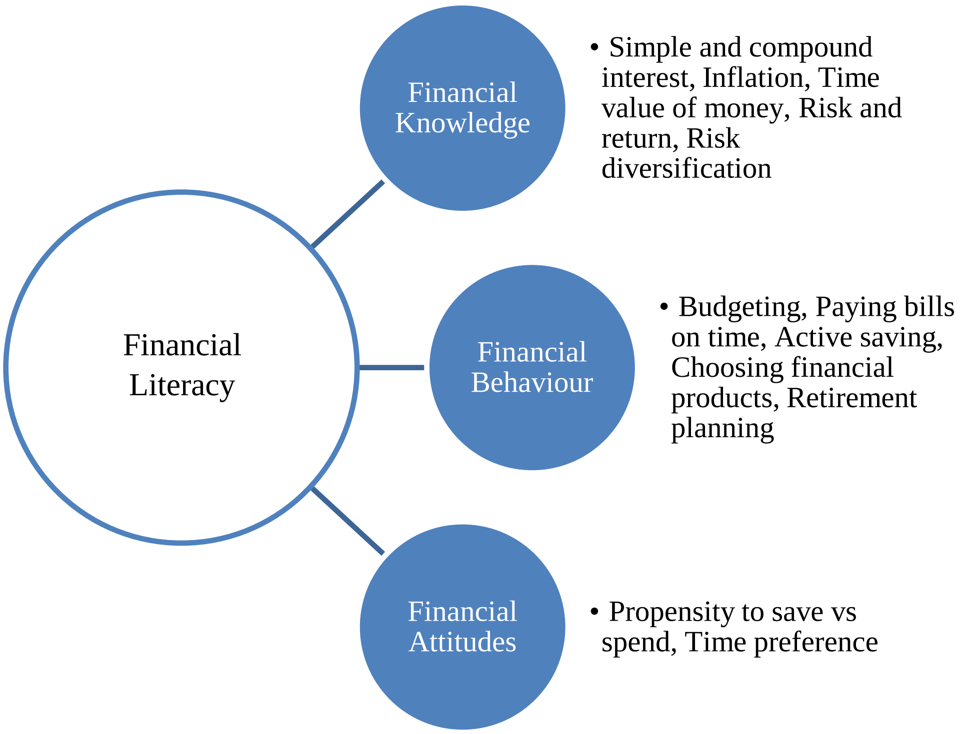

Figure 2.3: Measuring Financial Literacy: Three Components

Source: OECD (2018) and author's own illustration

2.2.3 Financial Development & Its Roles in Financial Inclusion

The powerful relationship between financial development and growth has been well documented (Ögren, 2010, p.6; Ögren, 2009; Ögren, 2019; Levine, 1997) alongside with the impacts of financial inclusion in growth. Accordingly, there was evidence that the level of financial development was a good predictor of economic growth's future rates, capital accumulation, and technological change. Financial development along with a sound banking system contributes in increasing the momentum of economic growth (Levine, 1997).

Financial development is defined as the development of local financial systems. However, financial development is a vast concept and has several dimensions which include depth, access, efficiency and stability (Jahan et al., 2019; World bank, 2020). The relationship between financial inclusion and financial development has also been found somewhat bidirectional, even though the literature on this nexus is relatively thin and sometimes provides contradicting results (Čihák et al., 2016). Using a panel dataset of 97 countries during 2004-2012, Rasheed et al. (2016) suggested that the impact of financial inclusion on financial development was positive and significant. Financial inclusion was also found to promote greater financial stability (Čihák et al., 2016). At the same time, Mehrotra and Yetman (2015) commented that greater inclusion could entail irresponsibly rapid credit growth, which posed risks for financial stability banks and could generate issues for central banks (Hannig & Jansen, 2010). Financial inclusion was also said to lead to greater efficiency of financial intermediation through greater savings accumulation which could lead to the strengthening of sound domestic savings and investment cycles (Prasad, 2010). However, Cull et al. (2012) counterargued that it greatly depended on the quality of financial infrastructure, regulation, and supervision.

Kumar (2011) commented that financial exclusion had its roots in the changing macroeconomic structural circumstances and that financial exclusion was a result of the enhanced competition within the local banking systems. He argued that when more financial products were brought into the market, more risks would emerge. This forced banks to focus more on certain groups, leading to more strategic inclusion of "valuable customer" groups and exclusion of a majority of "non-valuable customer" groups. Due to profit pressure to generate the most revenues with the lowest costs to survive in increasing competition, banks start to embark on, what Kumar (2011) called, a "standardization" process, with which banks generally strive to attract more “valuable customers” whom banks can cross sell more “value-added” products. This leads to the emergence and intensification of the unbanked group.

Many of the above listed literatures used quantitative approaches and available financial development datasets from the World Bank or the International Monetary Fund (IMF) to analyse the relationship with financial inclusion. However, the definitions of financial development and financial inclusion are intertwined and are often difficult to disentangle (Jahan et al., 2019). Several factors used by the IMF to compute financial development (Svirydzenka, 2016) were also identified as components affecting financial inclusion of the economy. Accordingly, most indicators representing access to financial services are used in both financial development and financial inclusion. The overlapped components in measuring financial development and financial inclusion are summarized in Figure 2.4. This results in analysis bias to understand the mutual impacts of financial inclusion, financial development as well as their actual impacts on growth.

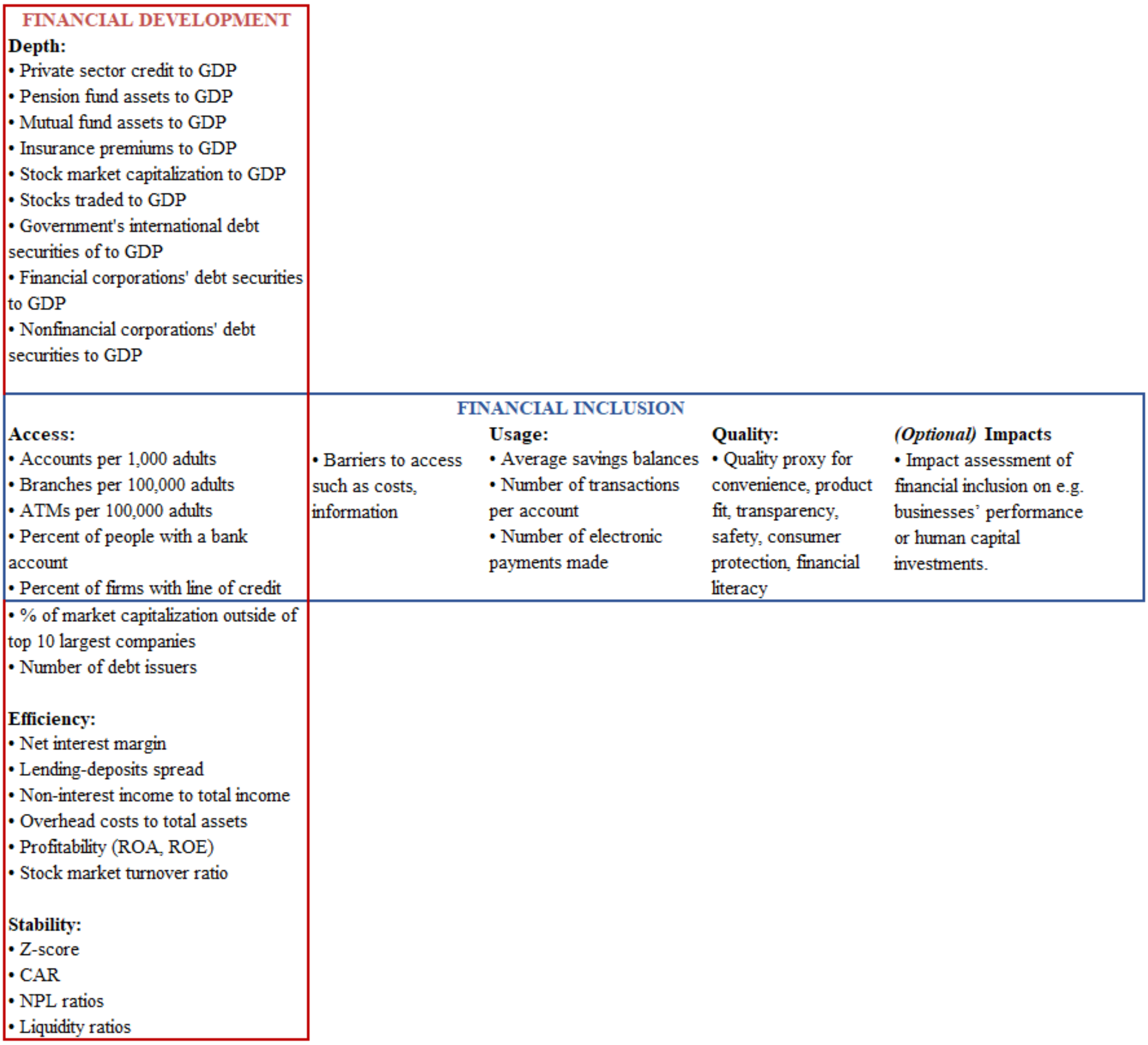

Figure 2.4: Measurements of Financial Inclusion versus Financial Development

Source: Adapted from World Bank (2015), Svirydzenka (2016) and Jahan et al. (2019)

2.3 Financial Inclusion and Its Determinants in the Vietnamese Context

The banking sector in Vietnam, including 7 state-owned commercial banks (SOCBs), 28 joint stock commercial banks (JSCBs) and 9 foreign-owned commercial banks (FOCBs) or joint ventures (JVs) (SBV, 2019b), has dominated its financial system, in terms of both total assets and capital (Figure 2.5). The total assets and charter capital owned by the SOCBs by the end of

2019 were VND 5,439,691 billions (US$ 231.00 billions) and VND 155,153 billions (US$ 6.60 billions) correspondently. The non-banking financial institutions (NBFIs), consisting of finance companies, financial leasing companies, people's credit funds (a type of credit cooperative institution) and microfinance institutions (MFIs), remain small and contributed only 2% and 8% of total assets and charter capital respectively to the whole Vietnamese financial system as of the end 2019. The financial system remains dominated by the state with the top 4 SOCBs largely owned by the government: BIDV, Agribank, VietinBank and Vietcombank with 84.1%, 100%, 71.2% and 80.4% government-owned respectively according to these banks' latest annual reports.

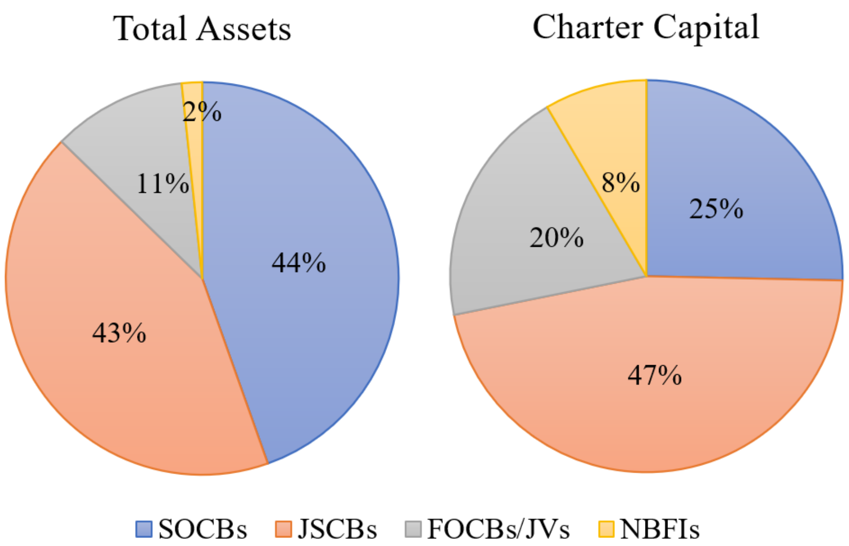

Figure 2.5: Shares of Financial Institutions in Vietnam by Total Assets and Charter Capital

Source: State Bank of Vietnam (SBV) (2019a) and author's own illustration

The access to credit has been a constraint in Vietnam (Jahan et al., 2019). Similarly, access to financial institutions via branches and ATMs for Vietnamese is still low per capita compared to peers in the region according to Jahan et al. (2019) and Figure 1.2-1.5. The financial inclusion policies adopting process has been slower in Vietnam compared to other countries in the region, even though some efforts have been spent, including establishing a specialized bank (Agribank) aiming at rural and agricultural development since the late 1980s. The national strategies for financial inclusion were only officially adopted since 2016 in cooperation with the World Bank to focus on enhancing the legal framework, improving financial technology with the aim to diversify financial products and services, and imparting financial education. Specifically, the strategies are to focus on digital finance, boosting financial services to rural and agricultural communities and minorities, strengthening consumer protection and enhancing financial education (Jahan et al., 2019; GIZ, 2018). However, there has been no national strategy for financial education program thus far (OECD et al., 2017).

Till date, institutions such as Agribank, Vietnam Bank for Social Policies (VBSP), some people’s credit funds, and two MFIs are the leading formal providers of financial services for 10 million of low-income Vietnamese (GIZ, 2018), most of them located in the rural areas. Banks still served a larger share due to their larger networks with 9.27 and 3.92 branches per 1,000 km^2 and 100,000 adults compared to 3.91 and 1.65 respectively of other NBFIs (Figure 1.2-1.3). In addition, banks can provide more services, saving facilities and loans with better rates. Among NBFIs, people’s credit funds are allowed to take deposits and provide loans with competitive rates compared to banks. However, they are operating on a much smaller scale with lower efficiency, lower regular capital flows, which limits the loan amounts and tenure offers (Vuong, 2017). Furthermore, there have been bad experiences related to collapses of these funds (Seibel & Nguyen, 2010). Hence, people are reluctant to leave their money there. The informal sector is the largest provider of financial services for low-income people in the country according to GIZ (2018). Informal players include unlicensed moneylenders, rotating savings and credit associations (ROSCAs), pawnshops and relatives, friends. Other important players in financial inclusion in Vietnam are mass national organizations. Amongst them, who are also involved in financial services, are the Vietnam Women’s Union (VWU) with about 15 million members, the Vietnam Farmer’s Union with approximately 10 million members and the Youth Union (GIZ, 2018).

There has been limited research focusing on financial inclusion situation in Vietnam. The majority, like research looking into the global financial inclusion, utilized the existing databases to conduct their quantitative analysis. Using World Bank’s Global Findex data in 2014, Tran et al. (2019) found that income, education and age were main factors of financial inclusion in Vietnam. Specifically, the individuals’ income levels affected the use of official accounts and savings. Education was positively correlated to account ownership and savings accumulation but was found to be negatively correlated with the use of formal credit. Age influenced the decisions of savings and the use of formal credits even though this relationship was nonlinear. Do et al. (2019) analysed the updated Global Findex data in 2017 to identify factors which drove financial inclusion in Vietnam. They found the same determinants with Tran et al. (2019)’s results, which were income, education and age. In addition, geographical location and individual perceptions were also recorded among the main obstacles for financial inclusion in the country.

In 2016, Morgan and Trinh (2018), under the support of the Asian Development Bank Institute (ADBI), made the first implementation of OECD's financial literacy measurement toolkit (Section 2.2.2 and Figure 2.3) to gather and analyse information about financial literacy and financial inclusion in Vietnam and Cambodia. Note that this survey, even though very comprehensive, was only conducted in only five Asian countries, Hong Kong, India, South Korea, Malaysia and Thailand due to its large scale and strict sampling requirements to ensure the randomness of the samples. A thousand correspondents from 18 cities/provinces of 6 different regions in both rural and urban areas in Vietnam were interviewed during October-November 2016 by a contracted research firm. Morgan and Trinh (2018)'s findings resonated with past studies that education attainment, income and age were significantly related to financial inclusion in Vietnam. In addition, occupational status was also found to influence financial inclusion. All these factors also correlated with financial literacy. An important finding from Morgan and Trinh (2018) was that financial decision making and financial well-being of the Vietnamese was a result of their financial literacy levels. Financial literacy also showed a positive and significant impact on financial inclusion.

In short, there has been a limited number of studies on the topic of financial inclusion with a focus on Vietnam. Crucially, there is no paper attempting to identify the factors which may influence financial inclusion of Vietnamese remittance recipients. As mentioned in Section 1.1.2.2, the migrant households own a frequent source of money sent by their overseas family members. A large proportion of migrant households, especially labour migrants are located in rural areas (IFAD & World Bank, 2015). They are more vulnerable to be financially excluded due to geographical barriers according to literature in both global (Cámara & Tuesta, 2017; World Bank, 2015) and Vietnamese (Tran et al., 2019) contexts. This study is therefore significant in filling in the gap of the existing literature. Moreover, with a strong link between financial inclusion and remittances on growth, researching on the determinants to enhance financial inclusion among Vietnamese remittance recipients can help contribute to the development process in the country by potentially enhancing the impacts of remittance flows on growth in the economy.

3 Methodology

3.1 Qualitative Research Design

3.1.1 Constructivist Grounded Theory Methodology

The focus of this qualitative study led to the use of constructivist grounded theory (CGT) methodology. The grounded theory (GT) approach was first developed by Glaser and Strauss (1967). Since then, it has become the most widely known method to conduct qualitative research in a broad range of social sciences (Haig, 2010, p.77; Mills et al., 2006; Tie et al., 2019). The GT methodology is appropriate with a research aiming to construct an explanatory theory while there was little known about a phenomenon (Glaser & Strauss, 1967; Charmaz, 2006, p.6). The underlying motivations to conduct this study also qualifies three out of four "starting points" to apply a GT approach according to Flick (2009, p.429). Firstly, it is my "curiosity" as a researcher to drive this study to develop a grounded theory. Secondly, my personal experiences related to the research topic is another "starting point". Accordingly, I have also been a migrant for nearly 13 years, lived and worked in Singapore, then Sweden. Thirdly, as discussed in the earlier section, even though financial inclusion is gradually attracting attention from academia and policymakers, there has been a limited number of research focusing on the financial inclusion situation in Vietnam. Crucially, there has been no study with a focus on Vietnamese migrant households. With these motivations, which qualified as "starting points" to employ a GT methodology, it is particularly appropriate for this research to follow the approach (Flick, 2009, p.429).

The CGT, outlined by Charmaz (2006), is the third and the newest among 3 distinct methodological genres of GT. It is rooted from constructivism. Social constructivists believe that individuals seek understanding and develop subjective meanings of their experiences directly towards the subjects or phenomena they encounter. Hence, the research goal within the constructivist worldview is to rely as much as possible on the participants' views of the situation being studied (Creswell, 2014, p.42). In its application to a GT methodology, a CGT approach has a focus on participants, how they construct meanings in relation to the research area and enable them to share and voice their perspectives (Charmaz, 2006). With this, the research co-constructs experiences and meanings with participants in respect to participants' views and experiences to generate understandings from the participants' standpoints (Charmaz, 2006; Charmaz & Bryant, 2011). In this study, understanding the choices and the drivers of migrant households' actions in relation to remittances and financial services usage to underpin the determinants of financial inclusion among them is particularly important. I aim to explore both the living experiences of the participants and their relations to wider communities and societies that they belong. A better understanding of participants' standpoints to engage a deeper analysis of their choices and behaviours is therefore a key to the success of my research.

Thus, I believe a GT methodology, especially a CGT approach is the best fit for my thesis.

3.1.2 Research Design Plan

Similar to most qualitative research, especially those pursue the constructivist worldview, the process of this research is largely inductive (Creswell, 2014, p.42).

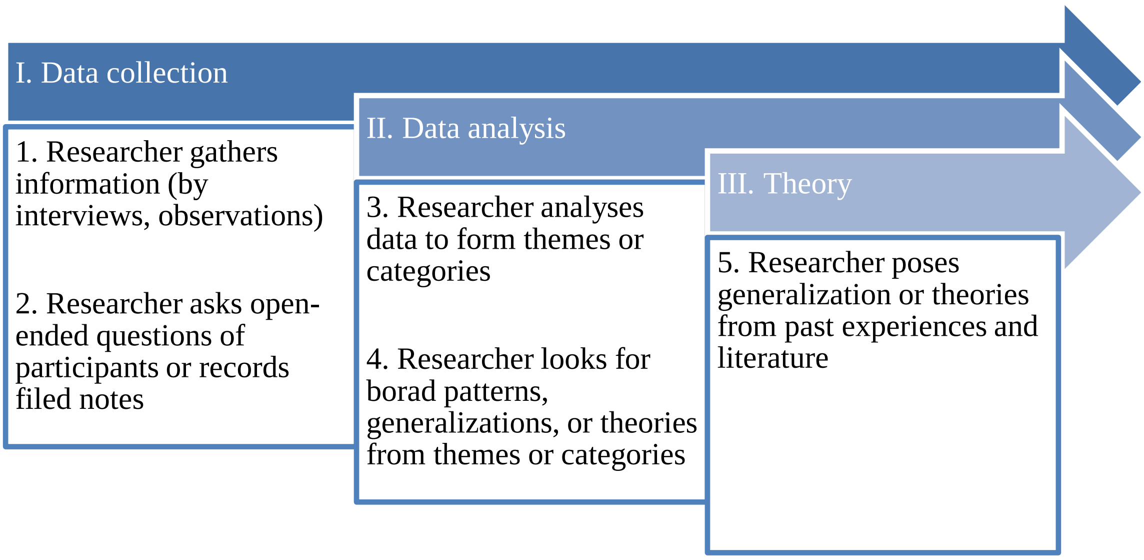

Figure 3.1: The Inductive Logic of Research in a Qualitative Study

Source: Adapted from Creswell (2014, p.121) and author's own illustration

Figure 3.1 summarizes an inductive process from data collection to a generalized theory. A researcher begins by gathering detailed information from participants by various methods such as conducting interviews with open-ended questions, collecting field observations, and recording field notes. The data analysis stage then follows to organize collected data to form themes and categories. These themes are developed into broad patterns, theories, or generalizations that are then compared with personal experiences or existing literature on the topic to generate a theory.

Figure 3.2 illustrates the design stages of this study. The research design plan follows closely the steps outlined by Charmaz (2006) to conduct a CGT study, accompanied by the logic of an inductive approach.

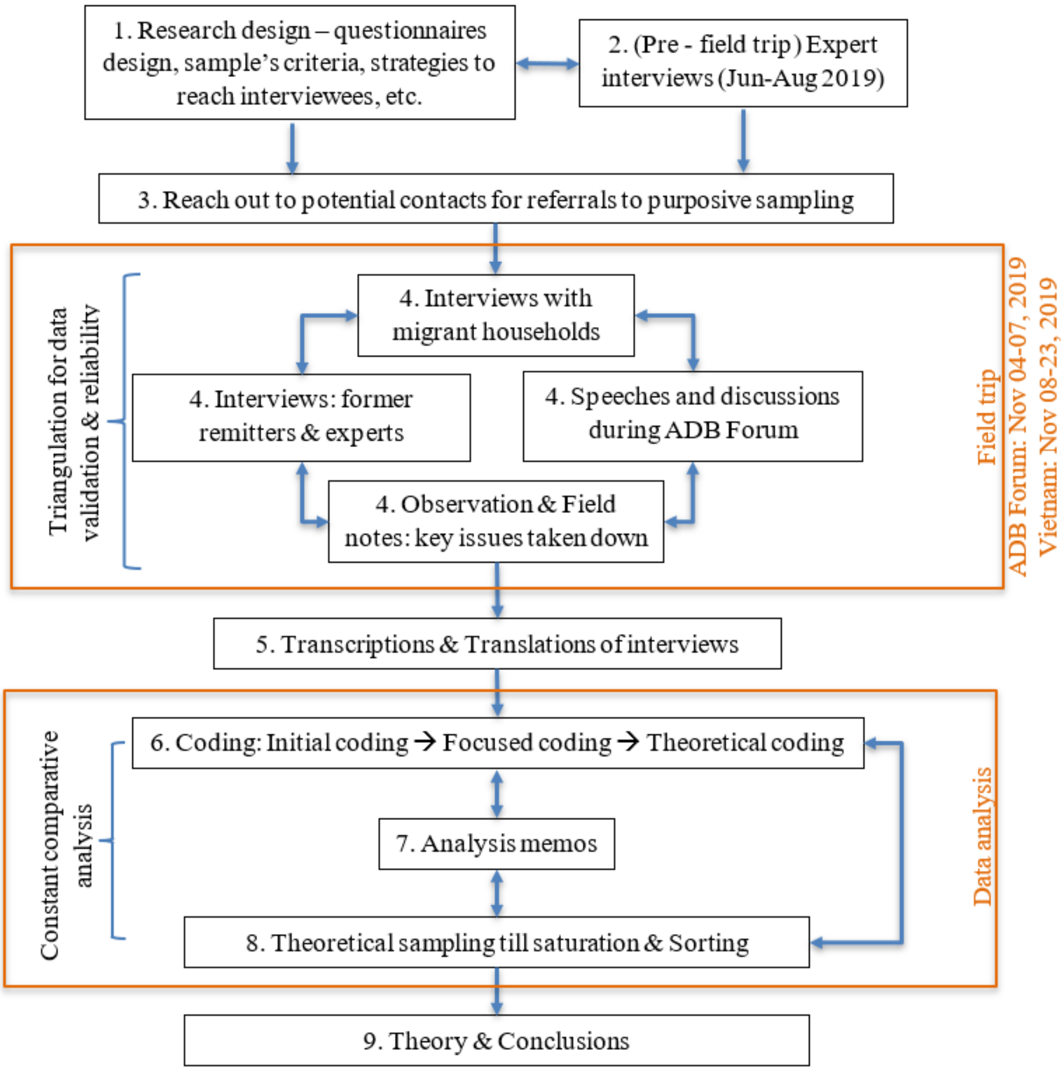

Figure 3.2: Research Design Plan

Source: Author's own illustration

3.2 Data Collection Strategies

Data for this thesis was collected mainly from interviews with migrant households and observations during a field trip from November 08-23, 2019.

Prior to the field trip, a research design was planned (stage 1) (Figure 3.2), followed by 6 expert interviews (stage 2). These interviews were conducted between June-August 2019 and served as an important preparation step in terms of knowledge, preparation of fieldwork plans, setting interviewees criteria and strategies to reach migrant households for interviews (stage 3). The information drawn from these expert interviews also served as materials for triangulation for data validation and reliability checks of the data collected during the field trip. Refer to Appendix B for more details about expert interviews.

Prior to the field trip, I went to Manila (Philippines) to participate in the 3rd Asia Finance Forum titled The Future of Inclusive Finance, organized by the Asian Development Bank (ADB) (Appendix C). The opportunity to discuss with forum speakers and participants who had intensive working experiences in the field of financial inclusion, together with pre-trip expert interviews gave a meaningful background to get myself ready for my field trip to Vietnam.

The fieldwork in Vietnam was conducted between November 08-23, 2019 at 4 provinces in 3 different regions across Vietnam. During the field trip, interviews with experts who were local bankers, as well as interviews with former remitters who returned from overseas were also taken for the purpose of triangulation. Observations and field notes were written during the field trip and after each interview to capture the main issues. Data obtained from the interviews with the migrant households were triangulated continuously with expert, former remitters interviews (refer to Appendix B for details of interviews to both experts and former remitters), discussions during the ADB Forum (Appendix C) and field observations for the purpose of data validation and verification during the field trip (Section 3.4). The interviews with migrant households during Vietnam field trip were conducted in Vietnamese and were recorded when interviewees allowed. Due to time constraints, these voice recordings were only transcribed and translated after the field trip ended (stage 5).

3.2.1 Questionnaires Design for Interviews with Vietnamese Migrant Households

I started to work on the questionnaires to interview the remittance recipients at the same time when the pre-trip expert interviews commenced to consider their expert insights. During the fieldwork, I kept writing daily notes and taking down important observations after each interview while maintaining close contacts with my thesis supervisor. I reported and discussed key points I found during the trip mainly via emails with him due to time zone difference, my hectic schedule and unstable, expensive network at rural parts of the field. Through these timely discussions, more questions to capture more meaningful information were added for the next interviews, while I came back to the past interviewees via phone to discuss these additional questions.

Even though OECD (2018)'s questionnaires (Section 2.2.2 and Figure 2.3) are very comprehensive, it is too long and might not be suitable for Vietnam, a developing country, as many questions would be more applicable to a developed country context, according to expert interviewees E03 and E05 (Appendix B). With these advices, I shorten the questionnaires by picking 17 most suitable questions according to my research questions and existing literature about financial inclusion in Vietnam (Appendix D). The ”Big Three” financial literacy questions (Section 2.2.2 and Appendix A) were also included in the questionnaires, however, with slight changes. Accordingly, the issues with the original questions were that they used very specialized financial terms such as “inflation”, “stock”, “mutual fund”, which might be challenging for the majority of people, and in my case, those who might live in rural areas with limited financial background, to understand the meaning (Lusardi & Mitchell, 2009; van Rooij et al., 2007). Correspondents might misunderstand the questions and simply guess the answers at random. Thus, I replaced the last 2 of ”Big Three” questions by questions with mostly examples from daily experiences. These questions could still be able to capture the interviewees' knowledge about inflation and risk diversification that the original questions tried to achieve. The additional questions resulted from discussions with my supervisor during fieldwork are also noted with the date when they were added (Appendix D).

3.2.2 Access to the Field & Selection of Vietnamese Migrant Households for Interviews

3.2.2.1 Purposive Sampling

To follow many successful GT studies (Tie et al., 2019), purposive sampling was employed in this study. The purposive sampling is based on some common features or parameters of the population that the researcher wants to study (Flick, 2009, pp.122-123). With that, I set forth a few criteria to select a sample set of Vietnamese migrant households to conduct interviews, who fulfilled below conditions:

1. Individuals aged between 18 and 79
2. Individuals who are frequent remittance recipients from a family member working/residing overseas or individuals who have significant source of income from remittances received from a family member working/residing overseas
3. Individuals who are potentially unbanked or inactively using financial services provided by formal financial institutions

Vietnam is in Southeast Asia with total area of 329,569 square kilometers (127,247 square miles) (UN Statistics Division). Its borders Cambodia and Laos to the west, China to the north and South China Sea to the east (Figure 3.3). With a population of over 95.5 million, Vietnam was the 15th most populous country in the world and the third in Southeast Asia in 2018, behind Indonesia and the Philippines (World Bank data). Vietnam is home for 54 different ethnic groups. The Kinh ethnic group accounts for the largest proportion with approximately 86% (UNFPA, 2011). Section 1.1.2.1 listed a few main reasons of Vietnam emigration: naturalization by family members who obtained citizenship status at other country, international labour migration, marriages to foreign nationals, studying abroad and professional job relocation. Family members of Vietnamese who are studying abroad or moving overseas due to professional job relocation might not be very relevant for my study as they might be less likely to be financially excluded. IOM (2017)'s report briefly mentioned the differences in emigration characteristics of Vietnamese from different regions. Accordingly, more Vietnamese females from Mekong Delta region tend to leave the country due to marriages to foreigners through brokerage, whereas provinces at the north, in particular North Central Coast, Northeast and Northwest regions have sent the most migrant workers of both sexes over years.

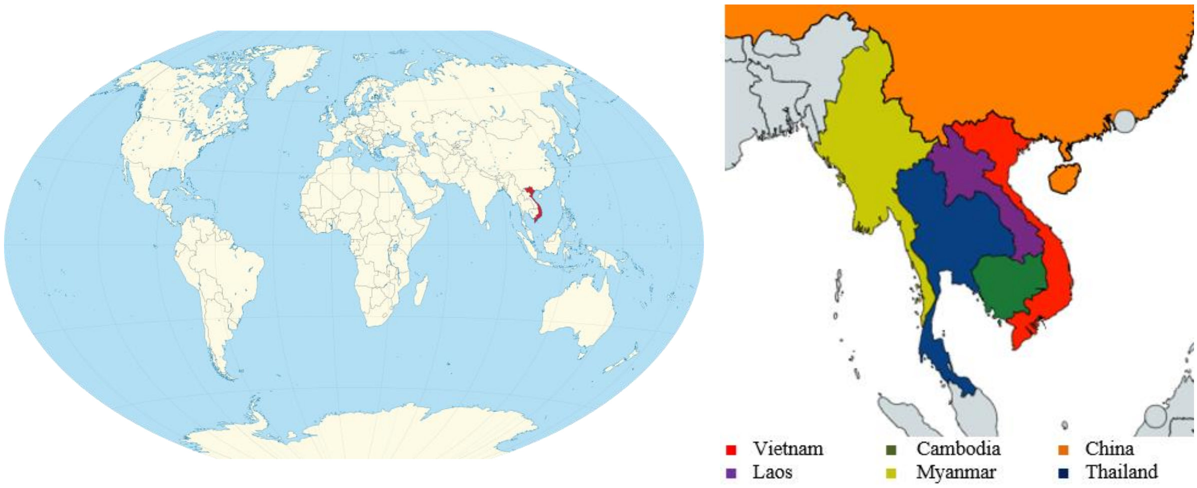

Figure 3.3: Vietnam's Location Map

Source: Creative Commons (file is free to share) (left) and author's own illustration via mapchart.net (right)

Thus, I aimed for interviews in at least the Mekong Delta and Northern regions to reach as many households of those who migrated because of labour works or arranged marriages as possible. I reached out to a close friend who had an uncle living at a village at Vinh Long province. He agreed to be my contact to take me to interview the villagers that might fulfill the requirements I set forth. I do not have any contacts in the North who might have connections to labour migrants' families, so I reached out to the Vietnam office of the largest international organization on migration to seek help. After reviewing my project description and questionnaires, they connected me to a partner governmental organization at Nghe An province (North Central Coast). I also reached out to my contacts and a friend referred me to a lady who was originally from Thanh Hoa province (also North Central Coast). Even though she was working in Hanoi, her mother was still living at a small village where a few families in the neighborhood fulfilled my requirements, especially those who had family member(s) working overseas as migrant workers. So, I had contacts at both Thanh Hoa and Nghe An provinces to assist. Note that Thanh Hoa and Nghe An had been top provinces sending the most migrant workers overseas collectively (IOM, 2017). My research questions also concern financial services provided by formal financial inclusions, and in the case of Vietnam, banks play a major role (Section 2.3). Hence, I asked for expert interviewee E06 (Appendix B)'s helps to connect me to his bank's branches to reach out to potential interviewees, who frequently came to branch to collect remittance received from overseas but did not use or were inactively using financial service introduced by the branches. He connected me to two branches of his bank at Gia Lai province (Central Highlands). Each branch provided me with a contact to refer me to potential interviewees. All of pieces of the puzzle to seek potential interviewees had been slotted into place. I was set with 4 provinces in 3 different regions to diversify my sample as much as it could. The exact villages where I visited were somewhat rural with major distances (20-60 km) to city centers. Figure 3.4 shows the locations of these interview places.

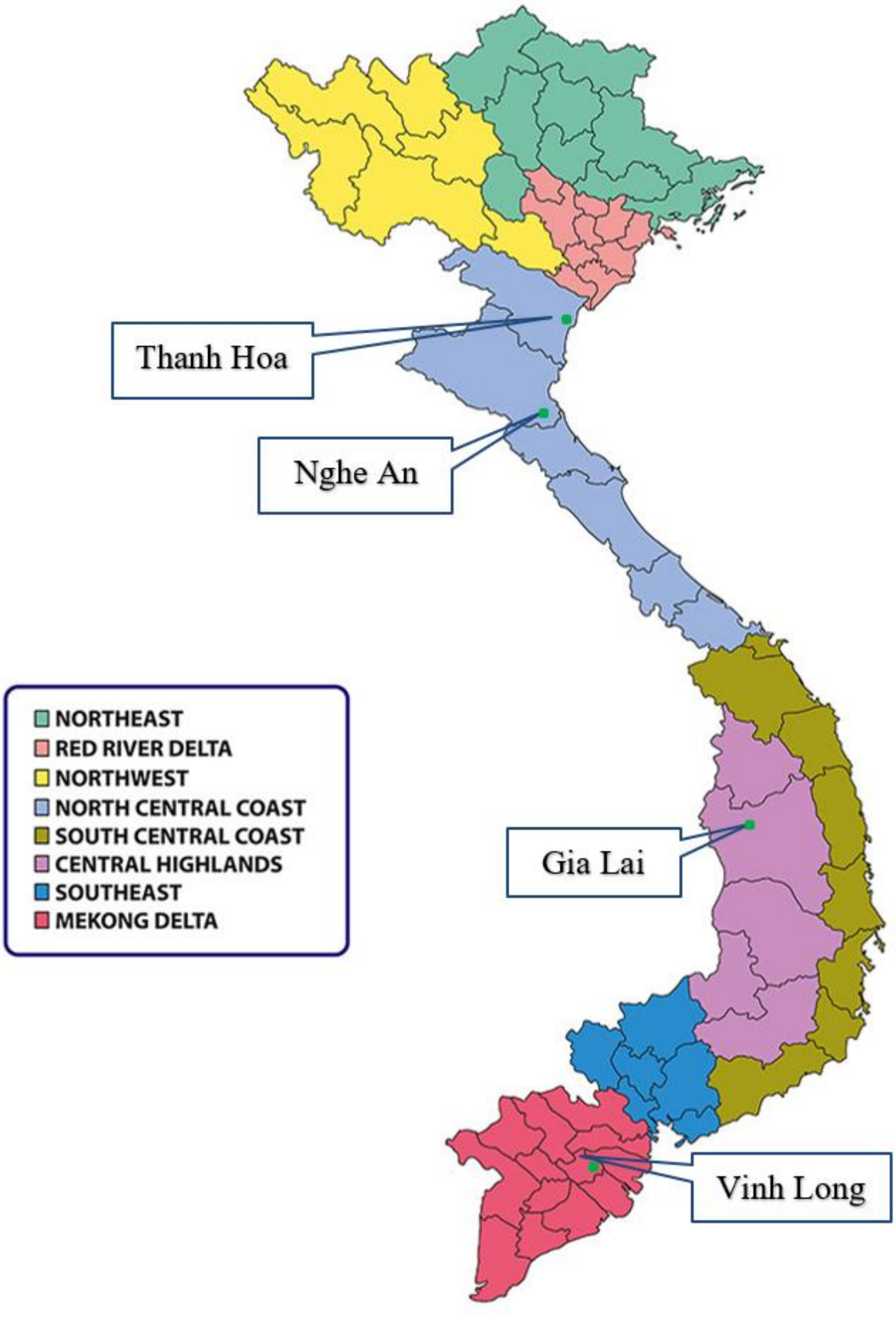

Figure 3.4: Locations of the Interviews on Vietnam's Inland Map

(The arrows are pointing to the centrals of each provinces, while the green dots are the cities/towns where the interviews took place. Both the arrows and green dots might have some small scaling errors)

Source: Author's own illustration on Vietnam Map on VectorStock.com

After discussions with my 5 contacts, I figured out requirement number 1 and 2 in my list of characteristics to seek interviewees (page 34) were fine. However, requirement number 3 was tricky as finance and financial management were still sensitive topics to discuss, even among close relatives, hence, it was impossible for my informants to know if someone is not or inactively using any banking services. Even with the contacts from bank branches, they might be able to know if individuals were not using services from their bank by communicating at personal level when trying to introduce certain products. However, the participants might be using services from other banks out of my informants' knowledge. Therefore, I decided to set loose the third requirement by adding the word "potentially" instead of a strict requirement to look for someone who did not use any financial services from formal financial institutions at all from the beginning of the research. Flick (2009, p.430) mentioned that the GT approach was characterized by the fact that the decision about the number of participants, why the individuals, groups, fields, or institutions were selected, were taken by the researchers in the process of the research. It is applied in this thesis as these decisions were taken along the research process by continuous learning and discussions.

3.2.2.2 Semi-Standardized Interview Structure

Interviewing has been used intensively in GT studies across a wide range of disciplines (Glaser & Strauss, 1967; Charmaz, 2006). The main objective of my study is to understand how migrant households spent the remittance they received as a basis to explore the reasons which kept them away from using formal financial services. Through the interviews, I wanted to encourage the participants to share their experiences, stories, express their feelings and any possible concerns. To enable the participants to share their own stories (Flick, 2009, p.156), I employed a semi-standardized interview approach with mostly open-ended questions. I aimed to conduct most interviews with the migrants' family members at their houses to let them be in their most familiar context. However, it greatly depended on the arrangement of my informants. At the end, I completed 15 over 27 interviews at the migrants households. Among 12 participants interviewed elsewhere originally, I visited houses of 2 of them the next days while I met an interviewee at his house before sitting down at a place nearby to talk, hence, I knew housing conditions of total 18 participants. Each interview lasted 29 minutes in average (approximately 15-75 minutes). I used my phone as a recorder in most interviews when the participants allowed.

All of them were given a small token of appreciation which was a bag of Swedish candies I brought from Lund.

Egbert (2004) and Spradley (1979, p.17) noted that language was important because it was linked to local knowledge, understanding and served as mediator for individuals' courses of action. With that, all interviews with the remittance recipients were conducted in Vietnamese, to allow the interviewees express themselves more freely. With ethnic minority interviewees, even though they could speak the national language, their mother tounge was their own ethnic languages. Therefore, for such interviews, I needed to pay careful attention to language barriers to avoid any possible misunderstandings. All interviews were then transcribed and translated to English by myself after the field trip ended.

A constructivist approach requires a close connection between the researcher and the participants to elicit from the participants their own stories told in their own words (Charmaz, 2000). I was also aware that finance and financial management were still sensitive topics to discuss, even with someone very close. Even though I was introduced and accompanied by my informants to all of the interviews, and while all of my informants were highly reputable to the correspondents, I was still a stranger to them when we first met for the interviews. Most of the interviewees were at my parents' ages while the remitters, who moved to live or work overseas for several years were often their children. In these cases, I added into my introduction that I had also been a migrant myself for more than ten years and shared my stories of moving abroad to Singapore and Sweden. Sharing personal stories truly helped to break the ice between me as a researcher and the interviewees.

Furthermore, Collins et al. (2009) also noted their experiences that many people were unlikely to trust a stranger asking about their financial position. In turn, they often gave general or even false answers. Accurate financial data collection therefore required efforts to build trusting relationship over many visits. To overcome this matter and obtain as much information as I could, whenever time allowed, I visited the participants again the next days to get more acquaintances, discuss and get more sharings from them. For example, I noticed during an interview that a participant ran a small shop selling noodle soup for breakfast. The next day I came back to have breakfast at her shop and said "to support her business". She was aparrently happy to see me show up in that manner. We chatted more when she was closing the shop after breakfast time, and I had some additional useful insights from that "spontaneous" visit. Another example was that 2 of my interviewees were ethnic minorities while my informant (the bank officer) arranged the interviews at branch office. The next day, I called them and asked for their permissions to pay a visit. Their houses were far and the trip took me half a day to complete but it was worth. The participants were happy to see my efforts while I had great opportunities to learn about their traditions and cultures that I was not very familiar because of our ethnic differences. These helped to validate what they shared with me (in a language not their mother tounge) during the interviews.

3.2.2.3 Participant Observation & Field Notes

The role of observations has been central in qualitative research methods (Flick, 2009, p.222). Interviews can merely explain the practices and actions of the participants. In other word, observations enable researchers to understand how something factually works or occurs (Flick, 2009, p.222) and serve as a powerful tool to complement what could not be discovered during the interviews.

Keeping that in mind, observational data and field notes were a crucial part of my field trip. I took field diaries to record almost anything which I encountered during the trip. To enable building rapport between me as a researcher and the interviewee as part of the characteristics of a CGT research (Charmaz, 2000), I employed an active listening technique instead of trying to take notes during the interview and might risk to miss opportunities to improve the collected data (Patten & Newhart, 2017, p.162). A recorder was used during the interviews while I sat down immediately after each interview to take notes to freshly capture all key issues and important factors that I observed during the interviews. However, not all participants allowed me to record. And even with some interviewees who allowed me to record, I sometimes found a reluctance in responding in complete accords of my questions after comparing with available information and data I had, whereas during my "spontaneous" visits next days, without being recorded, they shared more valuable information in my opinion. In these cases, field notes and observational data were indeed essential to assess the right responses and viewpoints from the participants. I also made use of my informants to clarify what I did not fully understand in terms of local traditions and characteristics. All field notes were taken in either English or Vietnamese throughout the fieldwork. Field notes are, however, not explicitly included in the final presentation of the analysis. Instead, they validate and contextualize data gained from interviews, allowing me to interpret the empirical findings in a way relevant to contexts.

3.3 Data Analysis Procedures

Twenty-nine interviews with remitters' family families were conducted during the field trip from November 08-23, 2019. However, 2 interviews were excluded from the analysis because the remitters were foreigners (American and Canadian), who were a close friend and a boyfriend with the 13th and 19th interviewees, respectively. The remittance amounts were also very infrequent and minimal compared to the recipients' own incomes. The remaining 27 interviewers, I chose to use a prefix MH (for "Migrant Household") and numbers representing a time order when I interviewed them to code each participant instead of using imaginary names. I believe that people's names have specific meanings for them, and it would be difficult or even inappropriate to refer to them with other names in this research.

Once all data, including interviews and observations, was gathered, the data analysis phase commenced. As highlighted by Birks and Mills (2012) and Tie et al. (2019), data in a CGT research was first analysed through 3 coding steps (stage 6) (Figure 3.2), namely initial, focused and theoretical coding. The coding was undertaken in conjunction with memos writing, theoretical sampling and sorting (stage 7, 8) through constant comparative analysis. Theoretical sampling was employed until theoretical saturation was reached. These processes created an unfolding, iterative system of actions and interactions inherent in GT (Charmaz, 2006).

The coding stage was to conceptualize the data by discovering categories into which they fitted. The preliminary step was the initial coding. The purpose of this step was to start the fracturing process of collected data to look for similarities and differences in beginning patterns within small units of data (Charmaz, 2006, p.46). This step was to generate as many codes as possible, hence, remaining open to all possible theoretical directions indicated by the data was important to avoid forcing data into existing categories (Haig, 2010). Through data comparison, focused codes were developed. These codes were more selective, directed, and conceptual (Charmaz, 2006, p.57). Analysis memos were written throughout the coding process, especially during the focused and theoretical coding steps. Using memos helped to conceptualize categories more effectively and smoothen the transition from focused to theoretical coding steps (Charmaz, 2006, p.72). Continuous comparison between these codes helped to refine, pinpoint, and produce the most salient categories in large batches of data. The third coding step, theoretical coding, used the categories classified during focused coding to specify possible relationships between categories (Charmaz, 2006, p.63). The theoretical sampling stage could happen as early as same time with the initial coding stage. Theoretical sampling was conducted by sampling the generated codes to develop the categories and their properties until no new categories emerged (Charmaz, 2006, p.96). Theoretical sampling coupled with constant comparative analysis raised the conceptual levels of data analysis and directed possible subsequent data collection and analyses until theoretical saturation occurred (Charmaz, 2006, p.54). When the saturation occurred, categories were then sorted to integrate new theories. Conclusions of the research could be drawn. With a long and iterative data analysis process, GT procedures are often found to be time-consuming according to Timonen et al. (2018).

The data analysis was done manually. The usage of the qualitative software program such as NVivo was considered. However, analysing English-translated texts on NVivo has a few practical disadvantages, including missing certain contextual strings expressed in a non-English language (Vallance & Lee, 2005). In addition, in Vietnamese, there are also many ways of speaking about the same topic, or different words to describe the same object but embedded with the speakers' emotions. With the English-translated texts of interview transcriptions, during the analysis process, I often needed to refer to the original texts in Vietnamese or even listened to the Vietnamese recordings again to capture the full meanings of the responses. With these reasons, I decided to perform the data analysis manually to not miss any important information, even though the process became much more time-consuming.

3.4 Strategies to Evaluate the Quality of Study

The constant comparative analysis of codes and categories during coding stages until theoretical saturation permits a systematic data comparison within emerging categories, between categories and driven theoretical concepts (Charmaz & Bryant, 2011; Baker et al., 1992). The constant comparative analysis employed during the data analysis stages is therefore seen as a method for internal validation as it continuously checks for accuracy of fit (Lewis & Ritchie, 2003, p.275).

For external validation, triangulation was recommended as one of commonly used methods (Lewis & Ritchie, 2003, p.275). Triangulation is defined as the use of different methods, studies, settings, theoretical perspectives and sources of information to validate and confirm research findings (Lewis & Ritchie, 2003, p.275; Flick, 2009, p.444). Apart from semi-standardized interviews with migrant households and observations, field notes taken, I also met former remitters, who had worked overseas as migrant workers and now returned home, accompanied by expert interviews done before and during the fieldwork (Appendix B), as well as speeches and discussions I had during the ADB forum (Appendix C). The data in this study, therefore, had been collected from different sources using different methods, thereby introducing a triangulation perspective to the data (Figure 3.5).

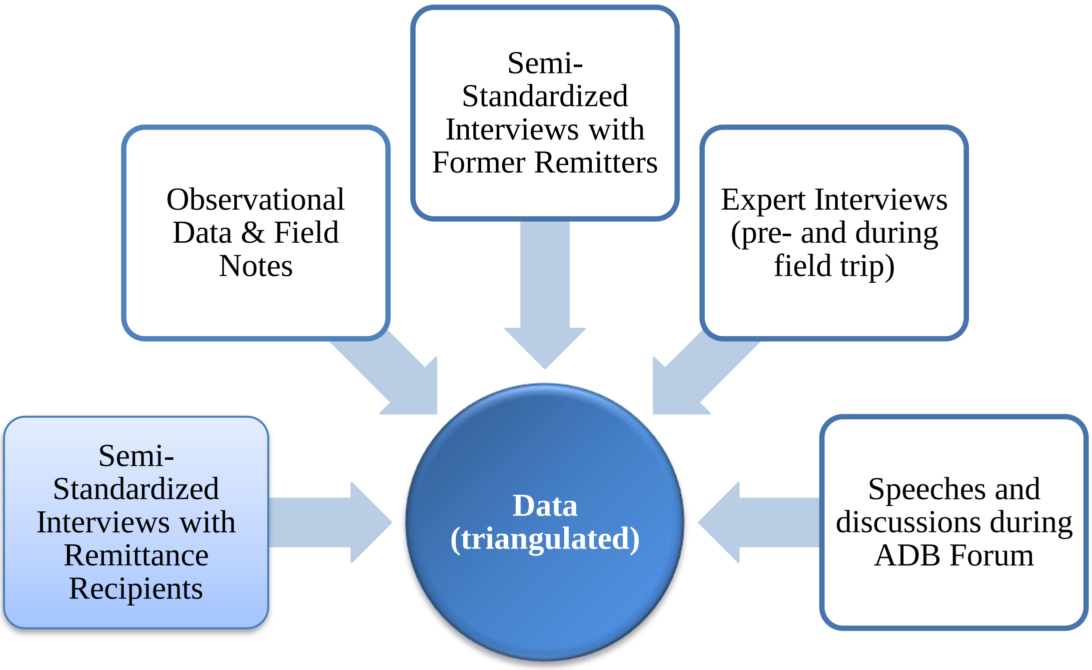

Figure 3.5: External Validation: Triangulation of Sources

Source: Author's own illustration

3.5 Ethical Considerations

Even though research ethics has become more important for qualitative research in general (Flick, 2009, pp.35-44), there has been ongoing debate regarding the roles of ethical considerations for a GT methodology (Flick, 2009, p.430; Potrata, 2010). Potrata (2010) argued that with no robust evidence about potential harm in qualitative research in general and GT in particular, ethical considerations should be loosened to allow greater freedom for researchers to draw as many findings as possible from the research.

Nevertheless, I still applied ethical considerations whenever I could during my research process. All participants, who were migrant households, were well informed of my thesis purpose. Their privacy was of great importance. The participants were presented with an ethical consent form and were explained what would happen during and after the interviews (Appendix E). The participants were also asked for their permissions to be recorded. In the case the interviewees were not comfortable being recorded (7 interviews), no recordings were taken accordingly. However, in these 7 cases, I took extra notes to try to capture the main discussion points. These notes were later used as part of collected data for data analysis. All names of interviewees are anonymized and coded while the interviews contents including all recoding files and notes taken will not be published.

4 Results and Discussions

Appendix F summarizes the migrant household interviewees' characteristics. More than half the interviewees were family members of Vietnamese labour migrants (16). Five participants were either parents or siblings of Vietnamese who migrated because of marriages. The rest of the sample were households whose family member(s) moved overseas due to professional works (2) or close family ties (4). Most of the interviewees (18) were parents or parents-in-law of the migrants. Hence, being at their children's ages and my introduction of a migrant myself (Section 3.2.2) helped to break the ice and created the first connection between me as a researcher and the participants to encourage them reflect and share their experiences about their overseas family members.

It is not uncommon for a family to send more than 1 family member overseas for marriages or works. For example, the participant MH05 had 2 daughters married to Taiwanese, 3 sons of the interviewee MH23 went overseas to work during the past 10 years, while participant MH25's husband, brother-in-law and his wife were working overseas at the time we met. Each migrant worker might also work in more than 1 country during the past few years depending on the contracts they got from the labour brokers each time.

In general, the sample was characterised by low socio-economic status. Most of remittance recipients had more than 1 source of incomes while farming was the most common income source among all. The finance and money management topics, as expected earlier, were sensitive. Hence, even though the participants were willing to answer most of the questions, 11 of them were not willing to disclose their total household income (without remittance receipts) and 6 refused to answer the question about the amount of remittances received annually. Instead, they provided a wide range of numbers or a general response such as "Enough to live by". Based on the available responses from the rest of the interviewees, it seems the annual incomes (excluding remittances) were generally about VND 139 million (US$ 5,980) for an interviewed household of average 4 adults and 4 dependent children/grandchildren. Note that it is common in Vietnam for 2-3 generations to live together or several family members sharing the same household, or living in the same community or village while maintaining frequent visits to each other (Hirschman & Vu, 1996). With an average annual consumption per capita in Vietnam at around VND 24 million (US$ 1,000) in 2016 calculated by the World Bank (2018a), the annual incomes reported by the participants seem be in accordance with what the interviewees commented: "Enough to live by". Overall, the households' conditions of most participants were reported being better since they started to receive remittances.

The key objective of this section is to understand the main determinants which could make remittance recipients financially included. To do so, 2 research questions identified in Section 1.2 are addressed. While the second research question refers directly to the objective of this study, understanding the first research question about spending patterns of remittance recipients would provide a basis for a discussion of the main factors affecting financial inclusion which were perceived and identified by the participants.

4.1 Spending Patterns of Remittance Recipients

Prior to the interviews, I anticipated the sensitivity of the discussion topics, i.e., sharing about finances and money in general, and talking about family member(s) being away from home, which might make the interview process emotional. I needed to mentally prepare to stop the interviews if the experiences would go out of hands. Nevertheless, all interviews were completed without major disruptions, despite some brief pauses experienced during most interviews when I started to mention the family member(s) away. Interviewee MH02, whose son left for labour works in Japan 4 months ago, expressed:

> *"I was very [emphasis] upset when he [her son] decided to leave. But he said his wages here were too little to save, and begged me to let him go there [Japan] to work [...] He promised [...] only 3 years, to help me and help the family to overcome this poverty and hardship."* (MH02, 00:06:30)

The relationships between the households and migrants were still close regardless of distance, duration, or migration reasons. Close communications with the migrants had been maintained in all households. Those who were recently away (less than a year) tended to call home, thanks to digital messenger applications, more often (every day) compared to those who had been away longer (about once a week).

Another common characteristic of migrant households is their awareness about hardship and difficulties working overseas. They knew even though the salaries might be much higher compared to the average wages in Vietnam, their children, spouses, siblings needed to work very hard. Perhaps the close communications with family helped to build this awareness. The migrant households, therefore, tried to spend the remittances they received reasonably, as participant MH07, whose daughter married to a Taiwanese through brokerage almost 5 years ago, shared:

> *"To earn money, save and send us some, I know they [his daughter and son-in-law] need to work very hard […] Not easy jobs […] Hence, we definitely [strong emphasis] cannot spend to unnecessary [emphasis] things"*
> (MH07:00:08:38)

In short, a close relationship and communications between the migrants and the remittance recipients, as well as the migrant households' awareness of their family members' hard works, save and send back home, somewhat guided the spending behaviours of the remittance recipients.

The questionnaires were structured in a way to encourage the participants to start reflecting and sharing their money spending behaviours with a link to the remittance they received. Four most basic categories "living expenses", "social relationship maintenance", "paying debts", "upgrading/building houses" were shaped through different topics discussed and basic codes mentioned during the interviews (Figure 4.1). The fifth category "Forming informal financial networks" was also emerged and naturally linked to the next topic of discussion: reasons why participants did not use or actively use financial inclusion brought by formal financial institutions.

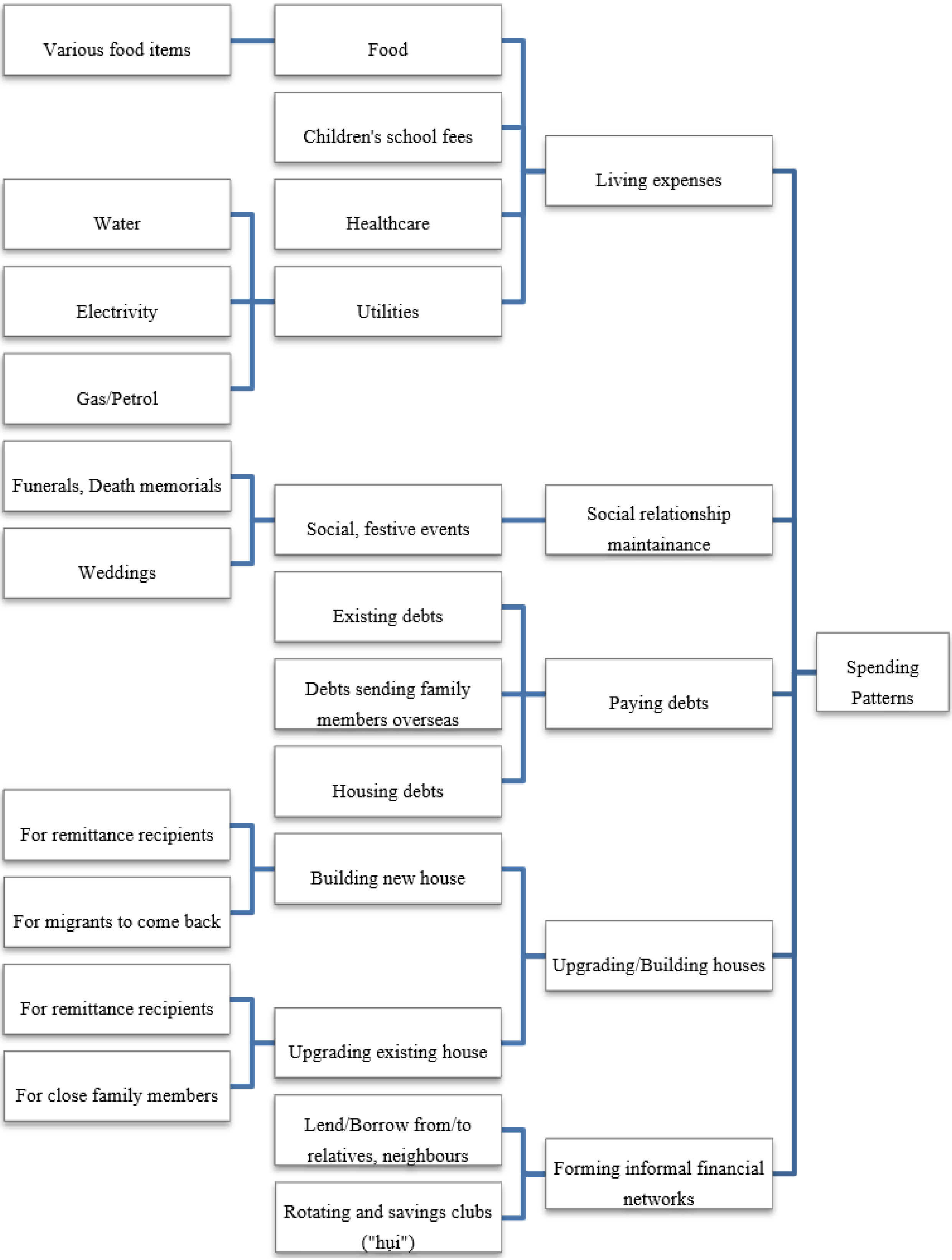

Figure 4.1: Diagram of Selected Basic Codes, Aggregated Focused Codes and Formation of Categories for Research Question 1

Source: Author's own illustration

The finding that migrant households in Vietnam used remittance primarily for daily expenditures and consumption is not surprising. Sander and Maimbo (2005, p.63), by looking into African developing countries, commented that remittance receipts into African countries were used primarily for consumption and investment in human capital such as education, healthcare, and better nutrition. Vietnam is not much different. La and Xu (2017), by analysing longitudinal data from the Vietnam Household Living Standard surveys in 2000, 2004, 2006 and 2008, found that in general, remittances received by Vietnamese migrant households were used to cover daily expenditures, as well as health and children's education cost.

In addition, in the case of Vietnamese remittance recipients, communal and social relationships were found very important to them, hence, spending to maintain social relationships was sometimes referred to as important as living expenses. Paying debts, including existing debts, loans for the expenses of going abroad and housing loans was the third priority within the sample I investigated. Upgrading existing houses, building new houses and lending to others or participating to "hụi" groups (more details in Section 4.1.5) were also common spending of remittance receipts after or while fulfilling debts repayments. Rutherford and Arora (2009, p.132) agreed that lending and borrowing among neighbours and family was somewhat common among small communities in rural areas to save or obtain immediate finances. By doing that, rural villagers are creating their own informal financial networks.

4.1.1 Living Expenses

Agriculture is the base of Vietnam's economy with most smallholder farmers located in rural areas of the country (World Bank, 2016). Small family farms in Vietnam also spend almost 40% of their value of production for agricultural inputs, making crop production relatively cost-intensive (FAO, 2018). As a result, Vietnamese smallholder farmers tended to be involved in other economic activities, mostly informal works, alongside with farming to increase their household incomes. The sample of this research, mainly remittance recipients located in rural areas, confirmed that fact. More than half of the participants (15) were involved in farming activities (Appendix F) while 11 households reported to be involved in additional one or more economic activities on top of the agricultural works. The crops were mainly rice and vegetables. The farming activities also included raising live stocks such as pigs, chickens. Hence, participants could consume their production and sell the excess to generate incomes to buy materials for the next crops. If it was a year with bad weather or disease, they ended up with no surplus and even had nothing to consume at times. Therefore, almost all low-income participants, reported that they could "live by" or "barely live by" by their farming activities. With cost-intensive agricultural production and unpredictable weather, it was unsurprising that 22 out of 27 interviewees reported that remittance receipt was valued at more than their own household incomes.

Hence, remittances generally are an important additional income for the migrants' households. The funds were used firstly to purchased additional food items. If it was a household with dependent children, school tuition fees and healthcare were also made priority after that, followed by utilities.

> *"The money [remittance receipt] is to buy more vegetables, food, petrol […]"*
> (MH15, 00:02:18)

> *"I buy food for my child. If he is sick, I need to spend […] to buy medicine […]"*
> (MH16, 00:11:30)

> *"The money is for food, tuition fees for my [6-year-old] child. Then for miscellaneous items such as bills for electricity, water, gas […]"*
> (MH11, 00:03:30)

4.1.2 Social Relationship Maintenance

Family is the most important aspect of a Vietnamese. A "family unit" often includes a larger nexus of relationships (Hirschman & Vu, 1996). Grandparents, grandparents' siblings, aunts, uncles, cousins, and other extended relatives often have very close relationships with each other within a family unit. The Vietnamese often feels a heightened sense of belonging and loyalty to their family. A family is recognized as having a collective "face" whereby the act of a single individual may impact the perception of the family name by others. Thus, one often assumes responsibilities to support family members while respecting and protecting the family reputation in the village or community where the individual is residing (Small, 2018). Thus, all interviewees trusted and respected their close relatives and neighbours who were living nearby more than anyone else. As a result, they often turned to each other to ask any questions ranging from recommendations for labour brokers, matchmaking agencies to questions about current savings, credit interest rates, provided by formal (banks) or informal (private groups, individuals) when they are in need.

Efforts are spent *"unquestionably"* according to the interviewees to maintain the social relationships they have within their families and communities. It is important to note that Vietnamese traditions are characterized by a blend of Vietnamese traditional values, Confucian, Taoist and Buddhist values (Nguyen, 2016). Thus, festive events such as weddings (*đám cưới*) or ritual practices such as funerals (*đám ma*) and yearly memorials (*đám giỗ*) of any late family members are crucial to be organized to specific scales (Nguyen, 2016). These events are always accompanied by gifting traditions by the invitees, by either money for weddings, funerals, or food items for memorials. The invitations to these events are sent to all close, extended family members and all members in the village. Those who receive the invitations have obligations to attend and/or send gifts to the organizers. Interviewee MH07 (00:08:25) emphasized: *"Attending these events is a must [strong emphasis], no need to discuss."* Since such events are not entirely free, attending such events have brough social pressure to spend and added a sizable amount to the participants' expenditures. According to most interviewees, they are aware of the big accumulated amounts they spend for such events, but they must do. Interviewee MH02 (00:10:38) even listed attending these events as one of her main living expenditures when using the remittance receipts alongside with food, healthcare, and utilities. Participant MH20 added:

> *"I spent a lot for many "đám" [weddings, funerals, memorials]. Recently I gave a "đám" VND 2 million [US$ 90]. Nowadays, a "đám" at a not very close household costs as little as VND 0.2 million [US$ 9], a bit closer is at VND 0.5 million [US$ 22]. The closer, the more to give."*
> (MH20, 00:16:40)

These figures were also mentioned by the participant MH23, who lived at the same village. It signals that the amount to bring to an event was a "market-driven" communal practice. No one would dare to bring less than the others to risk losing "face" to the organizers. All participants often saw it as a shame to not be invited to an event organized by others from the same village. It is equivalent to be excluded in the community where they live and need to belong. Hence, they must attend to maintain the relationships to be invited again in the future. The participants, however, in overall, were willing to spend because *"I feel it is okay [no pressure]. Others are* *doing that [gifting]. I should do the same"* (MH11, 00:06:15) or *"That [gifting] is fine [because] when we organize such events, they will come and bring the same"* (MH16, 00:13:05)

4.1.3 Paying Debts

Beside spending remittance receipts on daily expenditures and social relationship maintenance, migrant households tried to use as much of the remittances to pay their debts if there were any. These debts included existing debts before migrants left or debts incurred from their moves and after that.

Unless migration reasons were because of naturalization or professional works relocation, most households who had family member(s) move for labour works or marriages needed to pay to labour or matchmaking brokers to arrange the moves. In the case of labour works arrangement, no brokerage fees are required if the labours are chosen by the government-managed programs. However, these programs are limited, and labours need to apply at the offices which are usually located at the centres of the provinces, take examinations, and wait till they are selected. To avoid traveling a distance to the offices, complicated, long process, and make sure they can get a spot, 24 out of 27 migrant households chose a private brokerage option even though they needed to pay higher amounts. The fees to arrange labour works (including brokerage fees, training fees, visa and airfares) varied depends on the destination countries, with average about VND 145 million (US$ 6,300) for the first successful contract lasting approximately 2-3 years while the subsequent contracts (extension) would be arranged with the hiring companies directly without any brokerage fees.

Almost all households turned to their close relatives first to borrow with the advantages of no interests, then neighbours or (unlicensed) private moneylenders or "hụi" (a form of ROSCAs, Section 2.3, will be discussed in Section 4.1.5) and finally banks. Paying all debts was often cited as short-term financial goals for migrant households. Most households reported that they could repay these debts after 1-1.5 years thanks to the remittance received. Participant MH24 (00:07:10) shared *"[…] A lot of debts […] Too many to list all […], both before and for their moves [her two sons' labour work arrangements]"*. Interviewee MH02 (00:06:15) said: *"Money received [from his son] is to pay debts [immediately]"*.

4.1.4 Upgrading/Building Houses

Due to strong family ties between migrants and their families, most households were looking forward to migrants' returns. Hence, generally, after repaying all existing debts and loans to send the migrants overseas, most participants started to upgrade their existing houses or build new houses for the migrants to stay upon their returns. Some migrant households saw upgrading existing houses, buying new lands, or building new houses as investments for migrants' future. Explaining her decision to buy a piece of new land and her plan to build a new house there by the end of the year, MH20 said:

> *"His (Her son's) money [is still his and] needs to be kept for him. I bought new land to invest and would borrow money to build a house there […] Yearend will be a good time for his horoscope to start the construction."*
>
> (MH20, 00:06:00 and 00:10:35)

It was common for migrant households to start housing constructions while repaying other existing debts, sometimes, just because of the horoscopes, like the above example and interviewee MH24 (00:07:10). These households, despite of other unrepaid debts, started to borrow money to start upgrading the house, and added housing debts to the debts the family already needed to repay. Hence, they needed to get money from all possible resources, including both informal and formal, to finance. Interviewee MH21 (00:08:03) had some savings earlier, but all were withdrawn to fund the building construction. To secure the rest of the funding, she turned to informal financial networks, including "hụi":

> *"I took from "hụi", from many "hụi" groups […] 6 groups […] Each group has 35-37 members […] His [her son's] money will be put there to repay little by little. I don't need to worry."*
>
> (MH21, 00:04:20)

This put a pressure on migrants to keep working to support the families. Interviewee MH21 (00:04:10)'s son was about to extend his contract when it ended, to work for another 3 years to be able to repay the housing debts they still had.

Upgrading to a bigger house seems to be also impacted by societal relationships in the village. As briefly discussed in Section 4.1.2, the connections and social influences among families, neighbours in villages are very strong. Many migrants had departed from the same village. Households by households learnt from each other about the steps and contacts to arrange moves for their family members. Walking through 3 villages in 3 different provinces Vinh Long, Thanh Hoa and Nghe An, I saw many new upgrading houses (sometimes large 3-storey houses) alongside with both ongoing constructions and old basic brick houses. There was a clear correlation: new completed houses belonged to households whose family members left at least 5 years ago, ongoing constructions were of those who left around 2-5 years whereas migrants from old houses had just left recently or had not left yet. Hence, even though no participant directly attributed the reasons to upgrade their houses to the influences brought by other households in the village, their decision would have been affected by them via daily conversations and observations within a small community as a village, or they might just simply want to maintain their social status by the look of their houses.

Chimhowu et al. (2005, pp.89-90) commented that expenditures on housing creates additional jobs. It encourages more domestic consumptions, as does spending for daily necessities, education, and healthcare. However, if remittances are used only in local consumption, they may have only short-term significance and may well increase interhousehold inequality instead of bringing long-term poverty reduction at both household and community level.

4.1.5 Forming Informal Financial Networks

An interesting discovery regarding the usage of remittances is that these amounts also participated in informal financial networks. Remittance recipients, who were informally served or financially excluded, acted as organisers or participants of several informal financial systems in the communities in which they live.

The first and basic form is that remittance recipients and other villagers would turn to each other to borrow or lend when they are in urgent need. When the amount was small and the borrower was a close relative to the lender, there might be no interest. There were also cases when interests were involved. However, the borrower and lender would choose a rate which was better for both compared to banks. In addition, the loans were hassle-free with no collateral or documentations required compared to those offered by formal financial institutions.

However, this mechanism largely depends on trust as lenders will have no way to get the payment if the borrowers decide to walk away. The participant MH20 (00:10:45) was aware of this risk and said therefore she only lent to those she knew would commit to repayment. From the borrowers' perspectives, due to their and families' reputation as well as social relationships within a small community in a village, they often do not dare to breach the trust. For example, MH16 (00:07:27) expressed: *"I must repay. Otherwise, it will be very [strong emphasis] embarrassing"*. However, according to my informant in Thanh Hoa, there has been a case when an individual breached this trust. The person secretly fled the village with the money borrowed. Other family members gradually left. The family was never welcomed back to the village.

It was also not uncommon for someone to borrow to pay a due payment from someone else. Hence, the loan was sort of "renewed" with a new lender and a new maturity date (Interviewee MH24, 00:15:22). In addition, when a borrower received remittances and the repayment date had not come yet, she could choose to lend to someone with higher rates to earn some interests in the meantime. Within the informal financial systems run by the villagers and remittance recipients, one can be both borrower and lender. And it is obvious that for the families whose members left several years ago and had finished house upgrading or building projects, they would often become major lenders with their extra money from remittances. The borrowers were mostly families who just sent their spouses or children overseas and in need to immediate money to pay to brokers or start their housing projects.

This informal borrowing and lending system sometimes include non-monetary items for small amounts in very rural locations or within ethnic minority communities. For example, the participant MH16 (00:09:35), when the due date came and she did not have enough money in cash to pay back while her remittances from an overseas aunt had not arrived yet, the lender sometimes accepted other in-lieu payments such as rice or coffee beans harvested from MH16's farm. She could also exchange her coffee beans for vegetables from other farmers who planted. Another arrangement which involved non-monetary items to get a bigger amount of loan was called "early harvesting". The interviewee MH15 (00:11:17) gave an example. If he needed urgent cash and it was still 2-3 weeks till his coffee beans could be harvested, he could turn to, in his case, the fertilizer distributor in the village. The lender could give him the loan he needed and would come back to collect the coffee beans from his farm when the harvesting season comes. The offer price for the coffee beans in this case was normally very bad, however, the borrower could have the money he needed in advance hassle-free. Rutherford and Arora (2009, p.7) noted that these "advances" are, in effect, loans secured against yet-to-be harvested crops, and this mechanism is a common example on the advance sale of crops in the rural areas.

Another common informal financial form which was frequently mentioned by the participants during interviews was "hụi". Hụi was mentioned by 20 out of 27 interviewees as a way for them to either borrow money or save, especially with their remittance receipts. Hụi is a form of ROSCAs (Section 2.3), one of common informal channels for financial services (GIZ, 2018). To start a hụi group, an organizer simply invites others to join. All members need to be approved by the organizer to join the group. She becomes the hụi owner and is responsible for collecting money from the members. Group members decide on the frequency to meet, e.g., once a week, or once, twice a month. They contribute money to a central fund during the meeting. During each meeting, members who need to borrow the total bid an amount. The bidding winner will take the sum from the fund after deducting the administration fees to pay to the organizer, usually about 5% - 20% of the fixed monthly contribution. Each member who has not withdrawn the fund contributes an amount equivalent to the monthly contribution deducted by the winning bid whereas those who took the sum during the last meetings contribute the same fixed monthly contribution towards the end of the cycle and are not allowed to participate in any bidding process to withdraw the fund again. Refer to Appendix G for an illustration of how much hụi amounts are contributed, borrowed, and lent in a hụi group. Within this system, the borrowers can withdraw a loan easily without any required collaterals or documentation, even though the rates might be higher compared to what local banks offer. However, for group members with savings purposes, the interest rates are much more attractive within a shorter time. The return to the hụi owner is large compared to other group members, especially when she also plays as a member in the group, and usually acts as the last person to take the sum. However, she also bears the highest risk as she would be held responsible for any frauds or defaults within the group, should anyone fail to follow through on their commitment. If it happens, she must cover the losses with her own money. The ideal number of members of a hụi group is around 10 to 15. The larger the number of members, the longer it will take for an individual to have her turn to claim the pool and the greater the risk for a breach of trust. Trust is a key element of a successful hụi group.

There are several reasons which make hụi one of the most attractive form of informal financial services. A person can quickly borrow a large amount of money when the need arises. The amount is collateral-, tax- and paperwork-free. If an individual who does not have an existing credit line with a bank and needs immediate money, this method helps to obtain a hassle-free loan. This kind of rotating credit groups are found in many developing countries, especially in rural areas where access to small loans and credits is limited (Small, 2018, p.59). According to some old Vietnamese I met during the field trip, hụi existed in their villages even before the banking system came into operations. The system works because of the social relationships among the group members (Small, 2018, p.59), who are normally from the same villages and/or introduced to the group by an existing group member. A group member can opt to play multiple hands in a group or play in many groups to increase the withdrawal amount she needs at a time, i.e., to pay brokerage fees or fund a housing project. The interviewee MH21 (00:10:38), for example, was in 6 hụi group in total, and believed that it was very safe because she knew all people in the groups. Some of them were in the same hụi group with her before and completed their rounds without any issues. Nevertheless, all interviewees who played hụi are aware of potential risks. If a member stops paying monthly contributions or if the hụi organizer steals the members' contributions without appropriately giving it to the member who wins the bidding, all members will suffer losses. The interviewee MH02 (00:09:50) admitted that there had been a few hụi collapses during the past few years in her knowledge. Hence, involvement in many hụi group with a smaller monthly contribution is also a way to diversify the risks compared to participating in a single group with higher monthly contribution and higher withdrawal amount at once.

4.2 Determinants of Financial Inclusion for Remittance Recipients

In all locations where I conducted interviews, the presence of NBFIs was very limited or even non-existent. The most popular form of formal financial service provider are bank branches. The smaller scale and lower penetration of NBFIs compared to banks (Figure 1.2, 1.3 and Section 2.3) explains this. Among 27 interviewees, 10 did not use any banking services at all while 17 used some services provided by local banks (Appendix F). Three interviewees had bank accounts; however, these accounts were only used to receive remittances. Note that there are several ways to receive remittances from migrants, including informal channels (with home-delivery cash most of the time) or receiving through other family members' bank accounts. Among 17 correspondents who were using at least 1 service at local banks, only 9 were actively using their bank accounts, receiving salaries, serving the repayments of their existing loans, and/or having most of their finances managed by local banks. Hence, overall, within a sample of 27 participants, 10 were completely unbanked, hence, financially excluded or informally served by informal channels as other forms of formal financial institutions did not exist in their areas, while 8 can be considered as underserved by banking sector, who had bank account but inactively used. These 18 interviewees had lower educational level and household income compared to the other 9 participants.

Various determinants and reasons why interviewees used or did not use services offered by formal financial institutions were identified. However, the categories after aggregating basic and focused codes referred to factors mainly related to financial development while financial literacy served as a driver for participants' decisions to choose either formal or informal providers for their financial needs.

The financial inclusion determinants and the reasons why participants were not using formal financial services will be discussed in detail in Section 4.2.2 after discussing the roles of financial literacy in Section 4.2.1.

4.2.1 The Roles of Financial Literacy

The analysis shows that financial literacy of participants was average in general. Most respondents have average financial knowledge, accompanied by good numerical skills, despite of generally low socio-economic statuses while financial behaviours and attitudes, driven by close connections and communications with remitters as described in the previous section, were somewhat reasonable. They could choose appropriate financial options for them, either with banks or informal financial networks. Financial literacy was found to drive the participants' decisions to choose appropriate financial solutions for them, which included opting to informal financial networks with somewhat better options than banks, or sometimes, their only choice.

The questionnaires mainly followed OECD (2018)'s toolkit for financial inclusion and literacy measurement to capture information about financial knowledge, financial behaviour and attitudes of participants in order to assess levels of financial literacy (Figure 2.3). Among all participants, 5 rated their financial knowledge as below average while the rest chose average to describe theirs. These 5 interviewees included 3 with minority ethnic backgrounds, 1 participant who were old and a full-time caregiver to her sick husband and son while the other had let his son manage her finances. As predicted earlier, most participants were unfamiliar with some financial terminologies. However, with a replaced set of "Big Three" questions, they showed good understanding and awareness about interest compounding, inflation, and risk diversification.

Numerical skills were also found to be good among interviewees, including the subset of 18 unbanked or underserved participants. They could calculate and compare costs and rates of different financial options, for example, savings interest rates offered by banks versus their returns when they participated in a hụi group even though I found hụi calculation was challenging at first (refer to Appendix G). There might be different reasons to explain, mainly concerning participants' personal experiences. Those with higher educational level were certainly capable of numbers. The others were either farmers or those who ran small mom-and-pop shops in the village. With a strong cash culture in Vietnam, especially in rural areas, cash is used predominantly. Both owners of the mom-and-pop shops and customers need to quickly calculate changes on the spot. In the case of farmers, they need to manage their inventories, costs to buy seeds, fertilizers, maintain profits on their own and sometimes need to bring their own products to flea markets to sell. Hence, villagers basically need to deal with numbers on their daily basis, which helps train and improve their numerical skills.

The interviewees also had good awareness about risk, especially when they participated in informal financial networks such as lending to each other or joining hụi groups. The correspondents who lent to their neighbours or relatives often considered in advance who were "trustworthy" and "safe" to lend before making their decisions. They also preferred lending to various people with small amounts rather than a big amount to only one person, and lending with a shorter period of a few months rather than up to a year. Even when they participated in hụi, it was common to hear them share that they were in various groups rather than just one to diversify possible risks. Collins et al. (2009) noticed these acts of risk diversification when they investigated financial knowledge and behaviours of the poor. Accordingly, their portfolios usually contained various sophisticated financial instruments as they needed resources to cope with risk and deal with emergencies. More than half of the interviewees, regardless of their backgrounds or socio-economic statuses, had some sorts of emergency funds. Those who bought new pieces of land or built new houses argued that those were their assets or savings-in-kind. They would sell them when they needed money urgently. Participant MH07 (00:10:48) shared that he bought some gold for emergency. All participants had good knowledge about social insurance, costs, and their entitlements of social insurance. Healthcare in Vietnam is not free, but subsidised if a person is participating in a social insurance program. Most interviewees worked in farming or did informal works, hence, their participation to the social insurance program was completely voluntary, but they still paid to enrol. The interviewees gave credits to Vietnamese government in doing a good job to promote and encourage people in rural areas to participate.

Most households, however, did not do detailed budgeting, but instead "estimating" to ensure the money from their own incomes and remittances could cover their expenses. Interviewee MH05 admitted that having cash at home made him more inclined to spend, hence, he needed to practise self-control or switching between him and his wife to safeguard the money supposed to be spent for the month. The usual ways that participants, for example, interview MH11, would do was to set aside a proportion of the money, including remittances and try not to touch that portion until there was a must. The participants who had existing debts or needed to repay loans sending their family members overseas, due to their reputation and social relationships with other villagers, generally prioritized to repay their debts.

In overall, the sample showed that the financial literacy of migrant households was fair. Their financial knowledge, behaviours and attitudes guided them to make reasonable financial decisions in my opinion, to allow them to survive hardship and cope with living situations. They were also aware that banks were trustworthy places to save and could offer special loans at attractive rates for agricultural productions or small businesses if they could fulfil certain requirements. However, they still turned to their informal financial networks after considering several reasons, which I will elaborate in the next section. Their consideration and decisions were driven by their financial literacy. In the case of the research sample, their financial literacy led them choose the best financial options according to their circumstances, and they chose to side with informal financial sector rather than formal financial institutions such as banks.

4.2.2 The Roles of Financial Development: Supply- and Demand-side of Financial Services

Several determinants were discovered as obstacles for migrant households to be financially included. These determinants are related or have close connections to financial development. They involve 2 categories: supply- and demand-side of financial services. These categories are in line with results from Cámara and Tuesta (2017)'s study and recommendations from World Bank (2012) to consider both supply- and demand-side of financial services to have a full overview of financial inclusion's determinants.

The focused codes for supply-side of financial services include high costs, complex requirements, and inflexibility. Participants' insufficient income, Vietnam's strong cash culture and influences from remittances are focused codes which make up the category of demand-side of financial services (Figure 4.2). While supply-side of financial services category is directly related to financial development, demand-side of financial services category indicates that there are rooms for formal financial sector to develop to meet the demands of remittance recipients to let them financially included.

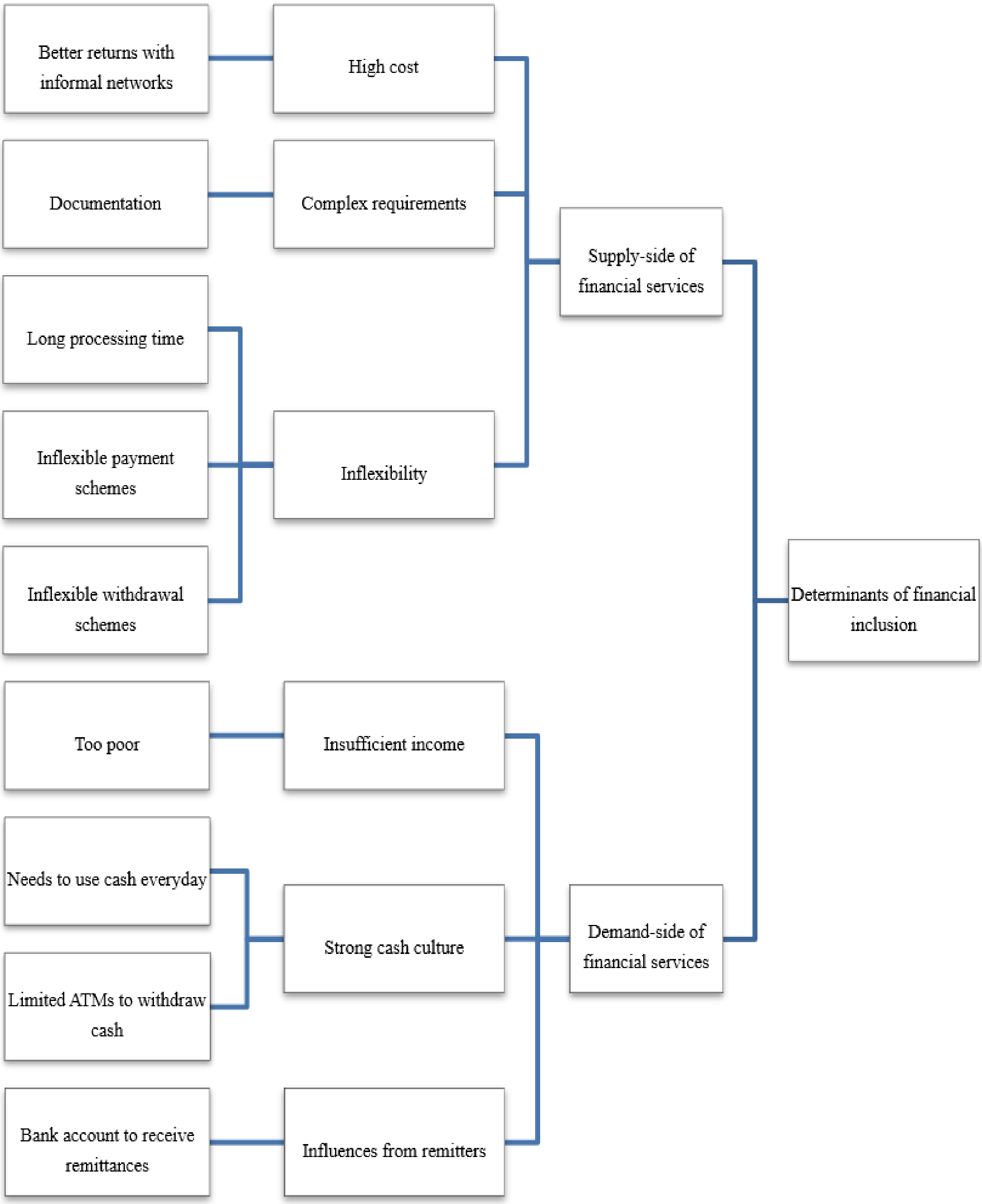

Figure 4.2: Diagram of Selected Basic Codes, Aggregated Focused Codes and Formation of Categories for Research Question 2

Source: Author's own illustration

4.2.2.1 Supply-side of Financial Services

There were 24 out of 27 interviewees who used to borrow money. Among them, only 3 went to banks for loan applications, 9 only borrowed from relatives, 2 primarily used lenders they knew or took sums from their hụi groups, 8 came to both relatives and private lenders/hụi groups while 2 borrowed from all options from banks, relatives to unlicensed moneylenders/hụi groups. Banks were also not a common place for the participants to save their money, instead, they chose to lend to other people they knew or participated in hụi groups as lenders (Section 4.1.5).

High costs

Costs were mentioned frequently as a reason for correspondents to choose between banks and other financial channels to either borrow or save money. This finding is in accordance with what Amidžić et al. (2014) and Cámara and Tuesta (2017) found earlier from their quantitative analysis as barriers to financial inclusion. Interviewee MH20 believed from her experiences that borrowing from a private (unlicensed) moneylender she knew had always been cheaper compared to banks. She gave her own example:

> *"That year [when she sent her first son to Taiwan for works], I borrowed from a private lender as he offered 1.2-1.4%/month whereas banks' were at least 1.7%/month. Nowadays the rates reduce a lot […] but borrowing from banks is always [strong emphasis] more expensive compared to private moneylenders […]"* (MH20, 00:03:10)

She was once a borrower from an informal network instead of approaching banks because of costs as a main determinant. At the time I met her, she was also a lender to enjoy a better "savings rate" instead of depositing her extra money into a fixed-term account at local bank (MH20, 00:10:35). She had extra money because she needed to wait until end of the year to start her housing construction to make it compatible with horoscopes. Meanwhile, she knew a villager who needed immediate money. She lent with an interest of 0.7%/month (equivalent to 8.73%/year) from the borrower according to the "market rates", which were offered by other villagers to those in needs. During the time the field trip took place, November 2019, the savings interest rates offered by local banks were from 0.1-9.4%/year for a period up to 36 months while the rates for secured (with collaterals) and unsecured (without collaterals) loans were ranging from 6-12%/year with maximum tenure of 25 years and 10-25%/year for a period up to 5 years respectively (Source: compiled from local banks' websites). Obviously, the interest rates offered by this informal financial form provided attractive interest rates for both lenders and borrowers.

There were only 9 participants in the sample who were actively using at least a service offered by local banks. However, all interviewees were directly or indirectly involved in various hụi groups. All female correspondents joined themselves, whereas male interviewees said their wives did. Those who attended the groups with extra money to just "lend" to others would earn much better interests within a shorter period (Appendix G, 6.7-16.7%/year within 1-12 months compared to 0.1-9.4%/year for up to 36 months offered by banks)

<u>*Complex requirements*</u>

Even though the informal financial services are not always cheaper than banks, participants still turned to informal service providers when their needs raised. Within a hụi group, for example, a group member, who needed a large amount of immediate money can quickly borrow without any documentation requirements or collaterals, even though the "borrowing" rates from a hụi group are not always as attractive as banks' (Appendix G, 21.94-160.80%/year compared to 6-25%/year offered by banks).

Complex documentation requirements from formal financial institutions, in the case of credits and loans, were second-most cited as reasons to not use banking services by participants. Interviewee MH20 (00:03:10) asserted: *"[Borrowing from private lenders] No paper [required documentation] at all"*. As a result, migrant households preferred coming to hụi groups and/or unlicensed moneylenders when they needed to borrow. Even though the credit rates from hụi groups or from unlicensed moneylenders might not always be as good as banks, it had still been a good option for migrant households to explore instead of going to banks to go through all complicated process and might risk not getting any loans after a long process if the application was rejected.

The correspondent MH15 (00:17:15) gave his own example that he once needed just VND 1 million (US$ 42.73) to buy seeds and fertilizers for his coffee farm. He had no credit history with any local bank, even a savings account. A fertilizer distributor in his village offered him the amount with VND 30,000 per month in interest till he could return a full amount at once. If he could not repay before harvesting season, normally after a year, he would end up paying a total interest of VND 360,000, equivalent to 42.58%/year. He agreed with the offer as he needed the money immediately while his other connections were as poor as him and did not have enough money to lend him. Even though he knew it had been much cheaper if he could get that tiny loan from a bank, that private moneylender was his only choice because formal financial institutions were not an option for him. There were complicated documentation requirements to firstly establish a credit profile regardless of the amounts borrowed. Secondly, he belonged to a minor group who was required even more complex reviewing process to be offered any banking services. Those like him are more vulnerable to be victims of loan sharks and black credit markets due to extremely limited financial options.

Inflexibility

The complicated documentation required by formal financial institutions is often connected to their inflexibility perceived by the participants, through long processing time needed. In the case of interviewee MH23 (00:13:27), she was certain she could get a loan of VND 150 million (US$ 6,413.73) to pay the cost to send his son to Taiwan for work, however, she did not want to go through the *"complicated documentation"* and *"very [emphasis] long"* process. She decided to opt to relatives and a private moneylender. Both participants MH21 and MH22 agreed and stated:

> *"Loan application takes a long [strong emphasis] time"*
> (MH21, 00:09:20)

> *"Loans [from banks] […] need too many [strong emphasis] conditions, too many requirements. […] Fulfilling all of those is very complicated and takes very long [strong emphasis] time."*
> (MH22, 00:04:45 & 00:11:37)

During an interview at Gia Lai province, a participant shared that she once tried to explore a loan option from the Vietnam Women's Union (VWU) (Section 2.3) to open a small hair salon. However, the nearest VWU office managing the fund was in Ho Chi Minh City, which is 500 kilometers away. She tried, made a visit, and then gave up due to the number of documents required, including a signature from a husband as a guarantor while she was a single mom (MH14, 00:35:00).

Interviewee MH23 (00:13:27) and MH22 (00:11:40) also added that their moneylenders were *"very flexible"* and would allow them to pay both premium and interests as a sum by the end of the year, whereas banks would never allow that but require monthly instalments. Participant MH24 (00:13:35) mentioned she had to pay the interests to banks on the exact calendar day, and would have trouble if she could not have enough money to pay on that day or failed to come to the bank branch during opening hours, whereas her moneylender could allow late payments sometimes without any prior notices, extra issues or concerns. Regarding savings in an account at a bank, MH06 (00:06:00) commented that to get higher interest rates from local banks, he needed to choose a fixed-term deposit option to "lock" his money for a period. However, when he urgently needed money, he could not withdraw and could risk losing the interests he was entitled to. In addition, savings interest rate from banks was still not attractive compared to his other options, he chose to manage his savings on his own, and, hence, chose not to use any banking services even though he could and knew what he could get from banks.

Overall, high costs, banks' complex requirements and their inflexibility were main factors from the supply-side of financial services that made migrant households in the sample decide to not use banking services but informal financial networks.

4.2.2.2 Demand-side of Financial Services

Insufficient income

All 7 low-income households who reported annual household incomes of less than VND 50 million (US$ 2,100) were either unbanked or underserved. Hence, insufficient income or "not enough money" were unsurprisingly a factor which held migrant households from formal financial institutions.

The interviewee MH07 (00:11:05) explained with his income illustrations. He said his household had some surplus each month from both household incomes and remittances received from his daughter, after deducting all expenses and debt repayments. This surplus was about VND 1-5 million (US$ 43-216). The interests (0.1-9.4%/year for a period up to 36 months), even with compounding factors, were still not worth for him to make a trip to a bank branch (about 3-4 km away) to deposit the money, “lock” there for a period, to receive the little interests only by the end of the term. For example, with a saving interest rate for 3-month term deposit of 4.5% offered by a local bank in November 2019, by the end of 12 months, his savings VND 2.5 million could yield an interest of VND 114,413 (US$ 5), or VND 170,000 (US$ 7) if he chose a 1-year term deposit instead with an interest rate of 6.8%. With an average annual consumption per capita in Vietnam at around VND 24 million (US$ 1,000) (in 2016) (World Bank, 2018a), the interests could barely cover 2 days of consumption for him alone, or could not even cover monetary gift to a single social event (wedding, funeral or memorials) which could cost VND 0.2-2 million (US$9-90) (Section 4.1.2). Moreover, if he wanted to put more money to the account to save, he needed to visit the bank branch to do so on the exact maturity date to avoid losing the interests he was entitled (the current account interest rate of 0.2% per annum applied till the day he put more money in, instead of higher rates of 4.5-6.8%). He also noticed the *“reducing values”* of the money he held over years (inflation). Hence, he decided to set aside a portion to buy gold as savings.

Overall, 7 low-income participants commented that the total efforts to maintain savings accounts with local banks were not worth because of their little amounts, hence, tiny returns. The finding about insufficient income as a barrier to financial inclusion for Vietnamese migrant households is in line with what World Bank (2008) and Amidžić et al. (2014) noted earlier in their research at a larger scale.

Strong cash culture

In addition, Vietnam still has a very strong cash culture, especially in rural areas. Cash is still widely used in normal markets, all mom-and-pop shops and daily expenses including school fees, utilities, healthcare payments, social relationship maintenance activities, serving debt repayments, paying for housing constructions and participating in informal financial networks (Section 4.1). At the same time, the nearest ATM to withdraw money might be a few kilometers away at the nearest bank branch. It would be very inconvenient for villagers to hold a bank card or a cheque book instead of cash because of those reasons.

Hence, the low-income migrant households in the sample decided to keep their money away from banking sector. However, due to a strong desire to make more from their savings, they, instead, still participated in informal financial networks within the villages for some higher returns after putting aside a sum for daily expenditures.

Influences from remitters

The beginning of this study emphasized special characteristics of migrant households. Migrants, besides sending home frequent flows of remittances, regardless where they moved to or how long they had been away, still had close relationships and maintained close communications with their families in Vietnam. Chimhowu et al. (2005, p.89) noticed the roles of remitters in the households that they had major impacts on the decisions to consume or use the funds that were received. This study also showed that remitters could influence the households' decisions to use formal financial services. The interviewee MH05 (00:20:03) planned to go to a bank branch to open his first bank account as her daughter wanted to send money to him via bank accounts rather than informal channels and asked him to open a bank account. The participant MH16 (00:03:18) also shared that her aunt recommended her to open an account with a local bank. She opened a bank account for her at the first time accordingly, with a bank card. However, she was not actively using both her account and bank card because the shops who accepted bank cards were located nearer to the city centre, but not nearby shops in her village.

In summary, for Vietnamese migrant households, insufficient money to save was a common reason for their involuntary financial exclusion. In addition, the cash culture is still very strong in the country, which made Vietnamese prefer holding cash for their daily needs rather than utilizing banking services. Nevertheless, the roles of remitters cannot be neglected in influencing their migrant households' decisions on the usage of the funds they received, including becoming financially included by starting using services offered by formal financial institutions such as banks.

5 Concluding Remarks

5.1 Significance of the Study

The thesis is significant in contributing to the literature of financial inclusion and remittance studies regarding the specific case of Vietnam. The research concerns the fact that Vietnam has received a large amount of remittances annually while at the same time the number of unbanked population remains high. The central purpose of the research was to explore the determinants of financial inclusion among Vietnamese remittance recipients, or migrant households by exploring the remittance spending patterns and related reasons which kept migrant households away from formal financial institutions. Only when the financial inclusion determinants of remittance recipients are well understood can policymakers come up with plans to support and sustain the long-term positive effects that remittances can bring to economies.

The results showed that being unbanked, informally served or financially excluded was still a common phenomenon among migrant households, especially those who were low-income and resided in rural areas. The primary usage of remittances of migrant households was to cover daily expenditures, followed by maintaining social relationships, paying debts, upgrading, or building new houses. In addition, migrant households used remittance receipts to form their own informal financial networks. These spending patterns provided a basis for understanding financial inclusion determinants among Vietnamese household migrants. Being informally served and financially excluded were mostly voluntary among remittance recipients. High costs, complex documentation requirements and inflexibility were defined as limitations from formal financial institutions as supply-side in providing suitable financial services to migrant households. Besides, from demand perspectives, insufficient income of migrant households, Vietnamese strong cash culture, in turn, kept remittance recipients from using banking services. Remitters were found to not only affect the spending patterns of their families, but also influence their households' decisions to use services provided by formal financial institutions, hence affecting the demand-side of financial services.

5.2 Practical & Policy Implications

The thesis noticed remittance recipients' strong desires to make more from their money. At the same time, they wanted to use financial services offered by formal institutions such as banks. However, because of financial development components, which were mismatches between supply- and demand-side of financial services, many participated in informal financial networks instead. In addition, the research found that most remittances had been used for consumption, and housing constructions. These could bring more employment to the community. However, if remittances are used only in local consumption, they may have only short-term significance and may well increase interhousehold inequality instead of bringing long-term poverty reduction at both household and community level (Chimhowu et al., 2005, p.89).

Remittances have generally better local investment potential where modern and flexible financial infrastructures exist and where government policies are capable of supporting migrants' financial needs (Dang, 2005). Hence, challenges to build an inclusive financial system in Vietnam include financial development, improving financial infrastructures in terms of reliability and outreach, adjusting existing regulations to reduce obstacles for migrant households to join the formal systems as well as providing services which better suits their financial needs (Dang, 2005).

Furthermore, policies and programs should be needed to help migrant households identify better usage of their remittances such as channeling remittance resources into activities which can bring long-term growth in and beyond their communities – infrastructure development, mechanizing farming production, or skill upgrading, entrepreneurial supports, investment funds to help the returnees start their businesses to apply what they learn from overseas works can also be considered to bring more and sustainable job opportunities and long-term development to the communities. Doing so would require larger institutions to handle to provide more sophisticated financial products. Here, indeed, comes the importance of formal financial institutions to support a long-term growth.

In addition, it was an evidence that remitters can influence the decisions of how remittances were spent. The migrants could also affect the decisions to use financial services provided by formal financial institutions. Future programs to promote financial inclusion should therefore focus on both migrant households and the roles of remitters concurrently to bring the strongest effects.

5.3 Limitations

There are three limitations from this thesis. Firstly, the study investigates a small sample of only 27 participants in 4 provinces in Vietnam while Vietnam is a large country with large regional differences. At the same time, the number of overseas Vietnamese is huge and increasing over years, thus, the number of migrant households. Even though the researcher tried to cover different regions to consider possible regional and other potential baseline differences, due to time and resource constraints, it was impossible to conduct this research in a larger scale.

Secondly, this research does not include any “bad” examples of any households with remittances misusage. It is worth noting that the interviewees were introduced to the researcher mostly via informants in the villages. The informants might either just want to maintain relationships with “good” families rather than “troubling” households or were concerned of the researcher’s safety to enter these households as a stranger, hence, did not introduce these cases. In Thanh Hoa province, my contact attempted to take me to a household which she knew the parents were into serious gambling, hence, most remittance receipts ended up there. We passed by the house one evening and heard loud argument and broken items from the household. I decided to drop this interview after coming back the second time in the morning and there were still loud and angry voices from inside.

Thirdly, even though I am, as a researcher, a native Vietnamese, I am not a professional translator to express all Vietnamese terms in the most meaningful English transcriptions. Cultural, regional differences as well as accents as I am from a different part of the country added up more challenges to this barrier. Even though I spent as much time and effort as I could to understand all discussions and analyse the data, including immediate clarifications with my informants after each interviews and debriefing after each working day during fieldwork, certain emotional expressions via wordings and body languages, which might have been important, might have been missed.

5.4 Future Research

The future research can cover a larger sample of remittance recipients from more regions and provinces to have a better understanding of financial inclusion determinants among migrant households. The future research can also look more closely into the factors of financial literacy and financial development to understand more about the roles of these two factors and hence, understand more in depth their roles in remittances- and finance-growth nexus. A detailed agenda to enhance financial inclusion through financial literacy training programs and customized financial services which best suit migrant households can then be made available to recommend to state's policymakers.

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Appendix A: “Big Three” Questions

Source: Lusardi and Mitchell (2006)

(Right answers are in ***bold italic***)

1) “Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?”

A) More than $102

B) Exactly $102

C) Less than $102

D) Don’t know

E) Refuse to answer

2) “Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, with the money in this account, would you be able to buy…”

A) More than today

B) Exactly the same as today

C) Less than today

D) Don’t know

E) Refuse to answer

3) “Do you think the following statement is true or false?

Buying a single company stock usually provides a safer return than a stock mutual fund.”

A) True

B) False

C) Don’t know

D) Refuse to answer

Appendix B: Expert Interviews & Interviews with Former Remitters

Six interviews with the experts (code E01-06) in the field of financial inclusion, banking and financial literacy were conducted very early during the study process, from Jun-August 2019 to gain knowledge, background as well as potential contacts in preparation for the next research stages.

Code	**Designation**	**Organization Type**	**Interviewee Location**	**Interview Type**	**Date**	**Duration (mins)**
Pre-trip						
E01	APAC Area Representative	International NGO, HQ in the UK	Copenhagen, Denmark	In-person	Jun 12, 2019	50
E02+	Manager, Business Process Management, former Manager, International Payments	Local bank HQ	Hanoi, Vietnam	Audio call (WhatsApp)	Jul 05, 2019	55
E03	Founder & Managing Director	Local financial education organization	Hong Kong	Audio call (Skype)	Jul 05, 2019	80
E04+	Former Project Manager, (coverage including financial	International NGO, HQ in France	Paris, France	Audio call (Skype)	Jul 15, 2019	35

	literacy trainings in Vietnam)					
E05	Global Coordinator – Financial Inclusion	International NGO, HQ in Sweden	Nairobi, Kenya	Video call (WhatsApp)	Jul 18, 2019	50
E06+	COO	Local bank HQ	Hanoi, Vietnam	Audio call (Viber)	Aug 06, 2019	40
During field trip						
E07+	Customer Service Officer	Local bank branch	Gia Lai, Vietnam	In-person	Nov 12, 2019	20
E08+	Personal Banking Officer	Local bank branch	Gia Lai, Vietnam	In-person	Nov 11, 2019	20
E09+	Branch Manager	Local bank branch	Gia Lai, Vietnam	In-person	Nov 15, 2019	40
E10+	Head and Deputy CEO	Governmental organization	Nghe An, Vietnam	In-person	Nov 19, 2019	35

+ represents that the interviewee was a Vietnamese and that interview was conducted in Vietnamese

Among these 6 interviewees, 2 interviewees E02 and E06 were local bankers working in the field related to global payment operations at two top 5 banks in Vietnam. The other 4 interviewees had worked and had intensive working experiences in the field of financial inclusion and/or financial education. Among the interviewees, interviewees E02, E06 were my personal contacts from my past work in banking. Interviewees E01, E03 were found when I tried to search for relevant contacts that I should reach to learn more about financial inclusion in practice. Due to my limited personal contacts in the field of financial inclusion, at the end of each interview, I tried snowballing technique by asking a question “Any other contacts should I reach out to discuss about my research?”. Even though this question did not help all the time, it brought me interviewee E04, referred by interviewee E03. Interviewee number E01 also gave me an organization name. That hint brought me interviewee E05. Both interviewees E03 and

E05 later turned out to be very helpful in revaluating my draft questionnaires to remittance recipients thanks to their intensive working experiences.

Furthermore, during the field trip when I was at 2 bank branches and a government organization office, I had the opportunity to conduct discussions with local experts (interviewee codes E07-E10) which gave me valuable insights to, together with the expert interviews conducted prior to the trip, validate and triangulate the data collected from migrant households interviews during the trip.

All discussions with the experts gave me very meaningful knowledge to help me refine my research design, especially the questionnaires, criteria, and strategies to reach out to the right participant interviewees in Vietnam in preparation for the field trip. Furthermore, their knowledge and experiences shared during the interviews served as valuable sources for my data triangulation to increase the credibility and reliable of the data collected.

During the field trip, I also met and interviewed 6 former remitters, who returned from their migrant works in Japan, Korea, Macau, and Taiwan.

(All are former migrant workers)

Code	Past Working Country	Total Overseas Working Duration	Plan to leave again for work	Sex	Age	Interviewee Location	Date	Duration (mins)
R01	Japan	3 years	Yes (in the next 2 months)	Female	21	Thanh Hoa	18-Nov-19	30
R02	Taiwan & Macau	6-10 years	No	Male	36	Thanh Hoa	19-Nov-19	75
R03	Korea	10 years	No	Male	34	Nghe An	20-Nov-19	20
R04	Korea	9 years	No	Male	32	Nghe An	20-Nov-19	35
R05	Korea	6 years	No	Male	35	Nghe An	20-Nov-19	20
R06	Japan	4 years	No	Female	31	Nghe An	20-Nov-19	25

Being a remitter earlier, they could share from their perspectives matters related to the money they sent and perceptions of their family members who received their remittances, with regards to their spending patterns and usage of financial services. Together with the expert interviews, the information I got from interviews with these former migrants gave me valuable resources as means of verification of data collected from migrant households to ensure reliable analysis results.

Below are questionnaires for interviews with experts and former remitters

Questions for Expert Interviews

Bankers, Financial Experts

1. Do you know how remittance recipients usually spend their money?
2. Does your bank try to persuade remittance recipients to start using any banking services?
3. In your opinion and experiences, what can be the reasons why people, especially remittance recipients, are not using financial services?
4. Does your bank do anything to promote financial inclusion, especially among remittance recipients?
5. How do you think about financial institutions' roles and involvement in promoting financial inclusion and financial literacy?
6. Any other contacts should I reach out to discuss about my research?

Other Experts (including financial inclusion, financial literacy, international NGOs and governmental organizations)

1. Countries of interviewees' involvement
2. Who are beneficiaries? Any experiences working with remittance recipients?
3. What has your organization done to promote financial inclusion or financial literacy levels of the beneficiaries?
4. Reflecting from your experiences, what can be the reasons why people are not using financial services?
5. What do you think about moral hazards, i.e., remittance receivers tend to be dependent on the money received?
6. How do you think about financial institutions' roles and involvement in promoting financial inclusion and financial education?

7. Can you share your experiences about the crowd influence and habit factors, i.e., villagers are likely to follow what the other villagers do, when you run programs about financial inclusion or financial education with your organization? What are your experiences to overcome this?
8. Any other contacts should I reach out to discuss about my research?

<u>Additional questions to financial inclusion experts:</u>

9. Experiences in promoting financial inclusion agenda
10. Experiences in planning a financial inclusion promotion agenda
11. Experiences in executing financial inclusion projects

<u>Additional questions to financial literacy training experts:</u>

9. Experiences in financial education curriculum development
10. Training, delivery experiences
11. What are follow-up methods to make sure the trainees apply financial knowledge accordingly?
12. How did you reach out to beneficiaries at the beginning to offer training support?

<u>Questions for Former Remitter Interviews</u>

(Vietnamese translation is in *italic*)

1. Which countries did you live, work before? For how long? Do you plan to go again? Any plans now?
   Anh/Chị/Em đã từng sống ở nước nào? Trong bao lâu? Anh/Chị/Em có dự định đi tiếp không?Bây giờ có dự định gì không?
2. How did you go to that country (those countries)? Did you pay to get there?
   Anh/Chị/Em đến nước đó (các nước đó) bằng cách nào? Anh/Chị/Em có phải trả tiền để đến đó không?
3. If you paid, how much? How did you and your family cover that amount? If the money was borrowed, borrowed from whom? After how long did you and your family manage to repay? Any existing debts?
   Nếu Anh/Chị/Em trả tiền, bao nhiêu? Anh/Chị/Em và gia đình chi trả khoản đó bằng cách nào? Nếu là mượn tiền, mượn của ai? Sau bao lâu thì Anh/Chị/Em và gia đình trả được nợ đó? Có còn nợ nần gì không?
4. How much did you earn? Was it enough to sustain your life overseas?
   Anh/Chị/Em kiếm được bao nhiêu tiền lúc ở nước ngoài? Có đủ để trang trải cuộc sống không?

5. Savings? How do you save? How much? What for? How much remittance receipts are saved?

   Anh/Chị/Em có để dành tiết kiệm không? Anh/Chị/Em để dành ra sao? Bao nhiêu? Để làm gì? Bao nhiều phần trong tiền kiều hối được để dành?

6. Do you incur emergency expenses? If yes, what kind?

   Anh/Chị/Em có nghĩ đến khoản chi tiêu khẩn cấp nào không? Nếu có, là gì?

7. How often did you send money home? Whom did you normally send money to? How did you send your money?

   Bao lâu thì Anh/Chị/Em gửi tiền về nhà một lần? Thường gửi cho ai? Bằng cách nào?

8. Why did you send money home?

   Tại sao Anh/Chị/Em gửi tiền về nhà?

9. Any long-term goals (financially/non-financially) at that time?

   Anh/Chị/Em có mục tiêu dài hạn (về tài chính/không liên quan đến tài chính) lúc còn ở nước ngoài không?

10. How often did you talk to your family members, especially the remittance recipients when you were away?

    Anh/Chị/Em có thường xuyên nói chuyện với người nhà không, đặc biệt là người hay nhận tiền Anh/Chị/Em chuyển lúc còn ở nước ngoài?

11. Did you and your family discuss how the remittances were spent? Who were normally a decision-maker?

    Anh/Chị/Em và gia đình có bàn cách sử dụng tiền gửi về không?Ai thường là người quyết định?

12. What were remittances spent to?

    Tiền gửi về thường dung vào những việc gì?

13. If there were any disagreements on how remittances were spent, how did you and family resolve?

    Nếu có bất đồng về cách sử dụng tiền thì Anh/Chị/Em và gia đình giải quyết bằng cách nào?

14. Did you use any financial services before, when you were away and currently? From whom?

    Anh/Chị/Em có sử dụng dịch vụ tài chính nào trước, khi đi nước ngoài và hiện giờ không? Từ tổ chức hay đơn vị nào?

Appendix C: The 3rd Asia Finance Forum: The Future of Inclusive Finance

By chance, I got to know about the 3rd Asia Finance Forum with a focus on financial inclusion. The forum was organized by the ADB and was scheduled from November 04-07, 2019 at the ADB Headquarter in Manila (Philippines). The forum aimed to address the issue of 1.7 billion adults who were outside of the formal banking and financial system, with which more than half were in the APAC (ADB, 2019). The forum discussed how to bring financial services to the underserved communities. The speakers include almost 90 speakers who were experts in the field of financial inclusion, especially in the Asia region. The participants were also very diverse, ranging from regulators, policymakers, academia to fintech companies, finance experts and think tanks. I managed to secure an invitation to the forum.

I decided to make my Vietnam field trip right after that, from November 08-23, 2019. The speeches and discussions with both speakers and participants during the forum gave powerful validation sources for my collected data during my fieldwork.

Appendix D: Interview Questions to Vietnamese Migrant Households

(Vietnamese translation is in *italic*)

Questionnaires / *Bảng câu hỏi*

A. Personal and household characteristics
Đặc điểm cá nhân và hộ gia đình

1. Gender / Age / Ethnicity / Religion
   Giới tính / Tuổi / Dân tộc / Tôn giáo
2. Dependents in family and their educational background
   Thành viên phụ thuộc trong gia đình và trình độ học vấn
3. Current work status of family members. Who is working/residing overseas? Work status? Since when? How long till s/he comes back?
   Tình trạng công việc hiện tại của các thành viên trong gia đình? Ai là người đi lao động/định cư ở nước ngoài? Từ lúc nào? Đi trong bao lâu?

B. Financial characteristics related to remittance receipts
Đặc điểm tài chính liên quan đến tiền nhận kiều hối

4. Household's total income (before/since remittance). Sources of income, what/ frequency/amount
   Tổng thu nhập gia đình (trước/sau khi bắt đầu nhận tiền kiều hối). Nguồn thu nhập, từ đâu/tần suất/số tiền
5. How long have you received remittance? How much? How often? How do you receive? What has changed in your life since you have received the remittance? (Describe life before/since then)? Has the relationship with your [the one sending money] changed since s/he sends money?

Cô/Chú nhận tiền kiều hối từ bao lâu? Bao nhiêu? Bao lâu một lần? Nhận bằng cách nào? Có những gì thay đổi trong cuộc sống từ khi nhận tiền kiều hối? (Mô tả cuộc sống trước/sau)? Quan hệ của Cô/Chú với người chuyển tiền có thay đổi gì không từ khi bắt đầu nhận tiền?

6. Any long-term goals (financially/non-financially)
   Mục tiêu dài hạn (về tài chính/không liên quan đến tài chính)
7. What are the main expenses? What do you use remittance for? Is it enough to live?
   Các chi tiêu chính? Cô/Chú sử dụng tiền kiều hối làm gì? Có đủ để trang trải cuộc sống không?
8. How is the spending on food, for the family as such and for children changed before/after receiving the remittance?
   Chi tiêu cho thực phẩm, gia đình, và trẻ em trong gia đình có thay đổi gì so với trước/sau khi bắt đầu nhận tiền kiều hối
9. How do you make day-to-day decisions about your own money? Do you have any plan notes, keep track on spending, use any savings, bank accounts, apps? Who is the decision maker about money in the household? Do you discuss about money (current, future expenses, …) between spouses?
   Cô/Chú ra quyết định hàng ngày về tiền của mình như thế nào? Cô/Chú có kế hoạch, có ghi chép các khoản chi tiêu, hay sử dụng tài khoản tiết kiệm ngân hàng hay nền tảng điện thoại nào không? Ai là người ra quyết định chính về tài chính trong gia đình Cô/Chú? Cô/Chú có bàn bạc các vấn đề tiền nong (chi tiêu hiện tại, tương lai) với vợ/chồng không?
10. Savings? How do you save? How much? What for? How much remittance receipts are saved?
    Cô/Chú có để dành tiết kiệm không? Cô/Chú để dành ra sao? Bao nhiêu? Để làm gì? Bao nhiều phần trong tiền kiều hối được để dành?
11. Do you incur emergency expenses? If yes, what kind?
    Cô/Chú có nghĩ đến khoản chi tiêu khẩn cấp nào không? Nếu có, là gì?
12. Social pressure to spend (festival). Do you feel that you cannot decide some expenses, but you still have to spend them?
    Các khoản chi vì áp lực xã hội (lễ, Tết, đám tang, giỗ...). Có khoản nào Cô/Chú thấy là Cô/Chú không muốn tiêu mà vẫn phải tiêu?

13. Did your [the one sending money] need to borrow money to land a job overseas? How much? From whom? Interest rate? How long do you expect this can be paid?
Người thân trong gia đình Cô/Chú có phải vay mượn để tìm việc ở nước ngoài không? Bao nhiêu? Từ đâu? Lãi suất? Sau bao lâu thì Cô/Chú nghĩ là sẽ trả xong nợ?
14. Do you have any other debts? If yes, from whom? How much? Interest rate? Why did you decide to take the loan? When do you expect to pay off? Manageable?
Cô/Chú còn khoản nợ nào nữa không? Nếu có, từ đâu? Bao nhiêu? Lãi suất? Tại sao Cô/Chú quyết định vay khoản này? Khi nào thì Cô/Chú nghĩ sẽ trả xong nợ? Đủ khả năng không?
15. Do you have small business/shop/field/cattle? How do you manage? Profitable? How do you calculate if it is profitable?
Cô/Chú có kinh tế hộ gia đình/cửa tiệm/đồng áng/chăn nuôi không? Cô/Chú quản lý ra sao? Có lời không? Cô/Chú tính toán làm sao để biết nó sinh lời?
16. What financial services are you using (from either financial institutions or others such as Women Union's Credits)? Are you actively using? When was the last time? How did you make the decision to use that service (via bank teller, neighbours, family members…)? Any issues have you encountered?
Cô/Chú đang sử dụng dịch vụ tài chính nào (từ ngân hàng hay khác như tín dụng Hội Phụ nữ)? Cô/Chú có thường xuyên sử dụng không? Lần cuối là từ khi nào? Cô/Chú ra quyết định sử dụng dịch vụ đó như thế nào (từ nhân viên ngân hàng, hàng xóm, người thân...)? Có vấn đề gì từ khi sử dụng không?
17. If you are not using any financial services, why? How do you manage your money? What do you need to help you manage and use your money better?
Nếu Cô/Chú không sử dụng dịch vụ tài chính nào, tại sao? Cô/Chú tự quản lý thế nào? Cô/Chú cần gì để quản lý và sử dụng tiền tốt hơn?
18. How would you rate your overall knowledge about financial matters compared with other adults in the country? – Very high, Quite high, About average, Quite low, Very low
Cô/Chú đánh giá kiến thức tài chính chung của Cô/Chú thế nào so với người khác? – Rất tốt, Hơi tốt, Trung bình, Hơi thấp, Rất thấp
The "Big Three" financial literacy question (replaced by easier-to-relate questions, about compounding interests, inflation and risk diversifying)
3 câu hỏi chính về kiến thức tài chính:

a) Suppose you had VND1,000,000 in a savings account and the interest rate was 6% per year. How much do you gain after 1 year? Do you think you will earn more in the next year if you let the money to grow?
Giả sử Cô/Chú để VND 1,000,000 trong tài khoản tiết kiệm và lãi suất tiền gửi là 6%/năm. Cô/Chú sẽ có thêm bao nhiêu tiền sau 1 năm? Cô/Chú có nghĩ năm tiếp theo sẽ có thêm nhiều hơn nữa không?

b) Recall how much money you spent to buy a "phở" bowl 10 years ago and compare to now. Why do you think you need to spend more to buy the same "phở" after 10 years? Which reason can you think of?
Cô/Chú nhớ lại xem 10 năm trước phải trả bao nhiêu tiền để mua một bát phở và so sánh với hiện tại? Cô/Chú nghĩ tại sao mình phải trả nhiều tiền hơn để mua? Lý do Cô/Chú nghĩ là gì?

c) Which one do you prefer – Save in cash or in kinds? What kinds? Why?
Cô/Chú nghĩ cái nào tốt hơn – Tiết kiệm bằng tiền mặt thôi hay bằng các hình thức khác? Hình thức nào? Tại sao?

<u>Additional questions:</u>

(added on November 12, 2019)

19. Are you still making most transactions in cash?
Cô/Chú vẫn thanh toán hầu hết các giao dịch bằng tiền mặt phải không?
20. What kind of transactions are you using cash? What kind of transactions do you not pay on the spot?
Thanh toán dạng nào thì Cô/Chú sử dụng tiền mặt? Thanh toán dạng nào thì Cô/Chú không thanh toán ngay?
21. Do you borrow things from each other without cash?
Cô/Chú có mượn đồ từ người khác mà không phải tiền mặt không?
22. When you do not have cash in hand, do you use anything else as "money", for smaller transactions, for example?
Khi Cô/Chú không có tiền mặt trong tay thì Cô/Chú có sử dụng món gì khác để thay tiền thanh toán không, cho giao dịch nhỏ hơn chẳng hạn?

(added on November 18, 2019)

23. How can you save enough capital to build house? How does the financing houses work in practice? Are you borrowing from or lending to other people and how much?
    Cô/Chú làm sao để đề dành đủ tiền để xây nhà? Quá trình vay trả để xây một ngôi nhà diễn ra như thế nào? Cô/Chú mượn tiền hay cho người khác mượn tiền để xây nhà, vào bao nhiêu?
24. How do you calculate to beat the banks in pricing in order to lend or borrow from someone else?
    Cô/Chú tính toán thế nào để biết mình cho vay tiền hay vay tiền từ người khác với giá tốt hơn ngân hàng?
25. Is there any story about someone who did not pay back their loans to you?
    Có trường hợp nào mà có người không trả lại được nợ vay cho Cô/Chú không?
26. What are the risks do you foresee when lending to other people?
    Những rủi ro gì mà Cô/Chú nhận thấy khi cho người khác vay tiền?

Observations / *Quan sát*

1. Housing type / *Loại, tình trạng nhà*
2. Visible assets (house/furniture/land/cattle/jewels) / *Tài sản (nhà cửa, nội thất, đất, gia súc, trang sức)*
3. Willingness to speak about financial issues / *Sẵn sàng chia sẻ về vấn đề tài chính*
4. Enthusiasm to learn about money management / *Mong muốn học về quản lý tiền*
5. Enthusiasm to explore financial tools / *Mong muốn tìm hiểu công cụ tài chính*
6. Potential means to deliver financial knowledge (smart phone, texts, apps used daily) / *Công cụ để tiếp nhận kiến thức tài chính (điện thoại thông minh, chỉ có thể nhận tin nhắn, apps sử dụng hàng ngày)*

Appendix E: Consent Form

Master Thesis: Determinants of Financial Inclusion: A Case Study of Remittance Recipients in Vietnam
Luận văn Thạc sĩ: Yếu tố Tác động đến Tài chính Toàn diện: Trường hợp Người nhận tiền Kiều hối ở Việt Nam

Interview Consent Form
Mẫu Chấp thuận Tham gia Phỏng vấn

I have been given information about the thesis topic **Determinants of Financial Inclusion: A Case Study of Remittance Recipients in Vietnam** and discussed the research project with **Ms. Hong Dao** who is conducting this research as a part of her Master program in Economic Development with Lund University School of Economics and Management.

*Tôi đã được cung cấp đầy đủ thông tin về luận văn thạc sĩ **Yếu tố Tác động đến Tài chính Toàn diện: Trường hợp Người nhận tiền Kiều hối ở Việt Nam** và thảo luận về dự án nghiên cứu này với bà **Đào Thị Bích Hồng**, người đang thực hiện cho một phần chương trình thạc sĩ về Phát triển Kinh tế với khoa Kinh tế và Quản trị trường đại học Lund.*

I understand that, if I consent to participate in this project, I will be asked to give the researcher a duration of approximately 60 minutes of my time to participate in the process.

Tôi hiểu rằng, nếu tôi chấp thuận tham gia dự án, tôi sẽ dành cho người phỏng vấn một khoảng thời gian ước tính là 60 phút cho quá trình phỏng vấn.

I understand that the interview will be recorded and I consent to record the interview. I also consent to transcribe and quote directly from the interview for the study purpose, provided that my name is kept anonymous by being hidden or coded.

Tôi hiểu rằng cuộc phỏng vấn sẽ được ghi âm và cho phép nhà nghiên cứu thực hiện việc ghi âm. Tôi cho phép trích dẫn trực tiếp từ cuộc phỏng vấn được sử dụng cho mục đích nghiên cứu với điều kiện tên tôi được giữ bí mật bằng việc ẩn danh hoặc được gán danh.

I understand that my participation in this research is voluntary, I am free to refuse to participate and I am free to withdraw from the research any time by informing the researcher without the needs to give any reasons. However, I cannot withdraw from the research after

29/05/2020 when the research is completed.

Tôi hiểu rằng việc tham gia vào dự án nghiên cứu là hoàn toàn tự nguyên, tôi có thể từ chối tham gia và rút khỏi nghiên cứu bất cứ lúc nào bằng cách thông báo mà không cần phải giải thích lý do. Tuy nhiên, tôi sẽ không thể rút dữ liệu khỏi nghiên cứu sau ngày 29/05/2020 khi nghiên cứu đã hoàn thành.

By signing below, I am indicating my consent to participate in the research as it has been described to me. I understand that the data collected from my participation will be used for thesis and journal publications, and I consent for it to be used in that manner.

Bằng việc ký tên dưới đây, tôi đồng thuận tham gia dự án mà tôi đã được thông tin chi tiết. Tôi hiểu rằng, dữ liệu phỏng vấn sẽ được phân tích và sử dụng cho luận văn và các ấn phẩm khoa học khác. Tôi đồng ý cho phép sử dụng dữ liệu vào các mục đích trên.

Name: ………………………………………………………

Tên: ………………………………………………………..

Email: ……………………………………………………….

Email: ……………………………………………………….

Telephone: ………………………………………………….

Điện thoại: …………………………………………………..

Signed: ……………………………………………………...

Ký tên: ………………………………………………………..

Appendix F: Migrant Household Interviewees' Characteristics

(Total interviewees: 27)

Interviewee Characteristics		Count
Provinces	Vinh Long	8
	Gia Lai	9
	Thanh Hoa	7
	Nghe An	3
	Total:	27
Sex	Male	11
	Female	16
	Total:	27
Age	18 - 34	5
	35 - 59	11
	60+	11
	Total:	27
Ethnic	Kinh	24
	Ethnic minority	3
	Total:	27
Educational level	Primary school	8
	Secondary school	4
	High school	7
	Higher education	8
	Total:	27
Family status	Couple with dependent (grand)child(ren)/members	11
	Couple with working child(ren)	13
	Single with dependent (grand)child(ren)	3
	Total:	27
Employment status	Farmer	15
	Pop-up store / small shop / informal works	8
	Employees with private companies	1
	Employees with government organizations	2
	Retired	5
	Total:	31
Housing status	Basic brick house	7
	2-storey brick house / Large 1-storey brick house	7
	3-storey brick house	4
	Unknown	9

	Total:	27
Interview setting	Home	15
	Others	12
	Total:	27
Relationship with the overseas family members	Parent / Parent-in-law	18
	Sibling	6
	Spouse	3
	Child	2
	Niece / Nephew	1
	Total:	30
Country where remitter residing/working	Japan	6
	Korea	2
	Taiwan	4
	US	9
	Others	9
	Total:	30
Remitter's reasons to move	Labour	16
	Marriage	5
	Professional works	2
	Others	4
	Total:	27
How long since starting to receive remittance?	Less than 1 year	3
	1 - 5 years	13
	6 - 10 years	9
	10+ years	10
	Total:	35
Sources of income	Farming activities	15
	Other business/work activities	14
	Wages from employment	4
	Personal assets / Savings	4
	Social benefits / Pension	2
	Remittance	19
	Total:	39
Household income per year (VND million)	Less than VND 50 million (US$ 2,100)	7
	VND 50 million (US$ 2,100) – less than 150 million (US$ 6,400)	7
	VND 150 million (US$ 6,400) – less than 200 million (US$ 8,500)	1
	VND 200 million (US$ 8,500) or more	1
	Was not willing to disclose	11
	Total:	27
Remittance receipt amount per year (VND million)	Less than VND 50 million (US$ 2,100)	4
	VND 50 million (US$ 2,100) – less than 150 million (US$ 6,400)	6
	VND 150 million (US$ 6,400) – less than 200 million (US$ 8,500)	6

	VND 200 million (US$ 8,500) or more	5
	Was not willing to disclose	6
	Total:	27
Is remittance receipt a major source of household income (more than 50%)?	Yes	22
	No	5
	Total:	27
Usage of banking services	Have a bank account but only to receive remittance	3
	Savings account	14
	Loan	5
	No usage at all / Intention to use	10
	Total:	32

Appendix G: A Calculation Example of "Hụi"

Monthly contribution	2,000,000	**Fees for organizer**	400,000

Winning Bid Amount	150,000	200,000	180,000	160,000	140,000	120,000	100,000	100,000	150,000	250,000	100,000	-	-
	Person withdrawing in **1st month**	Person withdrawing in **2nd month**	Person withdrawing in **3rd month**	Person withdrawing in **4th month**	Person withdrawing in **5th month**	Person withdrawing in **6th month**	Person withdrawing in **7th month**	Person withdrawing in **8th month**	Person withdrawing in **9th month**	Person withdrawing in **10th month**	Person withdrawing in **11th month**	Person withdrawing in **12th month**	Person withdrawing in **12th month** who also organizer
1st month	19,950,000	(1,850,000)	(1,850,000)	(1,850,000)	(1,850,000)	(1,850,000)	(1,850,000)	(1,850,000)	(1,850,000)	(1,850,000)	(1,850,000)	(1,850,000)	(1,450,000)
2nd month	(2,000,000)	19,600,000	(1,800,000)	(1,800,000)	(1,800,000)	(1,800,000)	(1,800,000)	(1,800,000)	(1,800,000)	(1,800,000)	(1,800,000)	(1,800,000)	(1,400,000)
3rd month	(2,000,000)	(2,000,000)	19,980,000	(1,820,000)	(1,820,000)	(1,820,000)	(1,820,000)	(1,820,000)	(1,820,000)	(1,820,000)	(1,820,000)	(1,820,000)	(1,420,000)
4th month	(2,000,000)	(2,000,000)	(2,000,000)	20,320,000	(1,840,000)	(1,840,000)	(1,840,000)	(1,840,000)	(1,840,000)	(1,840,000)	(1,840,000)	(1,840,000)	(1,440,000)
5th month	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	20,620,000	(1,860,000)	(1,860,000)	(1,860,000)	(1,860,000)	(1,860,000)	(1,860,000)	(1,860,000)	(1,460,000)
6th month	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	20,880,000	(1,880,000)	(1,880,000)	(1,880,000)	(1,880,000)	(1,880,000)	(1,880,000)	(1,480,000)
7th month	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	21,100,000	(1,900,000)	(1,900,000)	(1,900,000)	(1,900,000)	(1,900,000)	(1,500,000)
8th month	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	21,200,000	(1,900,000)	(1,900,000)	(1,900,000)	(1,900,000)	(1,500,000)
9th month	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	21,150,000	(1,850,000)	(1,850,000)	(1,850,000)	(1,450,000)
10th month	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	21,100,000	(1,750,000)	(1,750,000)	(1,350,000)
11th month	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	21,500,000	(1,900,000)	(1,500,000)
12th month	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	22,000,000	22,000,000
Total	**(2,050,000)**	**(2,250,000)**	**(1,670,000)**	**(1,150,000)**	**(690,000)**	**(290,000)**	**50,000**	**250,000**	**300,000**	**400,000**	**1,050,000**	**1,650,000**	**6,050,000**
Meaning	**Borrow**	**Borrow**	**Borrow**	**Borrow**	**Borrow**	**Borrow**	**Lend**	**Lend**	**Lend**	**Lend**	**Lend**	**Lend**	**Lend**
Monthly interest rate+	1.67%	2.28%	2.15%	2.05%	2.02%	8.32%	0.54%	0.77%	0.54%	0.51%	1.02%	1.30%	5.29%
Annual interest rate*	21.94%	31.01%	29.02%	27.50%	27.16%	160.80%	6.70%	9.62%	6.71%	6.32%	12.99%	16.73%	85.67%

+ Monthly interest rate is determined by the internal rate of return (IRR) by the following formula: $\sum_{n=0}^{N} \frac{\text{CashFlow}_n}{(1+\text{IRR})^n} = 0$

* Annual interest rate = $(1 + \text{Monthly interest rate})^{12} - 1$