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The role of institutions in accessing and managing rural micro-credit

A case-study in Northern Vietnam



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Context

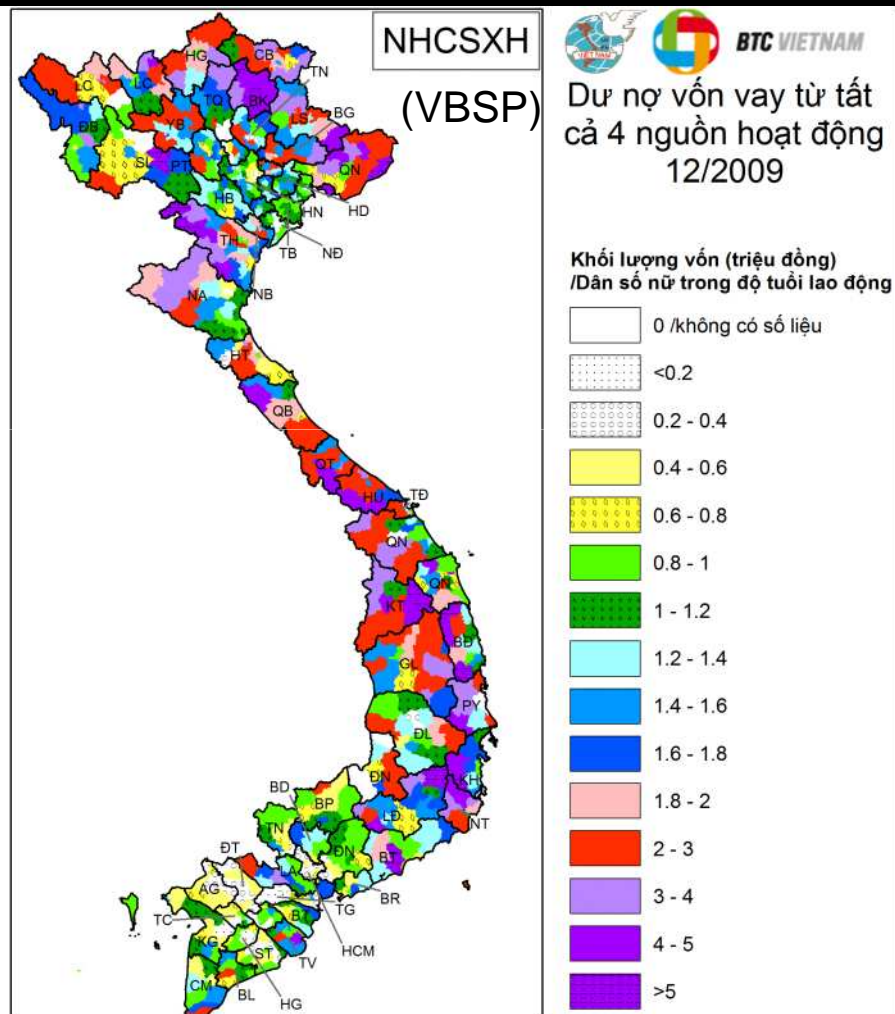
- Poverty, still important in the rural economy

Provinces	Lao Cai	Lai Chau	Dien Bien	Dak Lak	Dak Nong
% HH qualified as <i>poor</i> by local authorities	18.8	64.9	51.0	28.0	12.4

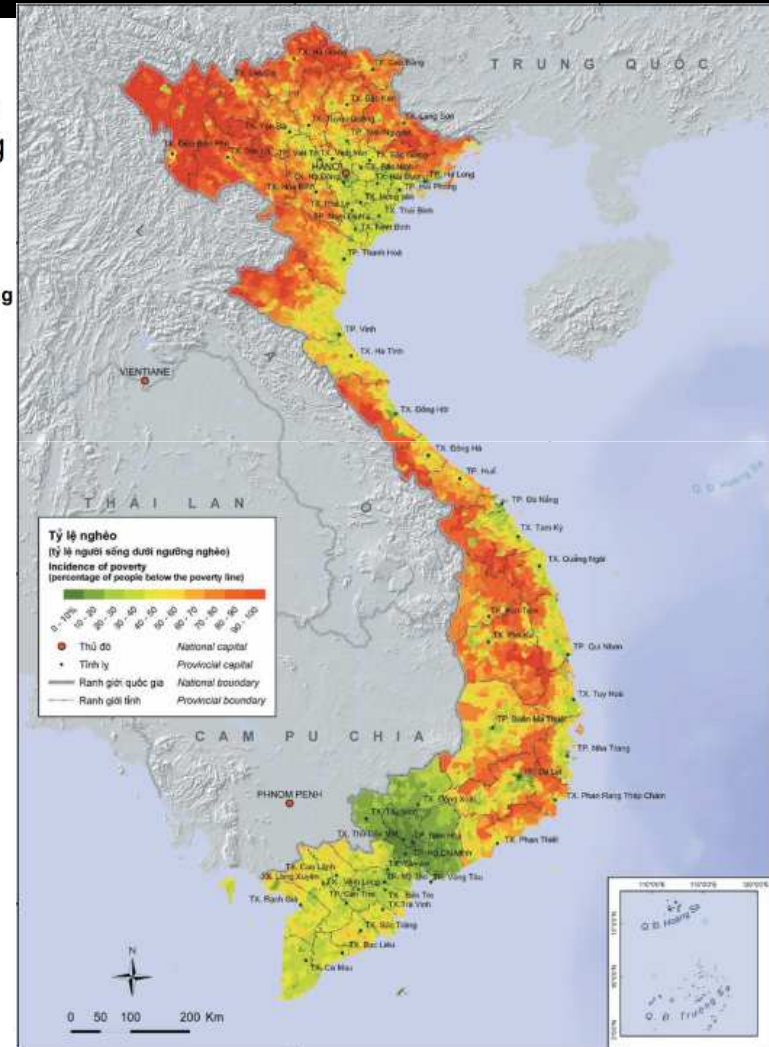
Source : IPSARD, 2009

- Poverty reduction, one of the priorities in Vietnam policies
 - **Creation of the Vietnam Bank for Social Policies (VBSP) (2002)**
 - **Program 135 Phase II ("services for the poor") (2006-2010)**
 - **The Supporting Program for 61 Poor Districts (2009-today)**

→ **Micro-finance, a tool for poverty reduction**



Loan amounts per women (2009) in million VND
(Source : Women Union – Nat.)



Poverty Rate
(Source : Ipsard Atlas 2006)

Context

- Issues and questions on rural micro-credits institutions
 - High level of **uncertainty** (technical, economical, organizational)
 - Risk with **non-productive** investments
 - Risk of **overindeptedness**
 - **Imperfect** financial markets (barriers to entry)
 - Difficulty to reach the **poorest of the poor**

→ Credit schemes set up by NGOs



Context

■ Objectives

- To analyze **institutions** involved in micro-credit supply and demand in poor districts
- To understand **finance practices**, in particular for the poorest households

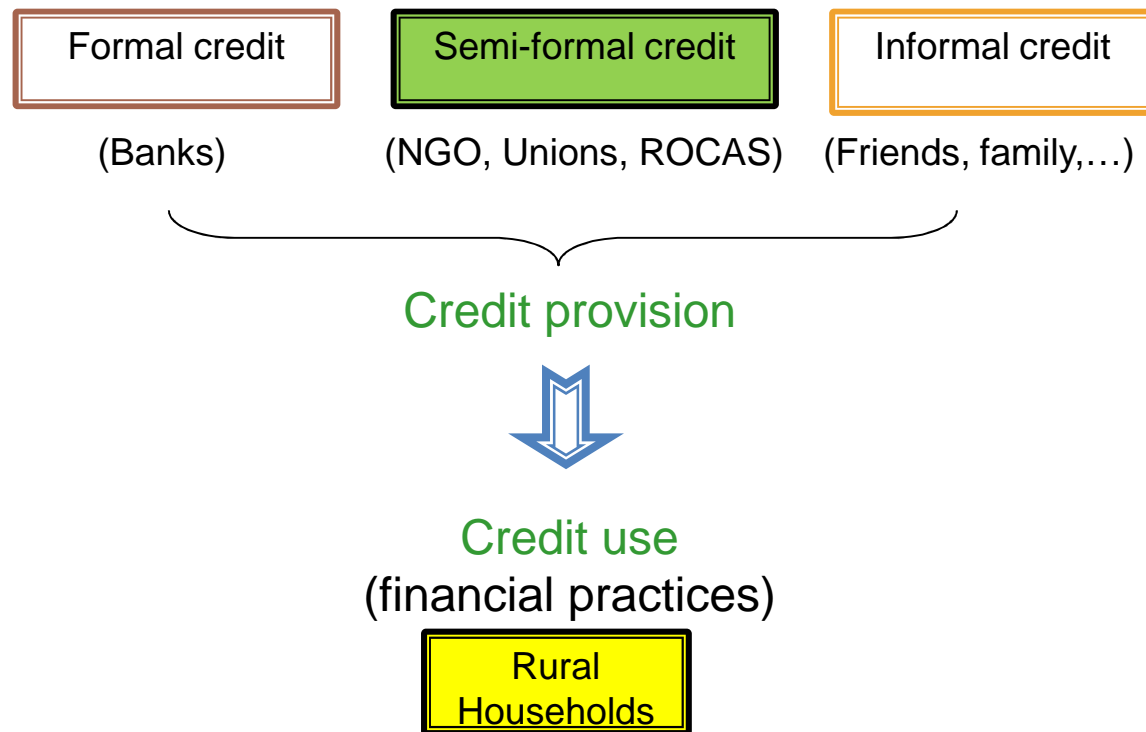
■ Case-study

- Thu Cúc commune, Tân Sơn District
- Partnership with a French NGO providing micro-credit scheme for pig raising



Method

- Logical framework



Method

- Data collection
 - Interviews with key informants and stakeholders involved in the provision of credit services
 - Quantitative survey to a sample of farmers involved in micro-credits schemes
 - Quota method : 15 villages
 - Sample : 76 HH



Results

- Households characteristics



Ethnic group	% of the Sample (n=76)
Kinh	13.1
Muong	61.8
Dao	14.5
H'Mong	10.6
Total	100.0

Results

■ Households characteristics

	Average (n=76)	Min	Max
Nb of people in HH	5.1	2	12
Labour force	2.9	1	6
Irrigated land (rice) (ha)	0.13	0	0.54
Non irrigated land (ha)	2.44	0	20
Nb of pigs	4.7	0	30
Nb of buffaloes	0.9	0	5
Nb of Poultry	13	0	150



Results

■ Households characteristics

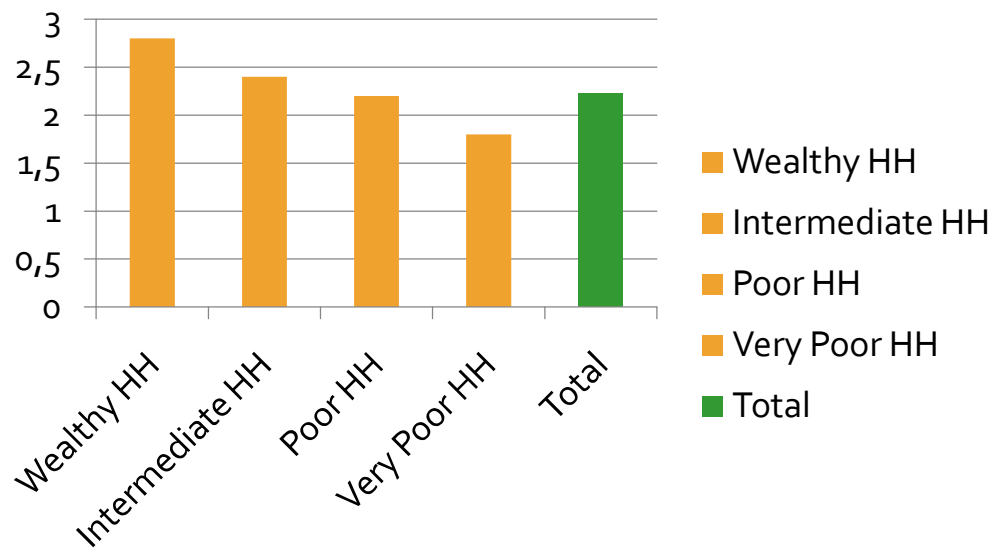


Economic activities	% of HH in the sample (n=76)
Agriculture and forestry	95
Aquaculture	14
Handycraft and petty trade	28
Occasional or permanent salaried work	42

Results

Financial practices

Number of credit loans contracted in the last 5 years



Wealthy HH : more that 2,5 ha

Intermediate HH : 2,4 h + 2 buffaloes

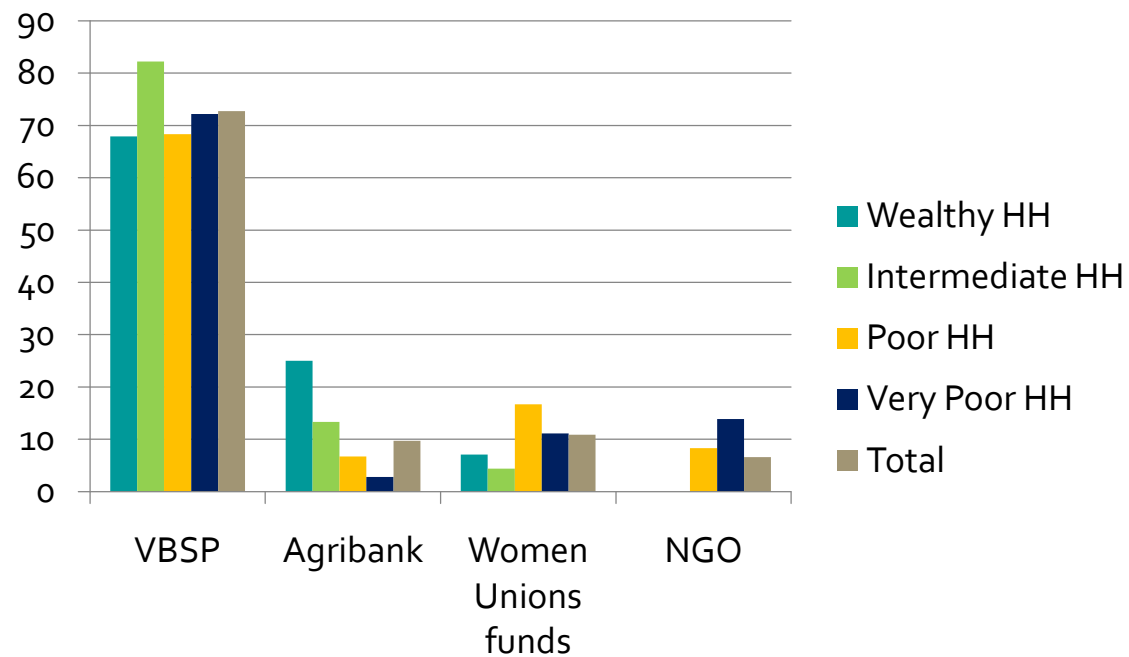
Poor HH : 1,2 ha + 1 buffaloe

Very poor : less than 0,7 ha and no buffaloe

Results

■ Financial practices

Origin of micro-credit loans



Results

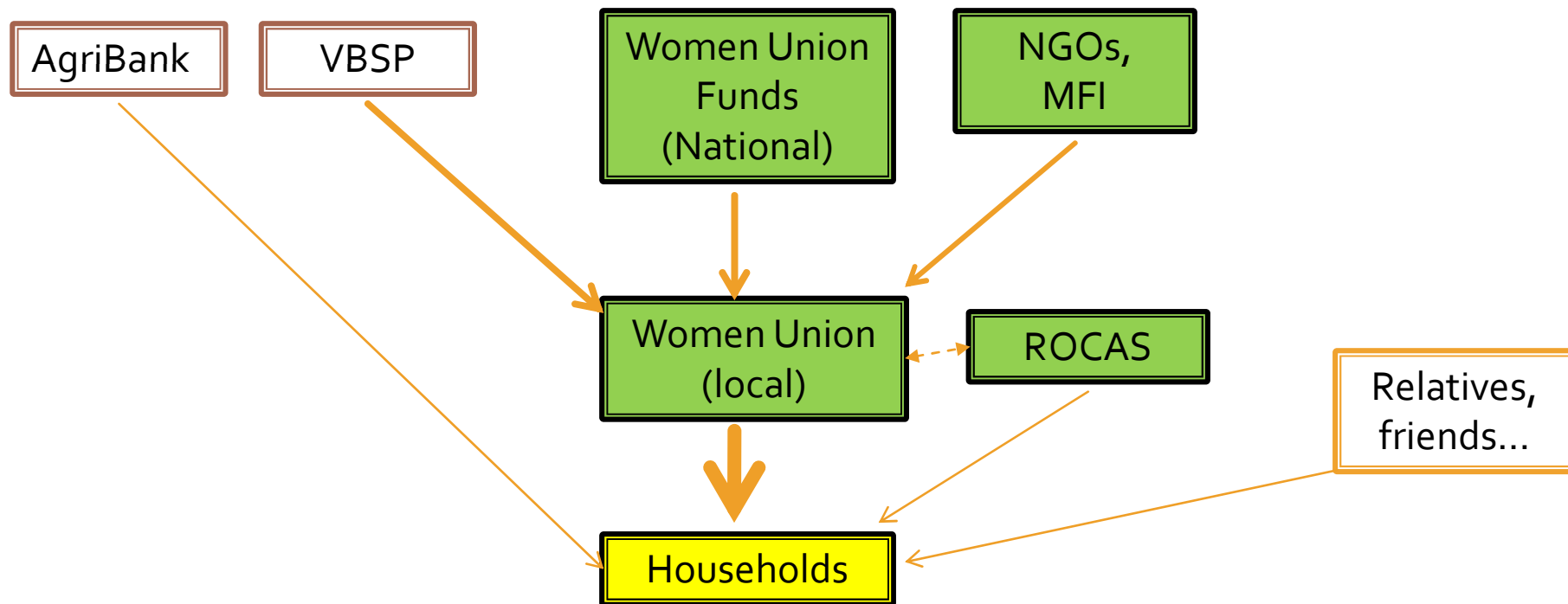
- Services provided by credit institutions

	VBSP	Agribank	W. Union	ONG
Loan	X	X	X	X
Support in reimbursement planning			X	X
Technical training				X
Insurance against sanitary risks (porks)				X
Collective guaranty	X		X	X

Results

- Institutional frame

« Women Unions » at the core of the credit management rules



Conclusion

- Credit institutions are:
 - Very diverse
 - Complementary to each other
 - Credit schemes provided by NGO are particularly adapted to the very poor households
 - Credit provided by Agri-bank fits to better-off families
 - Credit provided by VBSP is highly developed
- Further study is needed to:
 - Evaluate the level of overdebtedness
 - Better understand the enrichment process

Thank you – Cảm ơn!

