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

<table>
<thead>
<tr>
<th>Provinces</th>
<th>Lao Cai</th>
<th>Lai Chau</th>
<th>Dien Bien</th>
<th>Dak Lak</th>
<th>Dak Nong</th>
</tr>
</thead>
<tbody>
<tr>
<td>% HH qualified as poor by local authorities</td>
<td>18.8</td>
<td>64.9</td>
<td>51.0</td>
<td>28.0</td>
<td>12.4</td>
</tr>
</tbody>
</table>

Source: IPSARD, 2009

- Poverty reduction, one of the priorities in Vietnam policies
  - 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)
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
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
Logical framework

- Formal credit (Banks)
- Semi-formal credit (NGO, Unions, ROCAS)
- Informal credit (Friends, family, …)

Credit provision

Credit use (financial practices)

Rural Households
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

<table>
<thead>
<tr>
<th>Ethnic group</th>
<th>% of the Sample (n=76)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kinh</td>
<td>13.1</td>
</tr>
<tr>
<td>Muong</td>
<td>61.8</td>
</tr>
<tr>
<td>Dao</td>
<td>14.5</td>
</tr>
<tr>
<td>H’Mong</td>
<td>10.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
## Results

- **Households characteristics**

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

- Households characteristics

<table>
<thead>
<tr>
<th>Economic activities</th>
<th>% of HH in the sample (n=76)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and forestry</td>
<td>95</td>
</tr>
<tr>
<td>Aquaculture</td>
<td>14</td>
</tr>
<tr>
<td>Handycraft and petty trade</td>
<td>28</td>
</tr>
<tr>
<td>Occasional or permanent salaried work</td>
<td>42</td>
</tr>
</tbody>
</table>
Results

- Financial practices

<table>
<thead>
<tr>
<th>Wealthy HH</th>
<th>Intermediate HH</th>
<th>Poor HH</th>
<th>Very Poor HH</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Number of credit loans contracted in the last 5 years

- **Wealthy HH**: more than 2.5 ha
- **Intermediate HH**: 2.4 ha + 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](chart)

- VBSP
- Agribank
- Women Unions funds
- NGO

- Wealthy HH
- Intermediate HH
- Poor HH
- Very Poor HH
- Total
## Results

### Services provided by credit institutions

<table>
<thead>
<tr>
<th>Service</th>
<th>VBSP</th>
<th>Agribank</th>
<th>W. Union</th>
<th>ONG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Support in reimbursement planning</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Technical training</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Insurance against sanitary risks (porks)</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Collective guaranty</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
Institutional frame
«Women Unions» at the core of the credit management rules

- AgriBank
- VBSP
- Women Union Funds (National)
- NGOs, MFI
- ROCAS
- Women Union (local)
- Relatives, friends...
- Households
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!