Poverty Targeting and Impact of a Governmental Micro-Credit Program in Vietnam
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It is argued that without collateral the poor often face binding borrowing constraints in the formal credit market. This justifies a micro-credit program, which is operated by the Vietnam Bank for Social Policies to provide the poor with preferential credit. The paper examines the poverty targeting and impact of the preferential credit program for the poor from VBSP. The program is designed to provide the poor households with credit at low interest rates without collateral. However, the program is targeted poorly at the poor. Only 12% of the poor households in rural areas participated in the program in 2004. Meanwhile, the program covered 6.4% of the non-poor households. Since the non-poor households accounted for a larger proportion of population, up to 67.1% of the participants were found as non-poor households. The poor households also received smaller amounts of credit than the non-poor. In terms of targeting, the program is not very pro-poor. Although, the poor access the program more proportionally than the non-poor, they account for a smaller proportion of the program participants. The Government and VBSP should have measures to reduce the leakage rate and increase the coverage rate at the same time, while keeping the program effective. Further studies on the lending system and the selection process should be conducted to have more detailed suggestions for the modification.

Empirical results from impact evaluation show that the program has positive and statistically significant impact on consumption expenditure per capita and income per capita of the participating households. Since the program has positive impact on households’ expenditure, it is expected that the program can contribute to poverty reduction. It is found that the program has positive and statistically significant effect on reduction of the poverty rate, poverty gap and poverty severity.

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