Microfinance and Poverty Reduction in the Mekong Delta in Vietnam

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Abstract
One common solution to resolve poverty is providing microfinance to the poor. Microfinance has been claimed to positively impact the livelihoods of the poor through accumulation of social, human, financial, natural, and physical assets. This paper empirically examines if microfinance contributes to the reduction of poverty in the Mekong Delta region of Vietnam. Analysing household survey data collected in 2006, from Hoa An commune in the Mekong Delta area, it investigates if microfinance leads to accumulation of assets. It further investigates how poor women are enabled to adopt livelihood strategies that lead to poverty reduction. Information is collected by implementing a household survey. This is further supplemented with qualitative information from Participatory Rural Appraisal, interviews with key informants and focus group discussions with members and non-members of the microfinance programs in the area. The main findings suggest that the process of accumulation of assets, leads to creation of livelihoods that result in increased household income and poverty reduction.

Keywords
Mekong Delta, microfinance, livelihood assets, poverty reduction

1. Introduction
Vietnam achieved remarkable success in reducing its poverty rate from 58 percent in 1993 to 14.7 percent in 2007 (ADB 2007). However, poverty
reduction in the Mekong River Delta has been moderate.\textsuperscript{1} The poor households in the mainly agriculture dependent Mekong Delta region are landless or have small landholdings (VDR 2004). They are thus constrained in their ability to expand production and have limited access to formal credit. Moreover, local business and creation of job has been very slow in this region (Poverty Task Force 2003).

The Vietnamese government has increasingly recognised the role of microfinance in fighting poverty. In the last decade, all major multilateral and bilateral donors and several NGOs have been involved in microfinance programs in Vietnam (Putzeys 2002). This paper empirically examines if microfinance has contributed to the reduction of poverty in the Mekong Delta region. It specifically, investigates if microfinance programs by OXFAM and Bread for the World (BfdW) that work through the Women Savings and Credit groups (WSCG),\textsuperscript{2} lead to an accumulation of assets. Thereby enabling poor women to adopt livelihood strategies that lead to poverty reduction. The analysis is based on data collected in 2006 from Hoa An commune in the Mekong Delta area of Vietnam. Information is collected on three different groups by implementing a household survey. These groups include: poor women with access to microfinance (poor member); women who have accessed microfinance and have already escaped out of poverty (dropout); and those that have not accessed microfinance (control). This is further supplemented with qualitative information from Participatory Rural Appraisal, interviews with key informants and focus group discussions with members and non-members of the microfinance programs in the area.

The main results of the paper suggest that the process of accumulation of livelihood assets, and the combination of livelihood activities and livelihood assets lead to increased household income and decreased household vulnerability through microfinance intervention. The paper further finds that microfinance is a dynamic tool to intervene in the accumulation and interactions among social, human, financial, natural and physical capital of poor women.

\textsuperscript{1} Vietnam Poverty Update Report, 2006.

\textsuperscript{2} The WSCG is a joint-liability group, that is formed voluntarily. Loans are made to individuals, but the whole group is responsible for its repayment. Most of its members (80\%) are poor women. The rules, terms of instalment, monthly savings, and dates of monthly meetings are decided by the members themselves. Each member keeps the individual record that helps them monitor their loans and savings. Members attend monthly meetings and training courses in order to enhance and exchange their knowledge and skills, and enforce group solidarity several months before receiving credit from the program.