

Four years after the Cooperatives Law, this sector in An Giang started to contribute to the local economic development. New cooperatives based on cooperation between suppliers and producers instead of collectivization prove effective in cutting the production cost and mobilizing existing resources for production. Dividend seems big enough to ensure a reasonable living standard for members of cooperatives and many cooperatives have started to accumulate bigger working capital. Peasants started to consider cooperative development as an effective way to fight against poverty and hunger. Rights and duties of members are well connected, which paves the way for democratic participation in rural areas.

Help from local governments comes in the form of training courses in man-

agement and agricultural extension that introduce a lot of technical innovations. Cooperatives supply thousands of new jobs and ensure steady incomes from dividend for members. This is very suitable to principles of community development and proves to be a right and sustainable pattern of development. Initial achievements provide important preconditions and prospects for further developments of the local economy.

Cooperatives in An Giang, however, meet with many problems and challenges. One of the biggest is the small equity capital. This may originate from the failure to mobilize idle money from members. Most cooperatives couldn't secure loans although sources of credit are abundant because they didn't have feasible business plans, assets to mortgage to banks and equity capital

that is big enough to persuade lenders. The shortage of capital prevents them from increasing their fixed assets and replacing old technologies and machines. In addition, most policies on the cooperative sector adopted by the Government haven't been carried out well. Most banks are reluctant to supply credit to this sector; their policy to supply credits to the poor is very limited and not based on the membership. Sources of credit for poor families who want to take part in cooperatives come mainly from savings made by provincial budgetary authority. The cooperative sector accounts for only 2% of total credit supplied by banks in An Giang. This percentage is far from meeting the demand of the sector.

To help the cooperative sector account for 50% of the agricultural output and

help 50% of peasants produce goods according to contracts by 2005, and at the same time to develop cooperatives in other industries faster to assist agricultural cooperatives, we want to present here some solutions related to bank credit supply.

(1) Local governments have to make plan to develop family businesses, farms, small and medium concerns into preconditions for the development of cooperatives. In their turn, cooperatives will undertake the task of persuading farm owners and individual peasants into expanding their businesses into regional markets, helping poor peasants get bank loans to engage in large-scale production projects and improve their living standard.

(2) The Government must adopt an open policy on the supply of bank

BANK CREDIT TO SERVE DEVELOPMENT OF COOPERATIVES IN AN GIANG

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credit to encourage state-owned banks to provide the poor with more loans. For the time being, cooperatives with good performance could be selected for the preferential credit policy before applying to others when conditions are more favorable.

(3) More loans to guilds and trade associations: In rural areas, peasants tend to engage in a wide range of cooperative activities because they have no resources but their labor and goodwill. That is why they have to be content with small-scale production and monoculture. These small organizations could be considered as their representatives when negotiating loans with banks.

(4) More loans to cooperatives: As we know, cooperatives have only small capital and their members couldn't make big investments (because they are poor or lack confidence in cooperatives' future). To deal with this problem, banking authorities could:

- supply more loans to members of cooperatives by two ways:

- + Direct lending: Members could mortgage their property to banks or have loans guaranteed by the cooperative management and/or civic organizations (in the second case, the cooperative works out business plans while members

are responsible for carrying out the plans and repaying debts).

- + Indirect lending: The cooperative acts as a representative of its members. In this way, the bank could offer lower interest rates because overheads are reduced. However, the head of the cooperative must be bold and competent enough to bear full responsibility for repayment.

- supply more loans to cooperatives: After mobilizing capital from their members, cooperative can look for bank loans when they need more capital. However, the problem is the bank can only supply secured loans as required by the banking regulations. To deal with this problem, the bank could offer the following policies on a case-by-case basis:

- + allowing cooperatives to mortgage cooperatives' assets,

- + allowing mortgage on assets of the management of cooperatives (this policy applies to urgent cases that affect greatly the development of the cooperative),

- + asking the cooperative to mortgage assets generated by bank loans after studying its business plan,

- + offering fiduciary loans to cooperatives that make profits for two successive years, have good

track record and obtain certification from district governments (the bank can set a credit line for these cooperatives).

- supply loans to state-owned companies that purchase farm products from cooperatives: interest rate on these loans could be 0.05% lower than the common rate on condition that these companies pay a transport fee of VND15 per kilo of products from cooperatives.

To supply bank credit to cooperatives is no easy task because most of them have small equity capital and lack managerial skills, so the bank must make decision based on business projects worked out by, or for, cooperatives (such as development programs for Chợ Mới islet as a sub-region and for Long Xuyên Trapezoid). In An Giang, banks had better pay attention to cooperative that have succeeded in developing the diversified farming (fruit orchard along with animal husbandry or mariculture).

In addition, banks and local governments should keep close watch on cooperatives and apply sanctions in order to prevent cooperatives from charging high interest rates on loans they transfer from banks to members. Local governments and civic organizations

could help with debt collection if need be. One of effective measure is to stop supplying loans to the whole cooperative when one of its member fail to repay debt.

(5) Hire-purchase service for cooperatives: Banks and finance companies could supply this useful service to cooperatives and even individual peasants. Cooperatives that want to buy farm machines or engage in transport service could rely on this service. Finance companies could cooperate with banks in carrying out hire-purchase plans for cooperatives. Banks can act as local agents for finance companies. Cooperatives must advance some 30% of the value of asset hired and the company owns 70%. Property generated by the hire assets will be considered as guarantee for repayment. This service also provides cooperatives with chance to access other banking services.

Bank credit and other supporting services are necessary to develop the cooperative sector. This direction requires assistance and cooperation between banks, local governments and civic organizations. We hope that measures presented above could help develop the cooperative sector in An Giang. ■