



# MEASURES TO ENCOURAGE THE FAMILY BUSINESS SECTOR IN RURAL AREAS

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The existence of family businesses is inevitable and appropriate to the policy on the mixed economy. According to a rough estimate, there were some 12 million families in rural areas, 10 million of which lived on agriculture, 50,000 families were running farms and thousands of families doing different businesses in rural areas. In the last few years, after the Politburo's Resolution 10, the family business sector has developed incessantly and contributed a lot to the economic development: increasing agricultural output to meet local demand and export targets, improving their living standard and helping with inflation control.

Agriculture is still the basis for the economy and rural family busi-

nesses have played an important role in the economic development. Some 80% of agricultural produce for sale is made by private farmers living mainly in the Mekong Delta, Eastern South Vietnam and Central Highlands. Most cooperatives and state-run businesses in rural areas could do nothing but supply services to family businesses.

However, the family business sector in rural areas is still facing difficulties on their way to development: local governments didn't share the same opinions about this important sector, there is some discrimination -to certain extent -against it, policies on land using; taxation; credit supply; export and import; and domestic investment failed to encourage it properly. In the North and Central Vietnam,

relations between this sector and the public sector haven't defined clearly while family businesses are very common in the South and the farm economy has started to develop.

To overcome these difficulties is not only a matter of life and death to this sector itself, but also a requirement posed by the industrialization and modernization program. To do it, the view on and attitude towards this sector must be determined, and then, scientific and feasible measures to develop this sector could be found. The following are some suggestions.

1. VCP committees and authorities of all levels must share a common view on the role and inevitable existence of this sector in rural areas. The mass media, local governments and civic organizations must propagate the new

political view and policies on the mixed economy, thereby saving this sector from discriminatory practices. Everybody must recognize that private persons have rights to make money lawfully and their efforts must be encouraged. Local authorities had better praise successful family businesses for their performance and encourage others to follow their footsteps.

2. The Government had better define what a family business in rural areas is, and this definition must be suitable to realities in different regions. A census of family businesses could be taken to estimate exactly the strength and development tendency - and sources of them -of this sector. Results of these tasks could help the Government make appropriate policies to

orient this sector towards the socialism.

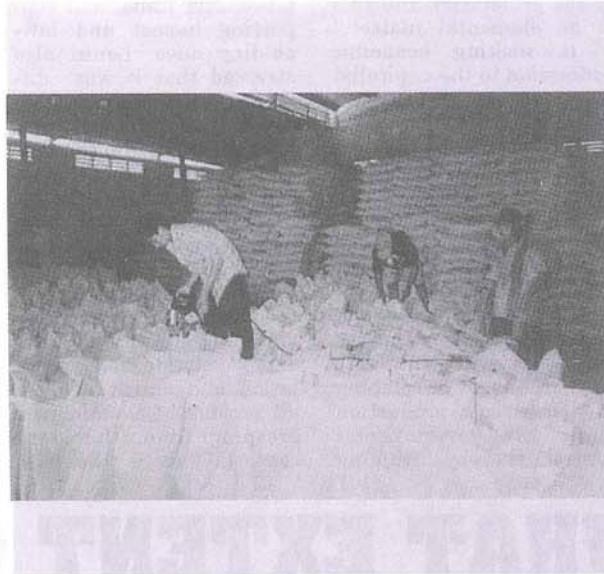
In fact, the Government has gathered almost no information about this sector and local governments are so understaffed that they couldn't collect this information. That is why local governments differ widely in their definition of a farm. This difference leads to differences in statistics collected and estimation. To deal with this problem, it's necessary to investigate and classify family businesses all over the countries. This task can serve different purposes: tax, administrative, and assistance.

3. After estimating the strength and tendency of this sector, the Government should make policies to encourage all family businesses to make the best use of available resources. In rural areas, commercial farming is starting to replace subsistence farming. The speed of this process will depend on macro-economic policies, including ones on the family business sector. To help family businesses develop large-scale production, the Government, for the time being, should take measures to solve problems arising from the development process: governmental control, capital, technology, market and supply of raw materials.

4. For administrative purposes, the Government had better ask all family businesses in rural areas to make registration and have them classified according to standards applicable to all private businesses in other industries and other regions. Agriculture authorities (the Ministry of Agriculture and Rural Development at central level and Services of Agriculture and Rural Development at provincial level) had better establish offices responsible for supervising, directing and regulating operations of these family businesses in rural areas.

As for private farmers, they can, with help from local governments, form cooperatives according to the Cooperatives Law. Private farmers who can develop into family businesses should make registration in order to get the same legal entity as other companies, thereby getting protection, credit, technical assistance and other services from the State.

5. The government can offer



tax incentives to produce exports: those who invest in land reclamation and building plantations can enjoy lower land tax rates; businesses producing manufactured goods or handicrafts can enjoy exemption from, or reduction of, sales tax, profits tax and some other fees. Thinking through, these family businesses in rural areas can help to create new jobs, develop the production and improve personal income of rural residents, so they deserve the same tax incentives as cooperatives and state-owned companies in rural areas do.

Exemption from, or reduction of, land and severance taxes can be offered to farms and plantations in mountainous areas because they help to build new residential areas and assist with the national defense. The government needn't make direct investment in these farms or businesses, but had better invest in building the infrastructure in rural areas in order to provide them with access to markets.

In supplying loans to family businesses in rural areas, the banking authorities had better not take an even-handed approach as they did when dealing with private farmers. Family and private businesses in rural areas usually meet with many difficulties (poor infrastructure, lack of information and technical assistance, high transportation cost, etc.). They need medium- and long-term loans but their performance isn't as good as their counterparts in cities. Banking authorities must take all these features into consideration when making policies to supply

credit to rural private businesses. Policies to supply long- and medium-term loans at low rates of interest can encourage private businesses in rural areas to carry out large-scale production, especially production of exports.

6. Technical assistance and managerial skills are what private businesses in rural areas need because they can help these businesses improve the product quality, reduce production cost and become more competitive. Farmers and plantation owners need methods of storing and processing agricultural products. Animal farms need machines, veterinary medicines and disease control services. The Government can make plans to introduce new techniques to certain pilot farms and

plantations, give training courses in these techniques, build the bridge between research centers and rural private businesses or cooperatives. This measure is of great importance to the production of well-processed agricultural products for export.

7. Rural private businesses, when doing commercial farming, usually meet difficulties in finding markets for their produce. The Government can help them solve this problem through the network of cooperatives and state-owned trading companies. These businesses, especially ones in remote areas, also need reliable supplies of agricultural materials (petrol, fertilizer, insecticide, farming machines and spare parts, etc.). Therefore the Government should pay attention to their needs when making rural development policies.

8. All above-mentioned measures depend for the most part on the performance of the State. Policies on private businesses as a whole, and on family businesses in rural areas in particular, must be perfected with a view to helping them modernize and industrialize their production. At present, there are demands for the Government to ensure equal opportunity, equal rights and duties, for all economic sectors, especially in rural areas. In short, the Government must beef up its administrative machinery in order to meet required standard and demands from business circle, thereby encouraging them to take part in the industrialization and modernization program.