

FOR BETTER COMPETITIVENESS OF THE LONG AN BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

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1. Banking business in Long An

Long An, as a bridge between HCMC and the Mekong Delta, has an important position in the development strategy for the Delta. Long An

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quality. The Long An Bank for Agriculture and Rural Development (LABARD), like others, had to take various measures to protect its market share.

The banking business in Long An

Table 1: LABARD Deposit and outstanding loan (VND billion)

| Year | Total deposit of Long An-based banks | LABARD deposit | LABARD market share | Total outstanding loans of Long An-based banks | LABARD outstanding loan | LABARD market share |
|------|--------------------------------------|----------------|---------------------|--|-------------------------|---------------------|
| 1997 | 416 | 229 | 55% | 946 | 613 | 65% |
| 1998 | 620 | 350 | 56% | 1,076 | 610 | 57% |
| 1999 | 604 | 292 | 48% | 1,234 | 693 | 56% |
| 2000 | 776 | 446 | 57% | 1,527 | 987 | 65% |
| 2001 | 1,145 | 619 | 54% | 2,169 | 1,265 | 58% |

has a cultivable area of 319,000 hectares, equaling 73% of the total area, convenient networks of roads and waterways, and abundant supplies of farm products. In 2001, despite effects of floods, its agricultural output rose by 7% over 2000. Its food output reached 1.6 million tonnes (50,000 tonnes higher than the planned target). Production of shrimp in Cần

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In such conditions, the banking business became busier, competition for more market shares keener and forced all banking institutions to improve their performance and service

today includes:

- LABARD: one head office, 13 district branches and six village branches.

- Long An Bank for Industry and Commerce: one head office, one district branch and three exchange offices.

- Long An Bank for Investment and Development: one head office and one branch (in Tân An).

- Long An Jewelry Company: one head office and three shops.

- Long An Bank for Mekong Delta Housing: one head office.

- Rạch Kiến Rural Joint Stock Bank: one head office and one exchange office (in Cần Đước).

- Network of People Credit Funds: one branch of the Central Credit Fund and 19 local funds.

Besides them, there are offices of HCMC-based banks, such as Saigon Thương Tín Bank and ACB, operating in districts adjacent to HCMC; the Fund for Investment Support and post saving service.

In such a situation, the LABARD meets with a lot of difficulties because it couldn't offer attractive interest rates and had to suffer high overheads. Moreover, the old practice in which each state commercial banks supplied loans to a class of cus-



tomers is now removed. Banks are allowed to supply all services and all kinds of loans to any customer they found. And as a result, the competition between banks becomes much keener.

The LABARD has had to try its best to maintain its 50% market share and attract more and more peasants. Its efforts in the past five years reflect in the following table.

2. LABARD strategy to maintain its market share

The LABARD has decided that the main task of the banking system, and the LABARD itself as well, is to supply credit to agriculture and rural areas. This is its traditional and target market. That is why in carrying out its customer strategy the

total loan, 439 billion was supplied to rice growing projects, 54 billion to peanut, 34 billion to sugarcane, 4.6 billion to yam, 176 billion to animal husbandry, 5.2 billion to shrimp and 810 million to other vegetables.

The LABARD cooperates with the National Association of Peasants to help local authorities organize peasants into credit groups: up to now, 1,287 groups of this kind have been formed, 15,063 group members have secured loans from the LABARD. At present, outstanding loan to these groups was VND146 billion, representing 13% of total loan supplied to peasants.

To assist the youth enterprising movement, the LABARD cooperates with the provincial Youth League to supply loan to 1,351 Youth League

- Hiệp Hòa Sugar Company borrowed 98,470 million to buy 275,712 tonnes of sugarcane and repaid 95,849 million.

The LABARD management sets targets for each branch and gives them full autonomy in making plans to achieve these targets. It also helps branches sum up their operation every six months and draw necessary lessons.

3. Measures to improve the competitiveness

- The LABARD had better give top priority to rural areas and peasants – the traditional and target market- and supplies credit to regional and sub-regional projects according to the plan for 2001-2010 set by the provincial government. The



LABARD always tries to get access to peasants and provide them with better services.

Besides opening more exchange offices in residential areas, the LABARD pays full attention to the supply of credits to peasants through local civic organizations or community authorities and considers it as the most effective way to ensure soft loans for peasants. An army of 191 contracted advisors at commune level has been established to help lending officials with studying request for loans, collecting debts and attracting new customers. In 2001, the total loan supplied to peasants reached VND1,238,258 million, increasing by 39% over 2000 while debt collected was VND968,710 million, rising by 46%. By the end of 2001, the outstanding loan supplied to 193,852 peasant borrowers was VND1,149,429 million, equaling 131% of loan supplied in 2000 (of this

cells, 967 youth groups, and 653 clubs of young families. The outstanding loan of this kind amounts to VND1,347 million now.

In addition, the LABARD also takes part in socio-economic programs, thereby supplying long- and medium-term loans totaling some VND1,500 million to various projects to supply power and clean water to rural areas, build rural roads and houses on stilt in flood plains. LABARD lending officials also help farmers work out business plans and provide them with long- and medium loans. Loans to such farmers have amounted to VND384 billion in 2001, equaling 31% of the outstanding loan.

The LABARD supplies preferential loans to many state companies:

- Long An Food and Agricultural Materials Company, in 2001, borrowed VND596 billion to buy 484,413 tonnes of rice and repaid 581 billion.

main target is to develop the commercial farming and processing industries. The second market is state companies producing exports.

- Researches should be carried out to supply credit to rural development programs (such as programs to build rural roads and irrigation systems or supply water and power, etc.) especially in remote or depressed areas.

- Quality of banking services should be improved. Cooperation with civic organizations in supplying loans to peasants should be beefed up and carried out effectively.

- Competition between state banks is a normal phenomenon, but all banks must observe Article 16 of the Law on Banking Institutions and Directive 13/2000/NHNN issued by the SBV Governor on Dec. 19, 2000 in order to fight against unfair competition. The SBV must see to it that all violations will be punished properly. ■