

The Financial Leasing Service in Cần Thơ and the Mekong Delta

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This service in Cần Thơ and the Mekong Delta has developed more slowly than in other big cities because agriculture is still the main business here while the manufacturing sector is small and less developed. Cần Thơ and the Mekong Delta depend on imports and HCMC for manufactured goods while the need for industrialization hasn't been urgent much. That is why the financial leasing service only came into being in Cần Thơ in 2000 and hasn't developed well since.

1. Local elements affecting the financial leasing service

The Mekong Delta accounts for 50% of the national food output and 65% of aquatic products for export. In its manufacturing sector, however, 90% of companies are of small size (with capital of VND10 billion and work force of 49 persons at most). In Cần Thơ, only 7 companies have a capital of VND200 – 500 billion and a workforce of 500 – 1,000 persons. Disasters in the agricultural production (diseases, plagues, flood, etc.) and fluctuations in prices of agricultural materials (fuel, fertilizer, pesticide, etc.). The financial leasing service in Cần Thơ, when financing fishing boats, couldn't retrieve its capital and had to stop this project few years ago.

In such a situation this service in Cần Thơ and the Mekong Delta as well made no progress in the years 2005-06 and witnessed reduction in its capital. For example, the Cần Thơ branch of the Financial Leasing Company II in 2005 entered 191 contracts that were worth VND205.7 billion and these figures in 2006 were 92 contracts and VND88.175 billion,

that is it experienced a fall of 43.7%. The following table shows decline of this service in 2005-06 by the Cần Thơ branch of the Financial Leasing Company II (under the Bank for Agriculture and Rural Development)

The Table allows us to identify causes of the poor business performance of this service in Cần Thơ and the Mekong Delta:

- The small- scale production leads to low demand for financial leasing service limited in certain fields.

- Banking institutions have offered a wider range of services with competitive interest rates in the Mekong Delta. In Cần Thơ City alone, there are 26 branches of local and foreign banks, and two head offices and 107 banking offices. The financial leasing service needs time to enhance its competitiveness.

- Lack of time for financial leasing companies or restraints imposed by leasing contracts prevent lessees from exercising their rights on leased assets.

- The financial leasing service because of lack of marketing campaigns fails to persuade potential customers of its benefits in comparison with banking services.

- High level of doubtful debts makes it difficult for financial leasing companies to keep supplying their services.

- Managers of financial leasing companies in Cần Thơ and the Mekong Delta still lack experience of handling with outstanding debts and persuading potential customers with the result that they fail to expand their operations in the Delta.

2. Predictions of socioeconomic development in the Mekong Delta

In the coming years, many opportunities will be open to Cần Thơ City and the Mekong Delta as well:

- By the end of 2008, Cần Thơ City may benefit from completion of the Cần Thơ Bridge, Trà Nóc Airport and Cái Cui Port. These important facilities can help Cần Thơ City get more investments and develop its economy; and the need for financial leasing service will be higher.

- Flows of investment from HCMC start to enter Long An Province, which will affect the development of Đồng Tháp Mười and its surrounding provinces.

- The Rạch Miễu Bridge, after completion, can smooth the flow of capital to Tiền Giang, Bến Tre, Vĩnh Long and Trà Vinh.

- Plans suggested by the central government to develop the south of Hậu River and Phú Quốc Island may generate new dynamics for the development of the whole Delta.

These facts allow us to believe in a bright future for the Mekong Delta. Its taking-off stage will certainly require suitable development of the financial leasing service, and the financial-banking sector as well.

3. Measures to develop the financial service in the Mekong Delta

- Mobilizing more local sources of capital in order to increase the capital by 10% - 15% a year to meet the market demand in the coming years.

- Increasing proportion of healthy debt by 15% - 20% a year.

- Beefing up the service quality and reducing the proportion of bad debt to 4% or 5%.

- Collecting at least 95% of the interest receivables in order to ensure the working capital.

- Taking suitable measures to get access to small- and medium-size companies by offer them plans to modernize their production lines, especially farm product processing factories and considering them as decisive factor to the sustainable development of the financial leasing service in the Mekong Delta.

- Expanding the service network by cooperating with private

businesses in order to get information needed for attracting potential customers, distributing risks and improving the business performance.

- Launching marketing campaigns by using diverse forms and suitable media in order to secure loyal customers.

4. Supporting measures

- Petitioning authorities to adjust regulations on retrieval and handling of leased assets in order to ensure working capital of financial leasing companies.

- Delegating more duties and rights to branches of financial leasing companies in order to encourage better business performance.

- Enhancing quality of human resource by supplying short-term and regular training courses to employees and learning experience from HCMC-based leading financial leasing companies.

- Computerizing all operations of the leasing service and establishing electronic connections with all financial leasing companies in Vietnam.■

Table 1: Business performance of the Cần Thơ branch of the Financial Leasing Company II (VND mn.)

No	Indicator	Dec. 31, 2005	Dec. 31, 2006	Change	
				Absolute value (VND mn.)	Relative value
A	Result				
I	Loan lent	204,721	116,546	(88,175)	-43.07%
	Short term				
	Medium term	204,721	116,546	(88,175)	-43.07%
	Long term				
II	Debt collected	158,004	89,156	(68,848)	-43.57%
	Short term				
	Medium term	158,004	89,156	(68,848)	-43.57%
	Long term				
III	Total loan	293,784	266,394	(27,390)	-9.32%
	Short term				
	Medium term	293,784	266,394	(27,390)	-9.32%
	Long term				
IV	Loan by group/company	293,784	266,394	(27,390)	-9.32%
	Group I	258,470	247,137	(11,333)	-4.38%
	Group II	22,598	12,055	(10,543)	-46.65%
	Group III	10,032	6,287	(3,745)	-37.33%
	Group IV	1,200		(1,200)	-100.00%
	Group V	1,484	915	(569)	-38.34%
B	Loan by sectors	293,784	266,396	(27,388)	-9.32%
I	State-owned company	3,061	1,246	(1,815)	-59.29%
II	Company (under Companies Law)	179,984	161,705	(18,279)	-10.16%
	Joint stock company	5,525	22,384	16,859	305.14%
	Limited company	100,669	76,133	(24,536)	-24.37%
	Private business	67,890	58,657	(9,233)	-13.60%
	Cooperative	5,900	4,531	(1,369)	-23.20%
III	Foreign companies				
IV	Private persons and families	110,739	103,445	(7,294)	-6.59%
	Farmer's family				
	Family				
	Private person	110,739	103,445	(7,294)	-6.59%