

ANALYSIS OF FARM LAND SCALE IN RESPECT OF LOANS, REPAYMENTS AND OVERDUE DEBTS IN MEKONG DELTA

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Rural industrialization and modernization are important goals of Vietnam's economic development policy in recent years. As a result, investments in farm production have been paid special attention in the past 10 years. However, swinging prices, production risks and low yield are big obstacles to credit programs. Good management of available resources in agriculture, especially land, is one of determinants to efficiency in farm production. The most important need of poor farmers in the Mekong Delta is investment capital for production, plant diversification, and income improvement. As such, what are the relations between farm land scale and loans, repayment as well as the current situation of overdue debts in rural areas?

1. Introduction

The rural credit research in 1997 revealed that farmers who possessed land or not, needed capital to expand production. Especially the land area is an important factor to loans. This article does not, involve in loans for farmers, but focus on how the land size affects credit.

According to the classification of the General Department of Statistics in 1994, there are three groups of land scale as follows:

Table 1: Farm households by land scale

Group of farm households	Land scale	Land area (hectare/household)
Group 1	Small	≤ 0.2
Group 2	Medium	$> 0.2 \text{ and } < 2$
Group 3	Large	≥ 2

2. Research target and method

2.1 Target

Investigating 126 farm households in Ô Môn District, Cần Thơ Province and Cái Bè District, Tiền

Giang Province having taken out loans.

2.2 Research method

Using questionnaires, direct interviews, frequency analysis, decomposing relations between credits and land scales, and applying SPSS software.

3. Research results

There are 51.6% of farm households borrowing money for production, 89.2% of loans are used for farm production. The farmers having medium-sized land account for 87.9%, and the rest has small-sized land. The relation between land size and credit is as follows:

- The amount of loan is closely relative to the household's land size. The larger area they have, the more loan they require.

- The loan interest rate has no impacts on the borrowing of farmers with different land areas.

- Like interest rate, the loan term does not depend on land size, but loan source.

- Land-use certificate is the only mortgage for loans, so it does not affect the borrowing of farmers with different land areas.

- Especially the debt repayment is closely relative to land size. Farmers having small- and large-sized

land repay debts faster and better than those having medium-sized land.

4. Conclusion

The farmers in the two poll areas require large capital for production.

The demand for loans remains much higher than the supply regardless of land size. The interest rate of the Bank for Agriculture and Rural Development is no barrier to farmers' borrowing for production. They are only concerned about whether they may take out loans. The farmers are willing to accept the monthly interest rate of 4%. In addition, the two reasons for farmers' overdue debts are harvest failure and too short repayment term. Moreover, farmers may use capital not for production, especially those having small-sized land. In contrast, farmers with large land area may repay debts more easily because they have experience as well as apply technological achievements to production.

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