



# ENHANCE THE ROLE OF BANK CREDIT IN AGRICULTURAL DEVELOPMENT

by NGUYỄN HỒNG HẢI

**R**enovating and developing agriculture is one of the strategic targets set up by the Government and the Party. Therefore, at the present stage, all branches, financial organizations and research institutes should take measures to accelerate the agricultural development with a view to industrializing the agriculture and rural areas.

Resolution of the 5th conference of the 7th-term Central Committee of the VCP mapping out basic targets, directions, policies and measures to keep on renovating and developing the socio-economic life in rural areas has pointed out requirements to bank credit activities in rural areas.

Recently, bank credit activities in rural areas have made good progress with a lot of well-calculated measures to attract dead money from the people and produced good effects on supplying capital necessary for agricultural production and economic development in rural areas. Bank credit has increasingly taken part in all stages of doing business of various economic sectors in rural areas. Particularly, in renovation process of banking system, bank credit activities have become wider and wider.

Many law documents relating to banking system have been issued and they have created conditions favorable for bank credit activities in rural areas. However, there are many problems which need to be solved in order

to enhance the role of bank credit in agricultural development.

At present, there is a great and urgent demand for capital among peasants. It is also a long-range demand of Vietnam's socio-economic development strategy, thus, to meet this demand becomes a matter of great urgency to bank credit activities.

To enhance the role of bank credit in agricultural development is to solve many problems of the national industrialization and modernization at the same time.

The role of bank credit could be seen at the following aspects:

Firstly, in agricultural production, any economic sectors should have labor, land, agricultural materials and capital, but the most difficult matter at present is a shortage of capital and materials.

In rural areas, the majority of peasants (over 55 per cent) have got low income, they do farming at a small size with low efficiency, so it's hard for them to accumulate enough capital needed for developing their business. As for middle-class peasants, after covering basic necessities of life, only a small amount of money is left for them to invest in the next crop, so they are also in need of capital for their business (the middle-class peasants represent over 26 per cent).

As for upper class peasants, although they have some money, but they need more money to invest in

new equipment and technology in order to improve annual yield (the upper class peasants represent over 18 per cent).

Thus, changing structure of investment has an important meaning to household economy because it takes part in filling shortage of capital, improving peasants' living standard and developing market gardening in rural areas.

Secondly, bank credit can help peasants carry out intensive farming, plant additional crop and improve the annual yield.

Per capita area of cultivable land at present is 0.1 ha; average rice yield per hectare in Vietnam is 3.223 tonnes. Many localities can produce only one crop or two because of bad weather or shortage of machine, fertilizer and insecticide.

If bank credit is supplied, peasants can increase their area of cultivable land and annual yield, especially in localities where area of waste land is still big. Bank credit can help with tapping great agricultural potentialities of our country.

Thirdly, bank credit can speed up mechanization in agricultural production. In order to reach a high growth rate in agricultural production, there is no way other than investing medium - or long - term credit in specialized zones to build irrigation and drainage system and mechanize agricultural production. By doing so, a part of labor force could be



moved to other industries.

*Fourthly*, bank credit can take part in developing manufacturing occupation. In recent years, although the Government has encouraged developing the manufacturing occupation in rural areas, but there is very little progress in this task. The best progress in this direction was made in the Mekong Delta where the non-agricultural occupation represented 30 per cent in the structure of industry, compared with an average percentage of 15 of the whole country.

Basically, the structure of industry in rural areas is still a purely agricultural one. According to the General Statistics Bureau, 64 per cent of peasants' income came from agricultural production, and only 25 per cent from non-agricultural activities. This means the structure of industry should be changed in order to create more jobs to the great labor surplus in rural areas.

Thus, developing the manufacturing occupation can exploit economic potentials and labor surplus in rural areas, and at the same time, create more jobs and raise peasants' income.

*Fifthly*, bank credit supplying can improve relations between industry and agriculture, peasant and worker, rural area and big city. At present, the structure of industry and personal income are improved too slowly. Rural industry in its strict sense hasn't come into being yet. Handicraft is limited because of lack of market and orientation. Agro-industries are slow to develop and can't meet the demand of rural life and production.

Poor infrastructure is the main obstacle to rural economic development. The agricultural economy can't improve the infrastructure and introduce new technology by itself without helps from manufacturing industry. Supplying bank credit to form the manufacturing industry in rural areas could be a good solution to this problem.

In short, we think that bank credit can be a way to exploit rural potentials, develop non-agricultural occupations, supply new jobs, raise peasants' income. It can free poor peasants from usury and bad habits (drinking, gambling, superstition, etc.), help middle-class peasant develop business and make money legally. Taking a long view, it can speed up the formation of goods and service market, capital market and labor market in rural areas and so, bridge the gap between rural areas and big cities ■

# IMPACT OF THE DEVELOPMENT OF MANUFACTURING AND SERVICE OCCUPATIONS ON LABOR FORCE EMPLOYMENT IN RURAL AREAS TODAY

by NGUYỄN XUÂN KHOÁT

**R**ealities of Vietnam situation in recent years and experience of foreign countries showed that: manufacturing and service occupations played a key role in diversifying goods and service market. Developing manufacturing and service occupations is the main way to employ reasonably the labor force in rural areas of our country today.

1. Developing manufacturing and service occupations could reduce the disproportion between surplus of labor and shortage of cultivable land. In fact, the rural population and labor force is on the increase, partly because of a high birth rate (over 2.5 per cent per year), partly a great number of redundancies who were dismissed from the public sector returning to their native land (this number accounted for 70 per cent of labor surplus in rural areas). Besides, many other rural residents such as demobilized soldiers, retired employees, those who returned home after working overseas, are in need of cultivable land or job. Meanwhile, the area of cultivable land is on the decrease because of urbanization process and increase in residential and specialized land. This has reduced per capita area of cultivable land to 0.1 ha or smaller. In future, this disproportion will increase and demand for job will be bigger and bigger.

This situation could be improved by developing manufacturing and service occupations. In Vietnam rural areas today, laborers working in non-agricultural occupations accounted for

