

Vietnam Bank for Agriculture and Rural Development (VBARD) or AGRIBANK

In this document:

- Brief History
- Methodology
- Area of Operations
- Clients
- Poverty Focus
- Distinctive Features
- Innovations
- Financial Results
- Challenges & Development Plans
- Inclusion in Financial Sector

Brief History

The Vietnam Bank for Agriculture and Rural Development (VBARD) was established in 1988 with the reform of the financial system and the reintroduction of commercial banks in Vietnam. VBARD is a state 'policy' bank, responsible for 'directed' lending to agricultural and rural sector. It enjoys government subsidies and access to central bank credits. By the end of 2001, VBARD had become the leading commercial bank in Vietnam, with the most extensive network of branches in rural areas. It has banking relationships with 702 correspondent banks in more than 90 countries throughout the world. VBARD is member of APRACA and the Confederation International du Credit Agricole (CICA).

Methodology

VBARD utilizes three different credit methodologies.

First, it provides individual loans to rural farmers and entrepreneurs, with collateral requirement. A land use certificate is commonly used as collateral.

Second, VBARD lends to individuals through joint liability groups. The group lending methodology is used by VBARD to increase its coverage of rural households, as well as to reduce transaction costs associated with making and collecting many small loans. Although there are no savings requirements in groups formed by the VBARD, the savings component remains important to the bank. Group lending requires full repayment of all group loans before a new round of loans can be initiated. Loan repayment is the responsibility of all group members.

Third, VBARD uses brokerage services of mass organizations, which targets borrowers unable to provide collateral. Under this system, loans are channeled through 'guarantee groups' composed by members of mass organizations, which are responsible for their organisation. Collaterals are not required as the sponsoring mass organization provides guarantees to VBARD for loan repayment. Moreover, group members are jointly liable for repayments.

Area of Operations

VBARD has a very broad outreach with over 2,300 branches nationwide.

Clients

In 2001, VBARD was serving 40% of the formal and semi-formal rural credit market, and was reaching 50% of the poor having access to financial services.

Active clients	Active savers	Active borrowers	Gender
7 million	n/a	7 million	n/a

estimate 2004

Poverty Focus

In 2001, it was estimated that 47% of VBARD clients were poor, reaching 35% of low-income households.

Average Loan Outstanding	Average outstanding loan size / GNP per capita	Average deposit size
US\$400	97%	n/a

As of 2001

Distinctive Features

VBARD is the largest partner of international development projects with microfinance components such as the World Bank-funded Rural Finance Projects (I and II), the ADB Rural Credit Project and the Hunger Elimination and Poverty Reduction Project supported by the German Bank for Reconstruction (KFW). Significant progress has been made in IT applications, such as an online network connecting the head office with over 1,500 branches nationwide. In addition, VBARD has also been engaged in international money transfer, international credit card payment, ATM, and international payment transfers via SWIFT.

Innovations

VBARD has found innovative ways to reach people at the commune or grassroots level, where it has minimal representation. Mobile banking units have been introduced to increase the outreach of its credit and deposit services. VBARD vehicles are used to carry loan officers to process loan applications, disburse money, collect repayments and mobilise savings. The visits to remote areas followed a fixed calendar and are announced in advance, to coincide with weekly market days.

Financial results

Loan Portfolio	Portfolio at risk (%)	Savings Deposits	OSS / FSS (%)	RoE / RoA
US\$200 million	n/a	n/a	n/a	n/a

As of 2001

Challenges and development plans

Between 2000 and 2002, ADB provided funding support to strengthen VBARD corporate governance, including strategic planning and training, systems development, and credit appraisal, which lead to an action plan for reforms in these areas. In 2001, VBARD also benefited from an ABD loan of US\$45 million under the "Rural Enterprise Finance Project" to finance micro and small rural enterprises, and to strengthen its services to rural clients. VBARD has entered into a restructuring phase. The plan includes debt restructuring, strengthening the bank financial capacity, improving asset quality, and complying with international accounting international standards.

Inclusion in financial Sector

VBARD is the largest commercial bank in Vietnam.

Sources

- ADB project documents
- Vietnam. by Dr. Do Nat Ngoc, Deputy General Director, VBARD. In Asia Pacific Rural Finance, APRACA 4/2003