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Master thesis related to the module  
**Poverty and Development Strategies**  
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**The role of social network for credit access**  
**of rural poor households in northern Vietnam**

submitted by

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## **Abstract**

Credit ration has always been a big problem in developing countries and the poor are those who directly have suffered from it. The effect of social capital on financial capital has been proved one of those reasons to cause credit ration. The relationships between social capital and financial capital have always been a controversial issue. How these two kinds of capital affect each other, to what extent, under what circumstances have been examined by many authors.

For Vietnam, enhancing microcredit access for the poor is particularly noticed as a key solution to poverty reduction. Many credit policies have been issued to support the economic development of the poor, among which there are credit programs from the Vietnam Bank for Social Policies (VBSP). VBSP provides loans through a set of intermediaries. The operation of VBSP, therefore, concerns two types of networks, the lending network and the social network. The aim of this research is to analyze the interaction of these two networks and its impact on VBSP credit access capacity of poor households in the Northern mountainous area of Vietnam.

The research was conducted in eight communes of Yen Chau district, Son La province in the framework of Subproject F2.4 of the Uplands Program SFB 564. In this research, both quantitative and qualitative methods were applied to acquire a thorough knowledge on the credit access capacity of the rural poor households. Quantitative survey on 300 random households gave a general overview on the real credit access situation, while qualitative survey dug deep into the operation of VBSP lending network, the function of social networks of households and consequences caused by interaction between the lending network and the social network.

It was found that among 84 households that borrowed successfully from VBSP in period 2008 -2010, 65 households were classified as non-poor; and about 72% of these non-poor households lied above the two times Vietnamese poverty line. It reveals a paradox that although the main targeted clients of VBSP are the poor households, the amount of well-off households benefit from VBSP is very high.

The lending procedure of VBSP consists of thirteen steps which can be divided into four main stages, including the announcement of loans, the application submission, the selection and approval, and the distribution of loans. Evidences are found that there are many gaps during the operation of the lending network, causing poor households cannot get the loans they need whereas households that are not targets of credit programs can take the loans instead.

The social networks of households were generalized into an egocentric network with seven actors. The wealth of the households was once again proved to cause the differences between social networks. The poor often have smaller and less active network, which contributes to their low credit access capacity.

The interaction between lending network and social network was examined to find out the causes of leakage and under-coverage in VBSP lending process; and accordingly some solutions were suggested to minimize the occurrence of them, and thus to enhance the credit access capacity of the poor households.

Key words: social network, credit access, leakage, under-coverage, VBSP.