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Master Thesis
Risk attitudes and risk management strategies of farm households in
Northern Vietnam

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Abstract

Farmers in the developing countries face idiosyncratic as well as covariant risks and these risks affect the welfare and production decision of the farm households. A risk management strategy depend son decision maker's attitude to risk, availability of the risk management instrument and nature of the risks. The objective of the study is to analyze risk attitude, risk management strategies as well as decision making process about the risk within the household and communities. The study covers two ethnic minorities i.e., Black Thai and H'mong of Yen Chau district of the Northern Vietnam. The study utilized qualitative methods (semi-structure interview and focus group discussion) to collect data. In twenty four households, forty six individuals were interviewed using semi structure questionnaire, where twenty three were households head and twenty three were their spouse. In the same household, household head and spouse were interviewed separately. Moreover, eight focus group discussions, four with men only and four with women only was conducted in four villages. The households were selected based the socio-economic status from the list of F2.4 survey of the Uplands Program SFB 564. Data was analyzed adopting Miles and Huberman frameworks and coding was done using qualitative data analysis software, called Nvivo. The result from the research reveals that poor as well as the rich households face substantial risks. Drought, death of livestock and illness of the household member are listed as topmost significant shocks at household level in last two years whereas illness of household members, disease and death of livestock and soil erosion are most frequently occurring risk in both communities. Domestic violence is one of the significant risks for Black Thai women. To cope with the shocks the households primarily depend on ex-post risk management strategy due to unavailability of options for income diversification. Rich households are better off having non agricultural wage labor, large animals and capacity to borrow large amount of money from informal sources. A trend of consecutive shocks and/or multiple shocks at one time is observed in the poor households which made them follow unsustainable way of risk coping strategies like depleting productive assets and also that made them more risk averse. The decision regarding risk management is made jointly in the Black Thai households whereas H'mong women play less active role than their spouse in decision making. Community doesn't have strong risk sharing mechanism; therefore, household deals individually with idiosyncratic shocks and depends on government support for covariant shocks. Government support is not enough to cope with the large economic welfare losses, therefore, households depend on informal sources for consumption smoothing. Finding also shows that households are not able to smooth consumption due to shocks. Even though soil degradation is perceived as one of the most significant risk in all communities, farmers are not willing to adopt sustainable soil management practices because of its higher opportunity costs. So, development of agro enterprises for income diversification, effective livestock promotion programs, low cost but effective health services and some programs with special focus on human capacity building to ensure long term food security is recommended in the studied villages.

Key words: Risk attitude, Intra-household, community based risk management, Income diversification, Vietnam