

# Access to finance and poverty reduction in rural Vietnam

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## The main findings

- The age of the household head, the household size, land ownership, and savings and the availability of credit at village level are key factors that affect rural household's access to credit
- Access to finance (credit) has a significant and positive effect on household welfares
- The positive effect is found regardless of whether they are poorer or better off households
- The effect is however found to be small which raises a concern of cost-effectiveness in providing credit to the poor

## Policy implications

- In order to help rural households gain access to the formal sources of credit, the banking network must be extended to the villages.
- Providing loans to rural households is a tool to help poor rural households escape from poverty.
- Given low marginal impact, should we provide credit on a risk-related, or a subsidized basis?
- Should we follow the poverty reduction approach which causes unsustainable microfinance or the financial systems approach which might result in the exclusion of the very poor?