



Current Business Situation and Credit Approach of Agro-SMEs in Vietnam

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Key findings:

- ✿ the agro-SMEs are very labor-intensive, technological application is limited
- ✿ the main output markets of agro SMEs are limited, undiversified, small and segmented
- ✿ borrowers get loans from different sources at the same time, for SMEs, informal sector is still attractive in spite of its high interest rate and short duration, and the growth of formal sector
- ✿ the formal sector is weak in terms of the following aspects: the procedures of borrowing is still troublesome and complicated; its interest rate is inflexible; collateral is still the most difficult condition for an SME to get a formal loan.

How to improve credit approach of agro-SMEs:

- ✿ banking services in terms of quantity and quality should be improved
- ✿ collateral requirement should be re-considered
- ✿ procedures for lending should be simplified, but the core principles for risk management should be kept;
- ✿ loan maturity should be appropriate with bussiness cylce
- ✿ interest rate should be more flexible