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The Contribution of the Conjoint Analysis for the Demand Oriented Development of the Rural Financial Sector in Vietnam

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Abstract

This paper aims to develop client-oriented financial services to improve the access of rural people to credit/savings in Northern Vietnam. A broad access to appropriate financial services has been pointed out repeatedly to be important for poverty reduction. Besides, it also improves the ability of farmers to cope with external shocks. This decreases the use of marginal areas in times of shocks and therefore supports sustainable land use. Access to credit is a piece in the puzzle of raising agricultural productivity, which again supports a sustainable land use. This is of particular concern for the uplands in Northern Vietnam.

It is the outspoken objective of the Vietnamese government to reduce poverty of rural households through improved access to credits. The government uses state-owned banks and special poverty programs for this purpose. Nevertheless, the government reaches the target group, namely the rural poor only partly. The results of the Conjoint-Analysis (CA) will contribute to a better design of adapted financial services, which will improve the effect regarding poverty alleviation. The primary data were collected between March 2001 and March 2002 among 220 households in the Ba Be and Yen Chau district in Northern Vietnam.

The CA is a methodological approach to estimate consumer preferences and to design new goods/services. These goods/services are distinct in their attributes, whereby each attribute may have different levels. The attribute/levels work as decision parameters for the clients to purchase a good/service. From the perspective of the target population, the relevant attributes/levels have to be determined in a ‘participatory’ process because this is preeminent for getting true-life results in the statistical analysis. Engineers and/or economists assigned with developing new goods/services may have other priorities than the potential customer. With this chosen attributes/levels hypothetical goods/services will be created. Each surveyed persons gives his/her preference for these different goods/services. For this purpose a ranking technique is applied. The combination with socio-economic data allows the differentiation of the preference structure according to market segments with distinct socio-economic characteristics.

Keywords: Conjoint Analysis, demand oriented financial products, rural financial markets, Vietnam