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Credit Policy for Agricultural and Rural Development in Vietnam: The Current Situation Period 2015-2025, and Some Recommendations

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ABSTRACT

Credit policy for agriculture and rural areas plays a pivotal role in the sustainable development of Vietnam's economy. The period 2015–2025 marks a transitional phase toward agricultural modernization and rural development. Although the government has introduced numerous mechanisms and policies to enhance credit accessibility, limitations remain, such as low levels of unsecured lending, repayment difficulties and high risk, limitations in entrusted lending channels, complex policy system. This research analyzes the status of agricultural and rural credit policies in Vietnam from 2015 to 2025 and proposes solutions to improve these policies for the future.

Keywords: agriculture credit, agriculture policy, credit policy, Vietnam agriculture.

INTRODUCTION

Agriculture is an essential economic sector of all world economies, developed, developing, or underdeveloped economies. However, it is the most important sector of a developing economy in terms of output and employment generation compared to other industries. (Soubbotina & Sheram, 2000). Vietnam is a country with over 60% of the population living in rural areas, in which agricultural production is the main source of livelihood for the majority of households.

Public credit programs and financial polices have long played a significant role in agricultural finance through government loan programs, government-sponsored enterprises, and regulations of depository institutions (Peter J. Barry, 1995). Credit policy tends to consist of government efforts to make more loanable funds available to farmers. In many cases, this takes the form of specialised farm credit institutions concerned with the one-way supply of funds to farmers from external aid donors or from the central bank (Frank Ellis, 1992).

BASIC THEORY AND LITERATURE REVIEW

Credit is needed as an important indirect input among others to enhance productivity in agriculture (Priyanka & Anil, 2015). With modernization and mechanization of farming systems, farming communities require more farm investment. Since most of the farmers in developing countries are small and marginal with fragmented land holdings, they need credit for such investment. Due to lower rate of savings in these economies, the farmers lack sufficient owned equity and hence resort to external borrowings (Chisasa & Makina, 2012). Therefore, most of the farming households are faced with paucity of funds at their end.

Credit policies in agriculture alleviate a critical constraint hampering growth in agricultural output, this constraint being lack of cash to make needed farm investments (irrigation, drainage, pumps, tractors, buildings) and to purchase 'modern' variable inputs (fertilizer, pesticides, fuel, feeds, etc.). Governments rely on these polices to replace the fragmented and incomplete rural financial market represented by private moneylenders, these credit sources supposedly having the effect of impoverishing their clients rather than assisting them to improve their productivity. In addition, credit policies accelerate the adoption of new technology by peasant farmers, by providing working capital for the seasonal purchase of variable inputs, and thence optimising the complementarity between inputs essential for the success of Green Revolution technology (Frank Ellis, 1992).

Priyanka & Anil (2015) highlight the components covered under the scope of institutional credit. While the direct credit includes all short, medium, and long-term loans for agriculture and allied activities to farmers with direct responsibility of repayment to the lending agency, indirect credit, on the other hand, includes indirect farmer benefits through subsidized farm inputs. In case of indirect credit, the farmers are under indirect repayment responsibility to the lending agency through fertilizer dealers, corporations, and input suppliers.

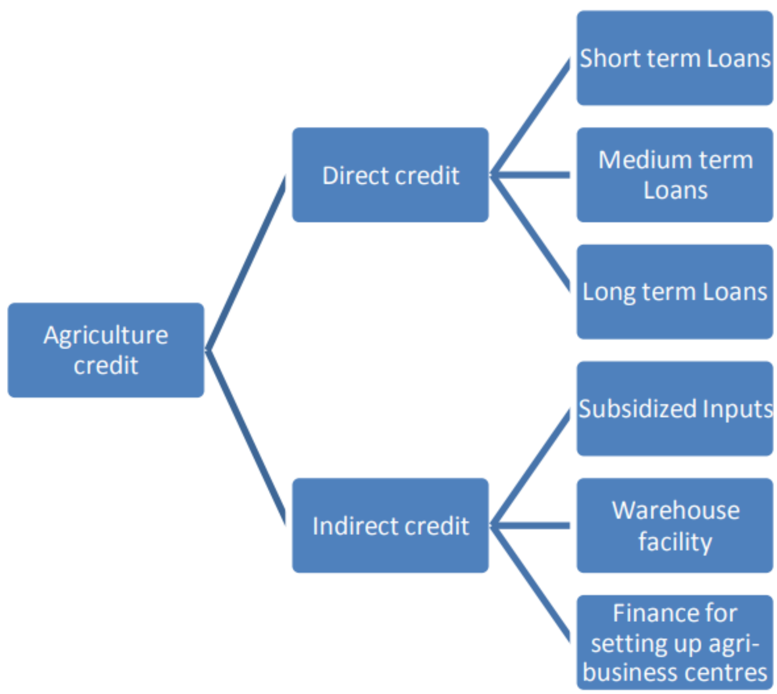

Figure: Components of direct and indirect agriculture credit
Source: Priyanka & Anil (2015)

DATA AND RESEARCH METHODOLOGY

Data Collection

This article collected data from the Statistical Yearbook and Annual Report of the General Statistics Office and the State Bank of Vietnam period 2015-2025 by applying logical thinking to draw necessary scientific conclusions related to the content of credit policy for agricultural and rural development in Vietnam. By reviewing the scientific literature from various official sources around the world as well as practicing the method of systematizing theory and history, the article has reached important conclusions on the issues involved in the current status of credit policy on the promotion of supporting Vietnam's agriculture.

Analytical Method

This article applied the method of synthesizing, analyzing, and comparing secondary data on the content and issues related to credit policy for agricultural and rural development in Vietnam period 2015-2025.

RESULT AND DISCUSSION

An Overview of Vietnam's Credit Policies in Agriculture

According to data from the General Statistics Office, between 2014 and 2023, the agriculture and rural sector accounted for approximately 12–14% of GDP and 2.5–4% of total export turnover (Hiep & Thu, 2024). Recognizing the strategic role of the "three rural" pillars (agriculture, farmers, and rural areas), since 2015, the Party and the Government have issued numerous major policies regarding rural credit. Relevant legislation includes the Law on Credit Institutions 2010 (amended in 2017) and laws on land, cooperatives, and enterprises, providing a general legal framework. Key decrees include Decree No. 55/2015/ND-CP on credit policies for agricultural and rural development (replacing Decree 41/2010) and Decree No. 116/2018 amending Decree 55/2015. Other supporting decrees include Decree 67/2014 and Decree 89/2015 (for fisheries development), Decree 57/2018 (encouraging agricultural investment), and Decree 58/2018 (agricultural insurance). The State Bank of Vietnam also issued detailed guidelines, notably Circular 10/2015/TT-NHNN and Circular 25/2018. Additionally, national strategies and decisions, such as the Sustainable Agriculture Strategy and Central Resolutions No. 15-NQ/TW and No. 24-NQ/TW, outline overall development goals for the sector. Notably, Resolution of the 5th Plenum of the 13th Party Central Committee (2020) proposed the sustainable development of agriculture, farmers, and rural areas through 2030–2045. Based on this foundation, the Government has issued specific directives regarding rural credit. For instance, Resolution No. 14/NQ-CP (March 5, 2014) assigned the State Bank to develop a pilot credit program prioritizing linked chains and high-tech agriculture. Resolution No. 30/NQ-CP (March 7, 2017) directed banks to allocate at least VND 100 trillion to high-tech and clean agriculture with preferential interest rates. Resolution No. 53/NQ-CP (July 17, 2019) further promoted safe, sustainable investment in agriculture. Prime Ministerial decisions such as Decision 540/QD-TTg (April 16, 2014) provided credit support for shrimp and pangasius farmers. The State Bank Governor and credit institutions implemented pilot lending programs aligned with these policies (e.g., Decisions 1050/QD-NHNN 2014, 813/QD-NHNN 2017) and issued Circular 39/2016/TT-NHNN on preferential short-term lending interest rates. Indirect fiscal and monetary policies, such as low-interest refinancing and preferential loans from credit funds, have also been maintained. In summary, the legal and policy framework for rural credit is built upon general laws (credit institutions, land), specialized decrees on agricultural credit, and strategic directives from the Party and Government.

Key Policy Achievements

- ***Expanded access to credit:*** Agricultural and rural credit outstanding has grown steadily, averaging ~16.3% annually during 2016–2023*, higher than the overall growth

* Statistics from the State Bank of Vietnam, 2024

rate (~15%). Preferential credit programs have expanded to cover non-collateralized borrowers and introduced more lending channels via cooperatives, people's credit funds, and mass organizations (e.g., Farmers' Union, Women's Union). For example, Agribank has implemented seasonal lending and credit book loans, while the Vietnam Bank for Social Policies (VBSP) works with local authorities to fund community-based credit groups. Financial institutions have also participated in rural consumer credit programs (e.g., loans for seeds, machinery). Some smallholder farmers have accessed capital through value chains and cooperatives. The State Bank of Vietnam reports that non-collateralized loans make up around 20–21% of total agricultural credit, still low but an improvement over previous levels.

- ***Improved legal framework for credit institutions:*** The amended Law on Credit Institutions (2017) and related regulations have strengthened institutional mechanisms, supporting the restructuring and early equitization of Agribank (2011–2017) and enhancing the capacity of VBSP and local credit funds. Clearly defined functions and incentives for VBSP have helped it grow its loan portfolio to over VND 4.8 quadrillion (~12.6% of national credit by May 2025). Legal provisions on land and agricultural asset collateral (Land Law in 2013) have been gradually improved, allowing the land use rights and equipment to be used as collateral. Legal frameworks for bad debt resolution (Law on Bad Debt Settlement in 2012) and loan restructuring (e.g., debt freezing/deferral by VBSP) have also been applied, enabling long-term financial flexibility.
- ***Credit guarantee mechanisms:*** Alongside lending policies, agricultural credit guarantee mechanisms have been gradually promoted. Local governments and the State Bank have encouraged the establishment of provincial Credit Guarantee Funds. Under the rural credit restructuring scheme (launched in March 2025), the State Bank proposes unsecured lending based on production capacity, credit history, and contract farming. New financial models such as the Agricultural Credit Guarantee Fund and "value chain" credit programs have also been piloted, enabling cooperatives and SMEs to obtain credit, e.g., unsecured loans based on VietGAP-certified supply contracts.
- ***Digital technology integration:*** From 2015 to 2025, the State Bank and commercial banks have pushed digital transformation in agricultural credit. The Governor issued an Action Plan for implementing the Green Finance Strategy 2021–2030 (Decision 1408/QD-NHNN, July 26, 2023), including tasks to "promote digital transformation" in lending. A national agricultural business and credit database is being developed. Some provinces now offer mobile app-based online lending. Many banks apply AI-based credit scoring for farmers, assessing creditworthiness via digital data. Mobile credit and telecom-based loan delivery are increasingly widespread.
- ***Green and environmentally friendly credit policies:*** Vietnam has incorporated green credit into its strategic goals and legal frameworks. The 2020 Law on Environmental Protection promotes green credit instruments and green bond issuance. The State Bank's Strategy (Decision 1408/QD-NHNN) outlines policies to align credit with green growth. Banks prioritize lending for organic agriculture, resource-efficient and clean processing, and offer preferential interest rates for environmentally friendly projects.

By 2024, green agricultural credit surpassed VND 1 quadrillion, accounting for over 27% of total credit in the economy†.

Limitations and Challenges

Despite progress, agricultural credit policy implementation still faces several significant obstacles:

- ***Low levels of unsecured lending:*** Though entrusted lending via mass organizations (e.g., Farmers' Union, Women's Union) has expanded, unsecured loans account for just ~20% of rural credit, mainly through policy channels like VBSP. Households and individuals without collateral still struggle to access commercial banks. Small cooperatives and agri-businesses also face financing challenges despite government encouragement.
- ***High appraisal and management costs:*** Agricultural loans tend to be small, numerous, and widely dispersed, making appraisal and credit monitoring costly compared to large corporate loans. Common collateral (e.g., untitled land, low-value farm assets) is considered risky. Agricultural inventories and working assets are hard to monitor or recover. Technical assistance for credit appraisal (e.g., crop standards, risk assessments) remains underdeveloped.
- ***Repayment difficulties and risk exposure:*** Agriculture is vulnerable to natural disasters and diseases, leading to defaults. Collateral disposal (e.g., land, farm structures) is hindered by land use regulations and site clearance issues. Many farmers still rely on government support and have a weak repayment culture. Coordination between banks and local authorities in debt collection is inconsistent.
- ***Limitations in entrusted lending channels:*** While effective, entrusted lending through mass organizations faces challenges. Members' production planning is fragmented, projects are small, and collective contract farming is lacking. Credit groups often fall short in supporting borrowers (e.g., unstable output markets, lack of input cost support). Technical advice for borrowers is not widely available.
- ***Complex policy system:*** Despite reforms, rural lending still involves cumbersome paperwork, impeding access. Emerging trends like organic, circular, and smart agriculture lack formal standards for credit implementation. Administrative boundary changes (e.g., commune mergers, upgrades to townships) have disrupted policy support for some projects.

In summary, the key constraints during 2015–2025 are limited long-term capital, high credit costs and risks, and incomplete legal tools (e.g., collateral regimes, agricultural insurance, credit guarantees).

Policy Recommendations

- Institutional reform and legal amendments: Review and revise existing legal documents to align with new trends. For instance, consider allowing the use of untitled agricultural land or undivided land parcels as collateral; expand provisions for movable asset collateral (e.g., farm machinery, inventories) in place of only fixed assets. Simplify rural

† Source: Department of Credit for Economic Sectors - State Bank of Vietnam, Workshop "Unblocking Green Credit Flow", Hanoi, 25.4.2025

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lending procedures by streamlining approvals and enhancing digital "one-stop" services. Develop a tailored legal framework for credit in new models such as modern agricultural cooperatives, organic farming, and smart agriculture. Additionally, promote long-term financing policies: e.g., preferential long-term refinancing for agri-lending banks, green and ODA bond issuance for agricultural investment.

- Strengthen the role of VBSP and microfinance institutions: Ensure sufficient resources for VBSP to double its loan portfolio by 2030 compared to 2020, in line with national targets. Recognize VBSP as the core channel for lending to the poor, near-poor, disabled, and ethnic minorities in rural areas. The State should incrementally increase VBSP's capital base. Meanwhile, expand microfinance institutions such as TYM, CEP, and M7 to serve low-income individuals and rural women with small loans. Establish mechanisms for technical support and oversight (e.g., staff training, standardized credit products) to enhance their effectiveness.
- Improve credit Guarantee and collateral mechanisms: Promote the widespread establishment of local credit guarantee funds, particularly to back agri-businesses and cooperatives. The government could set up a national agricultural guarantee fund with state budget allocations and concessional loans to support unsecured lending. Agricultural risk insurance (e.g., weather, disease) should also be expanded to protect both borrowers and lenders.
- Accelerate digital transformation in agricultural credit: Integrate national databases on land, enterprise mapping, crop yields, and treasury data with banking systems to facilitate loan appraisal. Expand access to online lending in rural areas (via web/mobile banking, e-wallets). Encourage the use of AI in agricultural credit assessment, including community-based creditworthiness scores evaluated by Farmers' Unions or commune authorities. Develop "core banking" models connected directly to cooperatives or lead firms in agricultural value chains to automate project-based lending.
- Promote green and sustainable credit: Introduce special incentives for green agricultural projects (e.g., organic farming, waste recycling, efficient water use). Consider issuing "green certificates" that qualify projects for preferential interest rates or refinancing. Develop green finance markets (e.g., green bonds, green funds) to mobilize environmentally friendly investment capital. Train banking personnel in agricultural green finance, and partner with international institutions (e.g., World Bank, ADB) to mobilize green funding. Commercial banks should commit to increasing the share of sustainable loans and submit periodic reports to the State Bank for supervision. The goal is to ensure that green credit in agriculture grows steadily and supports Vietnam's net-zero emissions target.
- Training, public awareness, and policy coordination: Strengthen rural credit policy communication to local authorities and communities. Guide farmers and cooperatives in preparing loan proposals and risk assessments. Ensure transparency in credit terms, interest rates, and fees when promoting agricultural loan products. Lending and disbursement procedures should be more flexible and empathetic to reduce delinquency and bad debt. Additionally, establish cross-sectoral regulations (banking, agriculture, finance, land) for coordinated asset and land management during debt recovery.

CONCLUSION

Credit plays a pivotal role in driving agricultural and rural development in Vietnam. From 2015 to 2025, credit policies have achieved notable progress but still face certain limitations. To realize the goal of a modern agriculture sector and sustainable rural development, credit policy must be comprehensive, flexible, and adaptive to the evolving economic and social environment.

Improving rural credit policy by 2030 will require continued institutional reform (e.g., revised banking and land laws, green credit regulations), streamlined legal updates (e.g., amending Decrees 55/2015 and 116/2018 to enhance incentives and simplify procedures), and enhanced roles for VBSP and microfinance institutions. A complete framework for credit guarantees, diversified collateral (including agricultural products and related assets), and digital banking innovation will help farmers access capital more easily. Integrating credit with technical and market support (e.g., contract farming, geographical indications, OCOP) can establish a sustainable value chain, ensuring funding reaches viable projects. If implemented in a synchronized manner, these solutions will accelerate the sustainable development of Vietnam's "three rural" strategy toward 2030.

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