

**ACCESS TO FORMAL CREDIT BY CINNAMON
HOUSEHOLDS IN VAN YEN DISTRICT, YEN BAI PROVINCE:
EVIDENCE FROM THE METHOD OF BAYESIAN MODEL
AVERAGE (BMA)**

**Do Xuan Luan, Bui Thanh Van,
Ha Quang Trung, Duong Hoai An, Do Minh Khang
Summary**

This study relies on primary data collected from face-to-face interviews with 319 cinnamon households in Van Yen district, Yen Bai province and a Logit model to examine households' credit demand and access constraints to formal credit. Results showed that 76.17% of the total surveyed households has a positive demand for formal credit, but only 48.27% actually accessed to formal credit. The amount of credit fulfilled 77.02% of the amount demanded by cinnamon households. Households which have demand for credit but can not access to formal credit faced access constraints such as lack of collateral, limited capacity of preparing feasible credit use plans, afraid of debt and afraid of complicated application procedures. The Bank of Agriculture and Rural Development mainly disbursed loans to wealthier households with collaterals. On the other hand, the Vietnam Bank for Social Policy normally offered subsidized credit to lower income households with the guarantee from local women's unions. Lack of valuable collateral assets remain a big constraint for cinnamon households to access formal credit. In addition, the households' dependence on cinnamon collectors via oral agreements has resulted in higher transaction costs and higher risk of cinnamon markets which have limited the supply of formal credit. Cinnamon households, which participated in cinnamon training courses and being membership in local women's unions are more likely to access to formal credit. The government should speed up the process of granting land use certificates or red books so that households can use them as collaterals to apply credit. In addition, the collaboration between banks, local unions in credit disbursement in line with organizing training courses are so crucial to improve the efficiency of credit use.

Keyword: Farm households, cinnamon, formal credit, Yen Bai.