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DETERMINANTS OF FINANCIAL DEMAND OF SMALL FARMERS IN AGRICULTURAL ACTIVITIES IN REMOTE AREAS OF VIETNAM: A CASE STUDY IN SENG CU RICE PRODUCTION IN LAO CAI PROVINCE

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The imperfect agricultural financing market is considered the main weakness of Vietnam agricultural production to pursuit efficiency and also causes to that small farmer have to access to various informal financing resources with high interest rate. The purpose of this paper is to determine several factors effecting on financial demands of small farmers, thus, suggests appropriate recommendations in resolving the above drawbacks. In this case, households will have maximum profitability because of better input and output management. Besides this, the formal financing suppliers able to create potential clients and reduce risk of borrowers’ repayment. A comparative study of 124 farmers in two districts of Lao Cai, a mountainous province in the Northern Vietnam, with differential demography, farming practice and agricultural investment level was conducted to answer those problems. The Ordinary Least Squares method was used to estimate the effects of all explanatory variables on financial demand of farmers. Regression analysis results confirmed that strongly influenced items are: (i) demography factors such as ethical group, the number of schooling year, (ii) household’s resources including labour working in agriculture, cultivated land, internal financing resource (from livestock sold and non-farm income) and (iii) the method of farming practice of farmers.

Keywords: Financial demand, Lao Cai, Seng Cu rice, upland rice production, farming practice.