

## Creating Enabling Environment for Micro-finance Sector Development in Vietnam: A Legal Framework Perspective

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**ABSTRACT** There is a long standing consensus in most developing countries that micro-finance is an important tool to reduce poverty. With the majority of people in developing countries such as Vietnam living in rural areas, the conventional wisdom is that micro-finance institutions can be utilized to direct resources to poor rural communities. It is argued that the poor lack access to financial resources and therefore, one crucial strategy for achieving pro-poor growth and poverty reduction goals is to increase the role of Micro-Finance Institutions (MFIs). However, developmental economists have long noted the complexity of MFIs providing effective rural credit delivery system without a vibrant legal framework that creates an enabling environment. Given that MFIs seek to reduce poverty in rural areas through providing sustainable micro-finance facilities, it is unfortunate that the important role played by a legal framework has largely been neglected by researchers. Using Vietnam as a case study, this research seeks to examine the legal framework governing the activities of MFIs in Vietnam, present the shortcomings of the legal framework and then suggest some legal framework reforms needed. The understanding is that, a reformed legal framework will facilitate a rapid development of MFIs in Vietnam and consequently alleviate rural poverty.