

Private Inter-household Transfers in Vietnam in the Early and Late 1990's

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Abstract

This chapter uses data from the 1992/93 and 1997/98 Vietnam Living Standards Surveys (VLSS) to describe patterns of money transfers between households. Rapid economic growth during the 1990's did little to diminish the importance of private transfers in Vietnam. Private transfers are large and widespread in both surveys, and they are much larger than public transfers are. Private transfers appear to function like means-tested public transfers, flowing from better off to worse off households and providing old-age support in retirement. Panel evidence suggests some hysteresis in private transfer patterns, but many households also changed from recipients to givers and vice versa between surveys. Changes in private transfers appear responsive to changes in household pre-transfer income, demographic changes and life-course events. Transfer inflows rise upon retirement and widowhood, for example, and are positively associated with increases in health expenditures. It also appears that private transfer inflows increased for households affected by Typhoon Linda, which devastated Vietnam's southernmost provinces in late 1997.

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I. Introduction

This chapter investigates patterns of private, inter-household income transfers using the 1992/93 and 1997/98 Vietnam Living Standards Surveys (VLSS). I explore several questions, such as: Do private transfers help equalize incomes? Has Vietnam's rapid economic growth during the 1990's diminished the importance of private transfers? What are the socioeconomic and demographic factors that appear most strongly associated with transfer behavior? How much private transfer income flows from adult children to their parents? How much flows from parents to children? How might gifts differ from informal loans?

There are several reasons why private income transfers between households are important, especially for a poor but rapidly growing country like Vietnam. Private transfers can perform the same functions that public transfers do in richer countries. For example, private old-age support can act like social security for many elderly households. Further, since the beginning of modern analyses of private transfer behavior economists have speculated that private and public transfers can interact. Most notably, Gary Becker (1974) and Robert Barro (1974) argued that expansions of public transfers could conceivably "crowd out" existing private transfers in such a way as to leave the distribution of living standards unchanged.

But the specter of "crowding out" is not the only reason to be interested in private transfer behavior. Private transfers have been found to act like credit markets in helping households overcome borrowing constraints (e.g., Cox (1990)), and they can assist households in dealing with risk (e.g., Cox and Jimenez (1998), Morduch (1995), Townsend (1994)). Further, they can help finance human capital investment by providing support to younger workers who have recently left home. Private income transfers could represent one side of a transaction in which in-kind help is exchanged between households (e.g., Cox (1987)).

The descriptive work below does not settle any of the deeper issues connected with crowding out or motivations for private transfers. Instead it is a first step toward understanding the basics of private transfer behavior in Vietnam. For example, in order for the problem of crowding out to have any policy relevance, private transfers need to be widespread and large

enough to be supplanted by public transfers. Obviously, if there are few private transfers to begin with, there is little to be crowded out by expansion of public safety nets. I find that private transfers are indeed common and substantial in Vietnam, especially as a means of support for the elderly.

Further, much of the analysis in this chapter makes use of the panel aspect of the VLSS. Despite the value of panel data for studying private transfer behavior, few true panel studies exist.¹ I explore the relationship between changes in private transfers and changes in household socioeconomic and demographic variables and find that private transfers appear responsive to changes in earning potential and life events such as retirement or widowhood.

My analysis is limited by the data in two ways. First, though private transfers can take many forms, such as time spent helping someone or the provision of moral support and companionship, I focus only on money transfers. The only in-kind transfers that I examine are the money value of in-kind gifts, which I include along with monetary gifts. Second, though many transfers occur within rather than between households, almost all of my analysis is concerned with the latter.

In addition, I work mainly with a narrower definition of private transfers than the one used in earlier, related work using just the 1992/93 VLSS (Cox, Fetzner and Jimenez (1998)). There are two reasons for doing this. First, I focus on transfer measures that contain information about the sources of transfers received and the destinations of transfers given, in order to analyze the directions of transfers according to generation. Second, I concentrate on transfers that are measured consistently between the 1992/93 and 1997/98 surveys in creating a panel for private transfers.

There is a further, methodological, limitation of this study. I limited my analyses to simple cross-tabulations because I want to provide an overview of the data that is wide-ranging and

¹ The most well-known panel study for the United States, Altonji, Hayashi and Kotlikoff (1997), really only uses a cross-section of private transfer information. Kathleen McGarry (2000) uses panel data on private transfers to test for parental altruism in the United States. Aside from Rosenzweig's (1988) study of private transfers in India, there are few other panel studies of private transfers for developing countries.

simple, rather than narrow and nuanced. I hope this descriptive work stimulates interest in testing some of the more complex policy and behavioral issues such as crowding out.

Despite the simple methods, this chapter reaches several firm conclusions about private transfers:

- Rapid economic growth has not diminished the importance of private transfers in Vietnam
- Private transfers are the main means of income redistribution in Vietnam and they are more than twice the size of public transfers
- Private transfers flow mostly from adult children to their parents, rather than the other way around
- Those who give transfers are in better economic shape than those who receive them
- Inflows of private transfers increase with the retirement of the household head
- Hardly any gifts are given to non-relatives, but half of all loans are given to non-relatives
- Receiving private transfers in 1992/93 increases the chances of receiving them 1997/98, but a non-trivial number of households changed from givers to recipients, or vice-versa, between surveys
- Most private transfers flow between households sharing the same locale, but many transfers cross regional boundaries and a significant fraction of transfer income is received from foreign sources
- Victims of typhoon Linda, a devastating storm that hit Vietnam's southernmost provinces just before the 1997/98 survey, appeared to receive increased private transfers as a consequence.

Before getting to the details of these and other results, I first provide some background to help put the results in perspective.

II. Background

Vietnam experienced extraordinary economic growth in the 1990's, with living standards a full two-thirds higher at the decade's end than at its beginning. Vietnam is still a poor, agrarian country, but it has become a lot less of each in recent years. Headcount poverty plunged from 58 to 37 percent in just 5 years—from 1992/93 to 1997/98—thanks to its

broadly based growth (Glewwe, Gragnolati and Zaman, 2000). Agriculture accounted for just 25 percent of GDP at the end of the decade, compared to over 40 percent at the beginning of the decade. Despite agriculture's dwindling share of GDP, farm productivity growth has been impressive. Increased rice yields have made Vietnam the world's second leading rice exporter.

Vietnam's growth is due to two things. The first is a series of reform policies (Doi Moi) allowing free enterprise in farming, foreign direct investment and elimination of price controls and trade barriers. The second, related to the first, is the start of a transition from agriculture to manufacturing.

Despite recent, dramatic progress, Vietnam still has a severe poverty problem, which its public safety nets are ill equipped to handle (van de Walle, *this volume*, 2001). An alternative to public safety nets is the system of informal, private safety nets in the form of inter-household transfers. Earlier, two co-authors and I (Cox, Fetzer and Jimenez (1998)) explored the extent, magnitude and patterns for these transfers in Vietnam using the first Vietnam Living Standards Survey (VLSS), which conducted in 1992/93. We found that private transfers were large, widespread, and frequently followed patterns similar to means-tested public transfers, in that they appeared to flow from better off to worse off households. We concluded our study by noting that private transfers could be affected by Vietnam's economic liberalization in ways that were difficult to predict. Our paper provided only a "snapshot" of private transfers because it was based on a single cross-section.

This paper extends that work by adding information from the second VLSS, conducted in 1997/98. These two waves make it possible to track Vietnam's private transfers during a time of rapid economic growth, and to examine how they are related to changes in household incomes and life events. Another extension of earlier work is to focus separately on familial giving versus lending; the earlier 1998 paper focused mostly on aggregated transfers.

Conventional wisdom suggests that economic growth would weaken a household's ties with extended kin living elsewhere and would contribute to the ascendancy of the nuclear family.² It also suggests that growth would alter the direction of private transfers, with less going from children to parents and more going from parents to children.

It is important to know what growth did to Vietnam's inter-household transfers. If, for example, extended familial networks do indeed begin to fall apart, growth might worsen income uncertainty and inequality. Further, the change in the direction of transfers, or so-called "demographic transition" could threaten to leave a generation of elderly deprived of familial support. Conversely, failure to attain demographic transition could leave younger persons short of the funds needed for acquiring human capital.

Rapid economic growth in the region is, of course, not unprecedented; its impact on family networks in other countries has not gone unnoticed. Most notably, Lee, Parish and Willis (1994) found that the Taiwan's rapid economic growth did little to diminish children's support for their parents. Like Taiwan, Vietnam has a Confucian heritage that emphasizes filial loyalty to parents. And like Taiwan, Vietnam's patterns of intergenerational support have changed little in the face of rapid economic growth, as will be shown below.

III. Patterns in Private Transfers

A. Cross-sectional patterns, 1992/93 VLSS

The 1992/93 VLSS was a nationwide household survey of 4800 households. The VLSS is part of the World Bank's Living Standards Measurement Study (LSMS), which collects information about household living standards for several developing countries. The VLSS gathered data about the education, health and employment of household members, for example, and about household

² For an early discussion of this view, for example, see Sussman (1953).

composition, income and expenditures. It also collected information about the household's community and commodity prices.³

The VLSS measured private transfers in the form of money and goods transferred between households. Questions about transfer inflows were asked in the module for non-labor income, where the head of the household was asked:

“During the past 12 months, has any member of your household received money or goods from persons who are not members of your household? For example, assistance sent by relatives working elsewhere, or by children of household members, by friends and neighbors?”

The head was then asked to provide the names of those who sent transfers and their relationship to the person in the household that received them (e.g., father, daughter). The head was also asked to place a value on in-kind transfers received.

Transfer outflows were determined in the module for household expenses. The question for outflows mirrors that of inflows. The head was asked:

“During the past 12 months has any member of your household provided money or goods to persons who are not members of your household? For example, children or relatives living elsewhere, or to other persons.”

Paralleling what was asked about inflows, the head identified the person who sent each transfer and that person's relationship to the recipient. These transfers do not include remittances from someone temporarily away from home since that person is still considered a household member and the question is concerned only with transfers between households. I define a household as a “recipient” if there is an affirmative answer to the question about transfer inflows, and a “giver” if there is an affirmative answer about outflows.

About a third of the households in the 1992/93 survey were involved with private transfers—as defined above—either as givers, recipients, or both (Table 1).⁴

³ The 1992/93 data set that I work with below has 4778 observations, instead of the original 4800, because I eliminated 19 households with missing information about total household income and another 3 for which the head of the household was absent and it was impossible to determine who could be designated as the head *pro tempore*.

⁴ There are three other kinds of private transfers that are not counted in the survey questions above but available in the VLSS: inter-household loans, gifts related to ceremonies such as weddings or funerals, and inheritances. Here, I focus first on this narrower definition for two reasons: I wish to use measures that are consistent across the two VLSS surveys and I require measures containing information about generational

 Table 1--Households Involved in Private Transfers, 1992/93

	Number	Percent
(1) Households involved in private transfers	1567	32.8
Households who only gave transfers	597	12.5
Households who only received transfers	780	16.3
Households who both gave and received	190	4.0
(2) Households who neither gave nor received	3211	67.2
Total (1) + (2)	4778	100.0

For the whole sample, including those who did not receive anything, transfer receipts accounted for 8 percent of total household income (Table 2). For just the sample of recipients, they accounted for nearly a third of income. Public transfers are just as widespread as private ones are, but they are smaller, averaging less than 3 percent of income for the whole sample (Table 2).

 Table 2--Transfers and Total Income, 1992/93

	Private	Public
Transfers as a percentage of total income		
All households	7.9	2.3
Recipient households	32.0	11.7
Number of recipient households	970	1014
Percentage of recipient households with pre-transfer income in lowest quintile	25.0	21.8

How do private and public transfers compare in their ability to reach the very poorest households? First, consider the distribution of income before public or private transfers (that is,

directions of transfers. Loan information is incomplete in the 1992/93 VLSS, which has the flow of loans received but not loans given. This problem is remedied in the 1997/98 VLSS, so I defer my discussion of loans until later in this chapter. Further, the modules containing other forms of transfers (e.g., ceremonial gifts) do not provide the sources of gifts received or destinations of gifts given. Since I am concerned with the generational directions of transfers, and want a consistent definition of transfers over time for the panel analysis, I for now adopt a more restrictive definition of transfers, and defer discussion of additional kinds to transfers to a later part of this chapter. Applying the more inclusive definition of transfers, analyzed in Cox, Fetzer and Jimenez (1998), results in a much higher proportion of households involved in private

“pre-transfer” income) and focus on the 20th percentile. Twenty-five percent of private-transfer recipients had pre-transfer incomes that fell short of the 20th percentile, compared to 22 percent of public transfers. So at least by this crude measure, private transfers appear marginally better targeted to the poor.⁵

How do households giving private transfers differ from those receiving them? Table 3 contrasts the economic situation of givers, recipients, and those doing neither. Because some both gave and received, I look at net transfers—the excess of receipts over gifts and *vice versa*.

Table 3--Household Economic Situation by Transfer Status, 1992/93

	Net Givers	Net Recipients	Others
Pre-private-transfer income	1728	1147	1171
Post-private-transfer income	1633	1689	1171
Fraction of hh economically active	57.8	50.5	55
Percentage with unemployed members	7.1	8.7	5.0
Percentage with educated hh head	43.1	40.6	35.6
Number of households	646	913	3219

Givers are in better economic shape than recipients are. Consider household income before private transfers, or “pre-private-transfer” income. For recipients, this is income minus net transfers; for givers, income plus net transfers. (Incomes are measured on an annual, per-capita basis, and are expressed in thousands of dong per year (TDY).) Average pre-private-transfer income of givers far exceeds that of recipients—1728 TDY versus only 1147. At 1171 TDY, the income of those neither giving nor receiving (“others”) is in-between these values but closer to that of recipients. Private transfers narrow the disparity between giver and recipient income, reducing

transfers, though the patterns of these more inclusive transfers are similar to the narrower definition considered here. I discuss these more inclusive transfers briefly in a later section.

⁵ This result could have to do with the way public transfers are measured in Round 1—similar calculations below for Round 2, which has a better measure of public transfers, indicates little difference in how private and public transfers are targeted to the poor.

the average income of givers to 1633 TDY and raising that of recipients to 1689 TDY. Note too that the post-transfer income of recipients exceeds that of the two other groups.⁶

Givers are better off than recipients in other ways besides pre-private transfer income. They have a larger proportion of economically active people in the household and experience a bit less unemployment. They are also better educated; relatively more giver households are headed by someone with at least a lower-secondary education.

The figures in Table 3 do not prove that private transfers flow from richer to poorer households. Proof would require a data set with matched donors and recipients. The VLSS records only one side of the transaction. For all we know, recipients could have gotten their transfers from households even poorer than they. But the VLSS is a random sample of households, so the *difference in the means* of giver and recipient incomes is an unbiased estimate of the *mean difference* of giver and recipient incomes.⁷

Givers and recipients have different demographic characteristics as well (Table 4). Recipient households are more likely to be headed by an older person or a woman, and giver households are less likely to be headed by a younger person.

Inter-household transfers and migration obviously have a lot to do with one another. An adult child making an inter-household transfer to parents must have already left home. But what about a son or daughter who takes a distant but temporary job and remits to parents? The VLSS downplays these because it treats temporary migrants as members of the household. This is probably why having a person temporarily absent from the household matters so little for

⁶The reason for this apparent anomaly, where outflows and inflows of transfers do not balance, is because of transfers received from outside of Vietnam, something that I turn to later on in this chapter.

⁷ Further, a simple t-statistic for testing the difference in means would be biased downward, for it would not take into account the (presumed) positive covariance between donor and recipient incomes. This simple t-value (8.07) rejects the null hypothesis of equality of means at any popular level, which strongly suggests that private transfers do indeed on average flow from higher to lower-income households. Note also that the difference in means just measures differences between domestic givers and recipients. Taking into account the incomes of givers from abroad would likely strengthen this result.

transfers.⁸ Net recipients have only slightly higher percentage of absent members than the other households (Table 4).

Table 4--Household Demographics by Transfer Status, 1992/93

	Net Givers	Net Recipients	Others
Percentage headed by young	7.9	11.1	11.8
Percentage headed by elderly	13.2	26.1	15.1
Percentage headed by female	20.9	35.9	21.5
Percentage with absent members	10.6	12.6	10.2
Household size	5.8	5.4	5.9
Number of households	646	913	3219

Table 4 shows that the elderly (defined as age 60 and over) are over-represented among transfer recipients; but the young (defined as age 30 and under) are not. These figures suggest that transfers tend to flow from young to old, and more detailed calculations reinforce this result. Givers were asked who the recipient was (e.g., his or her father, sister, son, father-in-law, etc.). Likewise, recipients were asked who the donor was. I classified transfers by generational direction, using information about both transfers received and transfers given. For instance, I added transfers given to older people with transfers received from younger people to get total transfers from young to old. Transfers from old to young, sibling to sibling, and so forth are computed the same way.⁹ Figure 1 displays this breakdown of private transfers.

Figure 1 illustrates the importance of private old-age support. The value of transfers from young to old are more than twice as large as those from old to young (41 percent opposed to 17 percent). This is exactly the opposite of what is observed in developed countries. (In the United

⁸ A temporarily absent household member is defined as follows: (1) the person is considered by the survey respondent to be a household member, and (2) the person is reported to have been away from the household for 3 or more months out of the previous 12 months.

⁹ I could have just as easily concentrated only on either transfers received or transfers given alone to calculate generational directions. By aggregating information from both sides of the transaction I am not double counting, but instead am averaging over the two sources of transfer information, gifts and receipts.

States, for example, financial transfers young to old are rare; most transfers go in the opposite direction.) Another striking thing about Figure 1 is the importance of transfers between siblings, which account for 29 percent of transfer flows.

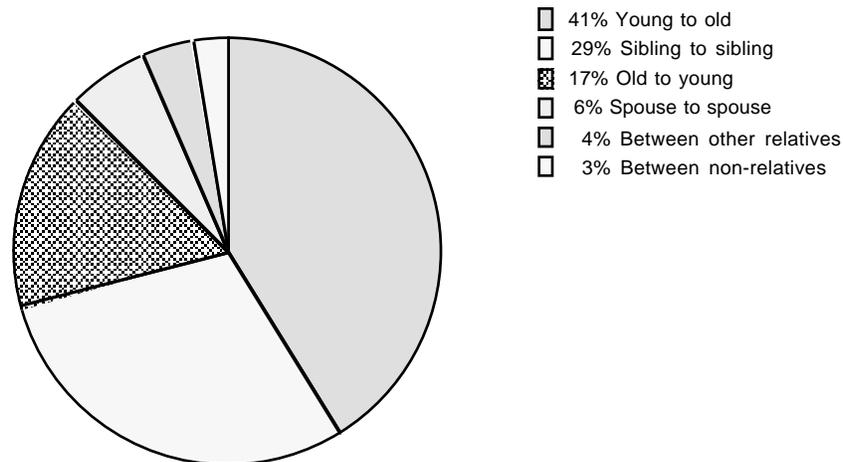


Figure 1. Generational Directions of Private Transfers, 1992/93

Most of what I call “young-to-old” transfers are transfers from children to their parents or parents-in-law, and nearly all of what I call “old-to-young” transfers are transfers from parents to their children or children-in-law.¹⁰

Loans, 1992/93.

In addition to gifts, the 1992/93 VLSS contains information on inter-household borrowing—but little about lending. This discrepancy was fixed in the 1997/98 VLSS, so I put off detailed discussion of loans until the next section. But the earlier survey’s reasonably detailed information about borrowing is nonetheless useful, for it shows that loans were widespread in 1992/93. Including loans in the definition of transfers received would almost double the percentage of recipient households, from 23 to 43 percent. And adding loans to gifts in the

¹⁰ These percentages, 92 and 98 percent respectively, are based on calculations from the VLSS. The remaining 8 percent of transfers from young to old were given to grandparents, and the remaining 2 percent of transfers from old to young were given to grandchildren, nieces and nephews.

definition of transfers nearly doubles the percentage of private transfers in total income from 8 to 15 percent. I explore these issues further in the next section, which analyzes the 1997/98 VLSS's more comprehensive data on loans.

B. Cross-sectional patterns, 1997/98 VLSS

One of the reasons for conducting 1997/98 VLSS was to create a panel by re-interviewing the 1992/93 VLSS households. But before analyzing the panel, I explore two simpler issues, using just the 1997/98 cross-section of the VLSS. The first issue concerns the stability of the cross-sectional private transfer patterns over time. They are indeed quite stable; the patterns found in 1992/93 are mostly repeated in 1997/98. The second issue concerns changes in the 1997/98 survey. Households were asked more detailed questions about inter-household loans and public transfers, and they were asked what their gifts and loans spent on (e.g., to finance a consumer durable, buy food, etc.).

The 1997/98 VLSS is larger than the 1992/93 VLSS; 1200 new households were added in order to facilitate disaggregated analyses. The new households are not a self-weighted sample; urban areas and certain regions were over-sampled.¹¹ So I use the survey weights in the tables below.

A comparison of the two cross sections shows that Vietnam's economic growth has not reduced its private transfer activity; transfers were just as large and widespread in 1997/98 as they were in 1992/93. Table 5 classifies households according to their involvement with private transfers in 1997/98. The first two columns of Table 5 replicate Table 1 does for the 1992/93 households. I find that the percentage of households participating in private transfers (as givers, recipients, or both) is slightly higher in 1997/98 than in 1992/93—39 percent versus 35 percent.

The next two columns in Table 5 are based on an expanded definition of private transfers, which includes inter-household borrowing and lending. (This was not possible to do for the

¹¹ In addition to urban households, rural households in the Central Coast, Central Highlands and Southeast were over-sampled.

1992/93 VLSS, which had only limited information about household lending.) Expanding the definition of transfers to include loans raises the percentage of households involved with transfers

Table 5--Households Involved in Private Transfers, 1997/98
A Comparison of Gifts and Gifts plus Loans

	Gifts		Gifts plus Loans	
	N	%	N	%
(1) Hh's involved in priv. t-fers	2208	37.2	3112	52.4
Hh's who only gave	830	14.0	895	15.1
Hh's who only received	1091	18.4	1677	28.2
Hh's who did both	287	4.8	540	9.1
(2) Hh's who neither gave nor rec'd	3732	62.8	2828	47.6
Total (1) + (2)	5940	100.0	5940	100.0

to 52 percent from the 37 percent based on just gifts (first row, Table 5). The loans are large. Adding them to gifts raises the proportion of private transfers in total income to 12 percent from the 7 percent figure based on gifts (Table 6, second and fourth columns).

Public transfers were under-counted in the 1992/93 survey because social subsidies were not specified clearly. The 1997/98 survey gathered more detail about social subsidies and added questions about government poverty alleviation and NGO assistance. Despite these changes

Table 6--Transfers and Total Income, 1997/98

	Private (Gifts)	Private (Gifts & Loans)	Public
Transfers as a pct. of total income			
All households	6.8	12.2	3.1
Recipient households	25.3	32.7	17.6
Number of recipient households	1379	2217	1178
Pct. of recipient households with pre-transfer income in lowest quintile	24.9	22.0	25.9

public transfers are still only 3 percent of total income, a good deal less than that of private transfers, regardless of how the latter are defined (Table 6).¹²

The 1992/93 survey results suggested that private transfers were slightly better targeted than public transfers were. Table 6 overturns that conclusion. Among the households receiving public transfers, 26 percent were from the lowest income quintile (where “income” is measured before private or public transfers). The equivalent figure for households receiving private transfers is either 25 or 22 percent, depending on whether loans are counted as part of private transfers. So it appears that, at least by the crude measures in Table 6, public transfers are slightly better than private ones in reaching the poorest households.

 Table 7--Household Economic Situation by Transfer Status, 1997/98 VLSS
 Two Different Criteria for Transfer Status are Used:
 Gifts Only versus Gifts Plus Loans

	Net Givers	Net Recipients	Others
Pre-private-transfer income			
Gifts Only	4677	2925	2634
Gifts Plus Loans	4937	2824	2622
Post-private-transfer income			
Gifts Only	4231	4035	2634
Gifts Plus Loans	4213	3940	2622
Fraction of hh economically active			
Gifts Only	57.9	49.4	55.9
Gifts Plus Loans	57.9	51.5	56.0
Percentage with unemployed members			
Gifts Only	2.1	5.3	3.2
Gifts Plus Loans	2.2	4.5	3.2
Percentage with educated hh head			
Gifts Only	54.4	44.8	37.1
Gifts Plus Loans	55.1	41.9	36.0
Number of households			
Gifts Only	906	1292	3742
Gifts Plus Loans	1054	2041	2844

¹² See the chapter by Dominique van de Walle for a comprehensive analysis of Vietnam’s public safety net. Her measure of public transfers includes a few more categories than mine, such as educational scholarships, but these are miniscule compared to the largest public transfer, the social insurance fund. So the value of aggregate public transfers that I use above is nearly identical to the one that she uses.

As with the 1992/93 VLSS, private transfers in the 1997/98 VLSS appear to flow from better off to worse-off households. Table 7 contrasts the economic characteristics of net givers and net recipients. The entries in Table 7 marked “Gifts Only,” replicate for the 1997/98 VLSS what was done in Table 3 for the 1992/93 VLSS. As for 1992/93, the 1997/98 pre-private-transfer income of net givers greatly exceeds that of recipients, with incomes of “others,” those not involved with gifts, in-between these two. What is new about Table 7 is that it repeats the analysis with transfers defined as loans plus gifts. Table 7 shows that, regardless of how private transfers are defined, givers are in better economic shape than recipients are.

 Table 8--Household Demographics by Transfer Status, 1997/98
 Two Different Criteria for Transfer Status are Used:
 Gifts Only versus Gifts Plus Loans

	Net Givers	Net Recipients	Others
Percentage headed by young			
Gifts Only	3.2	4.3	6.5
Gifts Plus Loans	4.4	5.6	5.8
Percentage headed by elderly			
Gifts Only	12.2	30.2	16.0
Gifts Plus Loans	12.5	23.6	17.0
Percentage headed by female			
Gifts Only	22.1	33.4	21.5
Gifts Plus Loans	20.6	29.8	21.5
Percentage with absent members			
Gifts Only	12.6	10.8	9.4
Gifts Plus Loans	11.8	10.9	9.1
Household size			
Gifts Only	5.3	5.0	5.6
Gifts Plus Loans	5.2	5.2	5.7
Number of households			
Gifts Only	906	1292	3742
Gifts Plus Loans	1054	2041	2844

The inclusion of loans does not matter for demographic patterns either, which are contrasted for givers, recipients, and “others” in Table 8. The patterns are similar whether or not

loans are counted. And the patterns for gifts in Table 8 are similar to their 1992/93 counterparts in Table 4.

Sources of Loans versus Gifts, 1997/98.

Though the inclusion of loans with gifts matters little for contrasting the characteristics of givers and recipients, the two forms of transfer do differ markedly in one respect. Gifts flow almost exclusively between relatives, but loans do not. Half of all loan money flows between non-related people, described by survey respondents as “friends” or “neighbors.” These informal loans comprised one-third of total lending. The remaining two-thirds came from formal or quasi-formal sources such as banks, government credit programs, cooperatives, revolving credit associations or money lenders, and these are not counted as inter-household loans.¹³

People who borrowed from other households reported their relationship to the creditor (e.g., parent, child, friend); those who lent money reported their relationship to the borrower. Half of the value of these informal loans occurs among non-relatives (Figure 2). The equivalent figure for gifts is a mere 2 percent (Figure 3).

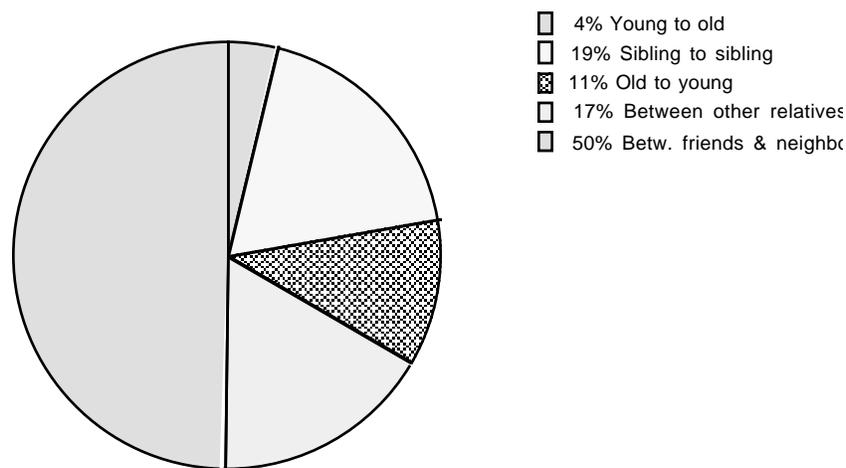


Figure 2. Flows of Informal Lending, 1997/98

Another innovation in the 1997/98 survey was the inclusion of questions about how gifts were used—whether for general consumption or for some investment-related purpose, such as schooling, investments in a farm or family business, or payment toward a house. A similar question was asked about borrowing, though the choices were different. One of these, to “buy food before harvest” clearly designated consumption, so I lumped it with “general consumption” to classify consumption loans. Several other choices, such as “working capital,” “basic investment,” “build or buy house,” and “schooling” clearly represented investment and I classified them as such. I also classified the response “buy consumer durables” as investment.¹⁴ Still others, for example, to “repay a loan” or to “re-lend” were harder to classify, so I ignored them in constructing the breakdown of loans by purpose.

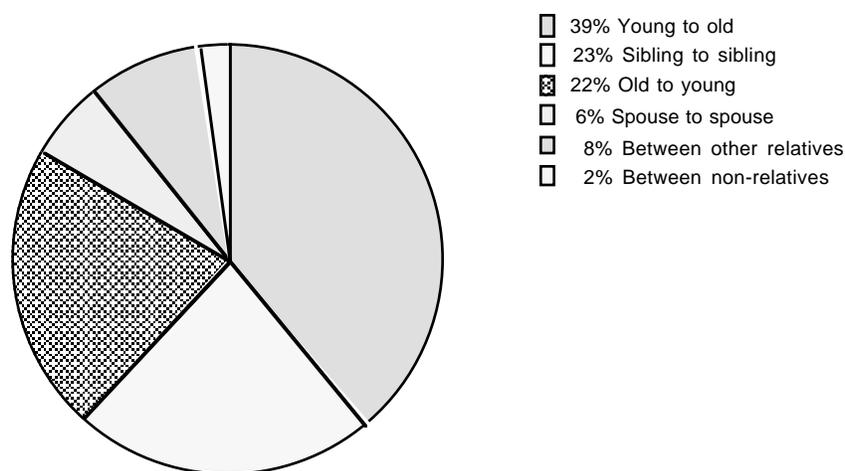


Figure 3. Generational Directions of Private Transfers, 1997/98

¹³ Labeling a source of credit “informal” is arbitrary to some extent. I defined informality conservatively, by including just relatives, friends and neighbors. Obviously credit cooperatives, moneylenders and the like could be counted as informal sources as well.

¹⁴ Sometimes purchases of durables are treated as consumption (e.g., the United States National Income and Product Accounts,) and sometimes as investment (the United States Flow of Funds Accounts). The latter is closer to the economic concept of investment—the act of paying now and enjoying later—as in buying a radio or bicycle that generates services over many years.

Gifts and loans are used differently. Nearly three-quarters of gifts—but less than one-tenth of loans—are spent for consumption (Table 9). Some might argue that the distinction between gifts and loans is little more than semantics—a gift, for example, could be reciprocated, or a loan made below market interest. But the evidence above suggests there is more to the difference between loans and gifts than just labeling. They are used for different things and flow between different pairs of households.

Table 9--Uses of Gifts versus Loans, 1997/98

	Gifts	Loans
Consumption	71.6	9.3
Investment	28.4	90.7
Total	100.0	100.0

Intra-household Transfers and Co-residence.

The ideal study would track transfers between everyone, not just people from different households. But it would require elaborate measurements dealing with individual consumption and contributions to incomes of family farms and businesses that are beyond the scope of the VLSS. Nonetheless, it is possible to learn something about intra-household transfers from the data. After all, the fact that a household contains persons who are not doing market work is *prima facie* evidence that *some* sort of transfer is occurring within the household. I can calculate rough estimates of the intra-household transfers conditional on simplifying assumptions. The purpose is not to pinpoint exact intra-household transfers, which is not possible. Instead it is merely to demonstrate that intra-household transfers can, under plausible assumptions, far exceed inter-household transfers. The calculations are based on 1992/93 data, but using 1997/98 data would not alter the conclusions.

Imagine that total household income is divided for equal consumption among those doing market work and other persons. A “market worker” is someone reported to be economically active as a wage worker or participant in the family farm or business. Since most income (about five-

sixths on average) comes from work, market workers implicitly transfer money to persons not engaged in market work. Assume for simplicity that all consumption is private so there are no complications from non-excludability or economies of scale. Finally, count children aged 0 to 4 as 0.4 of an adult and children 5 to 14 as 0.5 of an adult.¹⁵

These assumptions imply an average intra-household transfer of 187 TDY. Most of it, 102 TDY, goes to children 14 or under, but that still leaves a substantial 85 TDY being transferred between adults. These crude calculations show that *intra*-household transfers are potentially much larger than *inter*-household transfers. Even just counting transfers to adults, this crude estimate of intra-household transfers is about double that of inter-household transfers.¹⁶

Another, and in some ways complementary, intra-household transfer is the value of shared living arrangements for parents. These are difficult to measure in the VLSS because it is hard to identify the persons responsible for making mortgage or rent payments. But the proportion of households headed by adult children living with non-working parents, in-laws, or grandparents gives a rough idea of how widespread these shared living arrangements might be—and 8 percent of the households in the 1992/93 VLSS fit this description.

Still another form of transfer that occurs within the household is the exchange of time-intensive, in-kind services between household members. The VLSS contains information about time each individual spends in housework: preparing meals, washing clothes, working around the house, cleaning house, and the like. With some assumptions about how such services are produced and shared, we can get an idea of how large these implicit, time-intensive intra-household transfers are. For example, suppose such services are excludable, and suppose too that the same equivalence scales apply to consumption of these services as apply to other forms of consumption. Assume also that adults are more efficient at producing services than children are, and, for convenience, assume that these productivity differentials are the same as the consumption equivalence scales. Finally, suppose, again for simplicity, that there are no economies of scale in

¹⁵ See Deaton (1997), page 259 for a discussion of these equivalence scales.

household production. (To illustrate, if a grandmother spends two hours cooking for herself and three other adults, those other adults each receive one half hour of in-kind time transfers from her.) Applying this method to the 1992/93 VLSS, using the information about housework, generates an average of 14 hours of time transfers per household per week. If this time is exchanged for the consumption provided by household members who work, then net intra-household transfers would be much lower than the figures cited above.

Discussions of intra-household transfers are necessarily speculative because they are based on assumptions about unobservables such as household sharing rules. They are intended only to illustrate the potential for intra-household transfers to exceed inter-household transfers. A full accounting of transfers between all individuals would be a daunting task that is beyond the scope of this chapter.

C. Panel Evidence

Cross sections leave several questions unanswered. They provide only a snapshot of private-transfer patterns and reveal nothing about a household's experience over time. Does receiving transfers now make it more likely that they will be received later? Does transfer behavior respond to changes in the household's socioeconomic status? A panel is needed to address questions like these.

Using the panel, I find that transfers are indeed responsive to changes in socioeconomic status. For example, households headed by someone who retired between surveys tend to receive increases in private transfers, as do those whose health expenditures increased. The following sections provide more detail about these and other patterns.

Income changes.

A leading issue in the literature on private transfers is how responsive they are to changes in household income. Indeed, such responsiveness is the key to the problem of "crowding out," in which, for example, the introduction of public transfers would tend to supplant private ones.

¹⁶ The disparity between intra- and inter-household transfers in Vietnam appears a good deal smaller, though, than the one reported for rural Pakistan by Kochar (2000), who finds that the predominant form of transfer

Income responsiveness is critical too for determining whether private transfers insure households against income shortfalls or redistribute income to the less fortunate.

Most empirical evidence on the income effects of private transfers is based on cross sections. But cross-sectional evidence is of limited use for measuring the responsiveness of transfers to income, because contrasting transfer receipts for high- versus low-income households is not the same thing as looking at changes in transfers for the same household who was once rich but is now poor.

Settling the issue of crowding out is beyond the scope of this simple descriptive analysis. Still, the descriptions that follow are illuminating in several respects. They show, for example, that there is enormous heterogeneity in private transfer responses. Events like retirement seem to matter a lot for transfer changes, while others, such as marriage of a son or daughter, do not appear to matter much at all.

I first explore how transfer status changes between surveys. Ninety percent of the households in the 1992/93 survey were re-interviewed in 1997/98. Most of those not re-interviewed had moved; many others were dropped deliberately. Only a handful were refusals.¹⁷ Eliminating the few others with missing information leaves a panel of 4,269 households.

How many of the households who were recipients in 1992/93 changed into givers by 1997/98? How many remained recipients? Table 10 provides answers to questions like these. Many households changed transfer status between surveys. Nonetheless the data do indicate some inertia in transfer status. For example, only 11 percent of the net recipients in the 1992/93 survey became net givers in 1997/98, which is less than the unconditional 1997/98 figure of 15 percent (Table 10). Nearly half of net recipients in 1992/93 remained so in 1997/98, even though the unconditional 1997/98 figure is less than one-fourth. Households who did not change their transfer status between surveys, and thus are located on the diagonal of Table 10, represent 59 percent of the sample.

from young to old occurs in the form of co-residence rather than cash transfers between households.

¹⁷ For more detail on panel attrition, see the Appendix.

Table 10. Transitions in transfers between 1992/93 and 1997/98

Transfer status, 1992/93	Transfer status, 1997/98			Total
	Net giver	Other	Net recip	
Net giver	155 27.2	317 55.5	99 17.3	571 100.0
Other	391 13.9	1933 68.9	480 17.1	2804 100.0
Net recipient	98 11.0	372 41.6	424 47.4	894 100.0
Total	644 15.1	2622 61.4	1003 23.5	4269 100.0

What variables are correlated with changes in transfers? One way to address this question is to look at changes in some of the variables I examined in the cross-sections to see how they are related to changes in transfers. For example, we can compare changes in transfers for households who experienced shortfalls versus windfalls in pre-private-transfer income. These calculations are provided in Table 11.

The first two rows of Table 11 split the sample by whether household income rose or fell between surveys. Income is measured before private transfers.¹⁸ It is also measured on a per-capita basis, as are transfers.¹⁹ Both income and transfers are adjusted for inflation. For each survey, transfers are calculated as receipts minus gifts, or “net transfer inflows.” These inflows are positive or negative depending on whether receipts or gifts are larger. Changes in private transfers are

$$\Delta T = (\text{Receipts in 1997/98 survey} - \text{Gifts in 1997/98 survey}) - (\text{Receipts in 1992/93 survey} - \text{Gifts in 1992/93 survey}),$$

which is the difference in net transfer inflows between survey years.

¹⁸ Pre-private transfer income is defined as income from all sources except private transfers received. A further possible adjustment, which I did not make, would be to add private transfers given to pre-private-transfer income. It is not clear whether this is the proper pre-transfer income measure, however, because gifts might be financed out of household wealth rather than income.

Pre-private-transfer income and net inflows of private transfers tend to move in opposite directions. Households with income shortfalls are more likely to experience increased transfer inflows. For example, 32.5 percent of households whose pre-private-transfer income fell had increases in net transfer inflows between surveys, compared to 25.8 percent for households whose pre-private-transfer income rose. Households who had particularly severe shortfalls in pre-private-transfer income—decreases of 50 percent or more—were even more likely to have had a boost in transfer inflows. Nearly 36 percent of these households had increases in transfer inflows, compared to only 26 percent among households whose pre-private-transfer, per-capita incomes increased between surveys.²⁰

Table 11. Increases versus decreases in real private transfers per-capita by windfalls versus shortfalls in pre-private-transfer income per-capita

	increased	decreased	stayed the same	Total
Percentage of households whose excess of receipts over gifts...				
Subsample: Households whose real pre-private-transfer income...				
increased n=2703 (64% of sample)	25.8	28.8	45.4	100.0
decreased n=1518 (36% of sample)	32.5	22.7	44.8	100.0
decreased over 50% n=587 (14% of sample)	35.9	24.7	39.4	100.0

However, while Table 11 indicates that pre-transfer income and private transfer inflows tend to move in opposite directions, there are many households for which the two move in the

¹⁹ Household size is adjusted for equivalence scales: children aged 0 to 4 count for 0.4 of an adult, and children aged 5 to 14 count for 0.5 of an adult.

²⁰ The estimated correlation between changes in per-capita, pre-private-transfer income and changes in per-capita private transfers is negative (though small) and significant at any popular level ($r = -0.106$, estimated t-value, -6.93). To take account of the effects of outliers, I applied a hyperbolic sine transformation for each variable. The hyperbolic sine function, $h(z) = \ln(z + \sqrt{z^2 + 1})$ is similar to a logarithm, except that it can be applied to negative values

same direction. For example, 22.66 percent of the households experiencing shortfalls in pre-private-transfer income also experienced shortfalls in net transfer inflows between surveys.

Table 12 repeats the same calculations as Table 11, but only for those households whose 1992/93 pre-transfer incomes were less than the median, to see if the responsiveness of private transfers was more pronounced for households whose incomes were already low. The results, presented in Table 12, support this idea. For example, 45.5 percent of low-income households whose incomes fell more than 50 percent had increases in net transfer inflows, compared to just 25.5 percent of low-income households whose incomes increased.

Table 12. Increases versus decreases in private transfers per-capita by windfalls versus shortfalls in pre-private-transfer income per-capita restricted sample: households with below-median per-capita incomes in 1992/93

	increased	decreased	stayed the same	Total
Percentage of households whose excess of receipts over gifts...				
Subsample: Households whose pre-private-transfer income...				
increased (n=1677)	25.5	27.8	46.7	100.0
decreased (n=434)	33.9	21.2	44.9	100.0
decreased over 50% (n=132)	45.5	25.0	29.5	100.0

How large are these changes in transfers? The variation is enormous. For example, consider households who had income shortfalls. Define a household's "transfer derivative" as $\Delta T/\Delta I$, where ΔI denotes the household's change in per-capita, pre-private-transfer income. A transfer derivative of -1 means the entire shortfall was offset by increased private transfers. A positive transfer derivative indicates that income changes are exacerbated by changes in private

transfers. The value of the transfer derivatives at the 10th and 90th percentiles were -0.75 and 0.29 , respectively—an exceedingly wide range.

Apply the following admittedly arbitrary rule for identifying protection against income shortfalls. Classify as “insured” a household whose increases in transfers offset a third or more of its income shortfall—i.e., one with a transfer derivative of -0.33 or lower. At the other end of the spectrum, call households with transfer derivatives larger than 0.33 “destabilized,” since they simultaneously experience a reduction in both income and transfers. By these definitions, a about 15 percent of the households were insured, and about 9 percent destabilized, by private transfers (Table 13). I repeated the calculations for households with less-than-median, 1992/93 pre-transfer income. For this sub-sample nearly 24 percent were insured and nearly 11 percent destabilized.

Table 13. Changes in private transfers per-capita for households who have shortfalls in their pre-private-transfer income per-capita

	Percentage of households who are...			Total
	insured	destabilized	neither	
All households with shortfall (n=1518)	14.9	9.3	75.8	100.0
Poor households with shortfall (n=434)	23.7	10.8	65.4	100.0

Economic and demographic events.

How are things like retirement, the loss of earners, the birth of children, and other significant events related to private transfers? One way to explore this issue is to contrast the percentages of households experiencing increases versus decreases in per-capita private transfers for various sub-samples (Table 14). For a benchmark the first row of Table 14 provides figures for the entire sample. I contrast these with the other rows, which pertain to select sub-samples.

Calculations for the first six sub-samples in Table 14 explore the role of private transfers as old-age support. They suggest that life events such as retirement and widowhood increase inflows

of private transfers. For example, consider the second row, which gives the percentages of households whose private transfers increased, decreased and remained unchanged for households whose head retired between surveys.²¹ Nearly 41 percent of them had an increase in private-transfer inflows, compared to just 28 percent for the whole sample. Conversely, only 19.7 percent of them had a decrease in net inflows, compared with 26.6 percent for the entire sample. The third row in Table 14 shows similar though slightly less dramatic results for the retirement of non-heads. Widowhood is also associated with increases in private transfers. The death of an elderly person between surveys is associated with decreases in private transfer inflows, further evidence that private transfers act like old-age support.

 Table 14. Increases versus decreases in per-capita private transfers
 by economic and demographic events

Percentage of households whose private transfers...				
	increased	decreased	stayed the same	Total
Entire sample (n=4221)	28.2	26.6	45.2	100.0
Subsample:				
Household head retired (n=315)	41.0	19.7	39.4	100.0
Non-head retires (n=198)	36.4	25.3	38.4	100.0
Widowed since 1992/93 (n=97)	33	28.9	38.1	100.0
Elderly person died (n=336)	27.1	30.4	42.6	100.0
Son(s) left home (n=746)	31.2	29.6	39.1	100.0
Daughter(s) left home (n=816)	31.5	27.3	41.2	100.0
Loss of earner (n=1476)	31.3	25.1	43.6	100.0
Gain of earner (n=1400)	25.6	27.7	46.6	100.0
Son(s) married (n=672)	29.2	25.3	45.5	100.0
Daughter(s) married (n=662)	29.5	25.8	44.7	100.0
New child/children (n=854)	25.1	23.9	51.1	100.0

²¹Retirement is defined as being economically active in Round 1 but not Round 2, for someone aged 50 or over in Round 1.

Having a child leave home has a less pronounced association with private transfers. The sub-sample with one or more sons leaving home between surveys had a larger-than-average percentage with increases in private transfer inflows. But this sub-sample also had a larger-than-average percentage with *decreases* in private transfer inflows. This finding is consistent with the idea that some sons are sources of increased receipts for parents while others are targets of increased gifts. The same pattern holds for daughters who left home (Table 14).

Changes in private transfers are not just restricted to economic and demographic changes associated with the aging of households. Losing an earner, regardless of his or her age, is associated with higher percentages of households with increases in net private transfer inflows. Conversely, gaining an earner is associated with lower percentages with increases in net private transfer inflows.

The arrival of children is associated with mixed results for changes in private transfers. The sample with new children had a slightly smaller percentage with increases in transfer inflows, but a slightly smaller percentage with decreases in transfer inflows too.

Marriage appears to have little effect on changes in transfers. The percentages of households whose transfers increased, decreased and remained unchanged differ little for households whose children married between surveys compared to the entire sample. This is not to say, however, that marriage has little impact on total transfers. There are one-time expenditures and gifts that are related to the marriage ceremony, but these are not counted in the transfers variable. They are recorded in separate sections of the survey.²²

I used this information, from the 1997/98 survey, to approximate wedding-related expenditures and gifts. I say “approximate” because the VLSS lumps together funeral-related gifts

²² I did not include these expenditures and gifts as part of inter-household transfers for several reasons. First, unlike the transfer measures above, there is no information about the sources of transfers received or the destinations of transfers given. For example, the recipients of expenditures for the wedding ceremony encompasses a diffuse group that includes wedding guests. Second, the kinds of transfers directly connected with life events such as weddings, funerals or holidays are likely to be behaviorally quite different from other kinds of transfers. For instance, wedding expenditures might include a substantial signaling component, intended to demonstrate family cohesiveness and/or intentions to provide future resources. This kind of behavior lies outside the realm of more conventional theories about private transfers, and as such deserves a completely separate analysis which is beyond the scope of this paper.

with wedding gifts. The value of these one-time gifts is substantial. Among households who had one or more sons marrying between surveys the average wedding expense, expressed as a fraction of their average total expenditures, was 8.1 percent. This number is all the more striking because the base includes not just households with sons who married in the previous year, but households with sons who married within the 5 or so years between surveys. In contrast, the wedding expenditure and gift data refer just to the previous 12 months.

Part of the expense is defrayed by the receipt of gifts. Those same households received wedding-related (but also possibly funeral-related, see above) gifts equal to 4.4 percent of total income. The comparable figures for households having at least one daughter marry are 5.7 percent (expenses) and 4.3 percent (gifts).

Changes in private transfers are strongly related to changes in health expenditures. Consider the sample of households who increased the fraction of total spending on health by 5 or more percentage points between surveys (those marked “Health expenditures up” in Table 15). Forty percent of these households had increases in net transfer inflows. The causality likely goes both ways—illness could prompt increases in private transfers, which in turn could help finance increased health expenditures. Likewise, a reduction in spending for health is associated with reductions in private transfers.

But changes in illness *per se* appear to have little impact on changes in transfers (final four rows, Table 15). The proportions of households experiencing increases versus decreases in transfers between surveys differed little among sub-samples with changes in the number of people who were ill. Like other life events, the effects of illness and other health-related events on private transfers merits further, separate study; the relationship between the two is likely to be complex. For example, becoming ill could raise someone’s marginal utility of income if the illness is treatable, but reduce it if it is not.

A Simple Regression

What are the partial correlations between the variables discussed in Tables 12 through 15? Are they statistically significant? To get a sense of these, I depart from simple cross-tabulations and

Table 15. Increases versus decreases in per-capita private transfers
by health related events

Percentage of households whose private transfers...

	increased	decreased	stayed the same	Total
Entire sample (n=4221)	28.2	26.6	45.2	100.0
Subsample:				
Health expenditures up (n=604)	40.6	22.2	37.3	100.0
Health expenditures down (n=882)	24.5	29.9	45.6	100.0
Subtracted ill (n=1888)	27.5	27.4	45.0	100.0
Added ill (n=2791)	27.9	27.0	45.1	100.0
Only subtracted ill (n=815)	27.6	25.9	46.5	100.0
Only added ill (n=1718)	28.1	26.0	45.9	100.0

regress changes in net transfers received on the economic and life-course variables from Tables 14 and 15. But the goal is still descriptive, and I emphasize that I am not attempting to estimate a causal model. For example, recall from above that health care expenditures are likely to be caused by private transfers as well as *vice versa*. The same could be true of several of the other right-hand-side variables in Table 16.

Table 16 conveys two messages. The first is that the regression results mostly reinforce what was shown in the cross-tabulations. For example, income increases are associated with reductions in private transfers. Second, it appears that *economic* events bear a more significant relationship to transfers than *life-course* events *per se*. For instance, losing an earner or suffering an income decline are both significantly related to changes in transfers, whereas widowhood is not.

Of course, to move beyond merely describing correlations would require attention to problems of endogeneity, something that is beyond the scope of this chapter.

Table 16. Regression of differences in log net transfers receipts per-capita on economic and demographic events

Explanatory variable	Estimated coefficient	Estimated t-value	Variable mean
Δ in per-capita log income	-0.192	-5.82	0.33
Loss of earner	0.314	2.78	0.35
Gain of earner	-0.290	-3.22	0.33
Household head retired	0.661	4.13	0.07
Non-head retired	0.361	1.83	0.05
Widowed since 1992/93	-0.070	-0.18	0.03
Elderly person died	-0.035	-0.20	0.08
Household head died	0.280	0.68	0.03
Child left home	-0.043	-0.30	0.31
Child married	-0.046	-0.34	0.21
New child/children	-0.026	-0.24	0.20
Health expenditures up	0.564	4.66	0.14
Health expenditures down	-0.253	-2.42	0.21
Added ill person	-0.106	-1.18	0.66
Subtracted ill person	0.06	0.07	0.45
Number of observations		4221	
Dependent variable mean		0.06	
R-squared		0.03	
F-statistic		8.843	

D. Private transfers, regional boundaries and economic growth

Vietnam experienced tremendous economic growth during the 1990's, but some places, such as cities in the south, grew much faster than others, such as rural areas in the northern mountains. Uneven growth increased divergence between the living standards of rich and poor. Is it possible that private inter-household transfers helped to narrow the widening gap? For this to happen, private transfers would have to cross regional boundaries. In this section, I investigate regional patterns of private transfers and contrast transfer behavior in Vietnam's "growth poles" with transfer behavior in the rest of the country. I find that, while much money is being transferred between locales, most of it stays within the vicinity. I also find that economic growth is associated with more transfer activity, not less.

Private transfers and regional boundaries.

I divided Vietnam into 13 locales, using the VLSS's regional definitions and distinctions between urban and rural areas. The 1992/93 VLSS divided the country into 7 regions: the Northern Uplands, the Red River Delta (which includes the Hanoi-Haiphong corridor), the North Central region, the Central Coast (which includes Danang), the Central Highlands, the Southeast (which includes Ho Chi Minh City), and the Mekong River Delta. Only the Central Highlands is completely rural. For the others I separated urban and rural place, generating 13 separate locales in all.

Respondents report where transfer receipts came from and where gifts went, so I can identify transfers within and between locales. In addition, some transfers came from outside Vietnam, and, in a few cases, were sent outside Vietnam.

Fifty-three percent of the transfers in 1992/93 were between households in the same locale (Figure 4). Thirty-five percent crossed local boundaries, and 12 percent crossed international boundaries. Figure 4 is constructed from transfer events, with no adjustment for the amount of money transferred. Figure 5 is based on the monetary value of transfers, and provides quite a different picture of regional patterns, and shows that the really large transfers occur internationally. So the breakdown of the money value of transfers, in Figure 5, gives a picture that is quite a bit

different from Figure 4. International transfers are over ten times larger than domestic ones. So while only 12 percent of all transfers are international, they represent 63 percent of the money transferred.

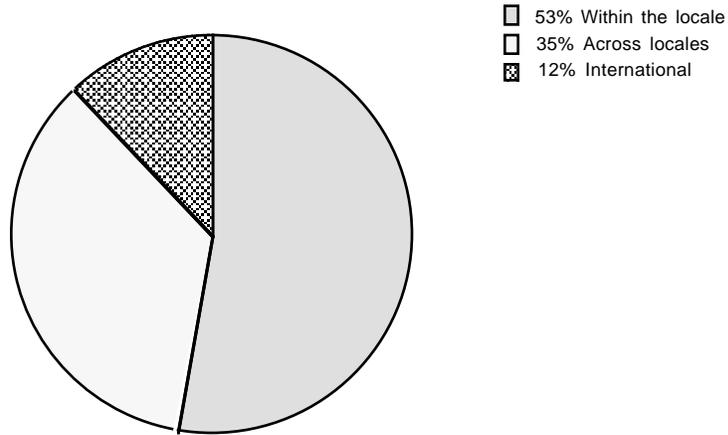


Figure 4. Regional Incidence of Private Transfers, 1992/93

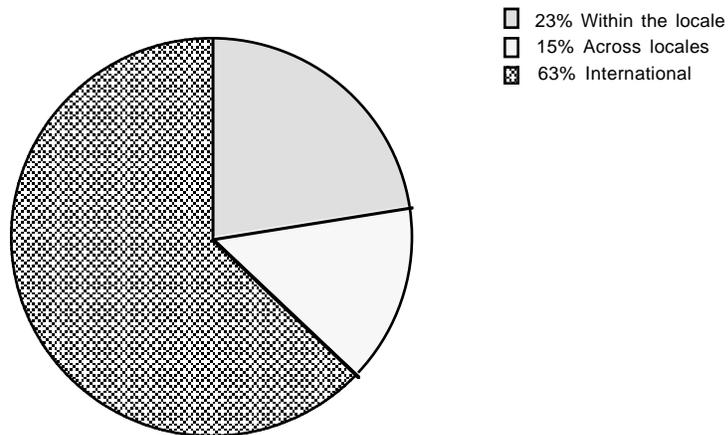


Figure 5. Regional Value of Private Transfers, 1992/93

In contrast, there is not much difference in average domestic transfers that occurs within versus between locales.²³ The ratio of within-locale to between-locale transfers is about 3:2, whether measured in terms of events or money.

Urban-rural transfer flows.

Another way to characterize the geographic patterns of transfers is by urban/rural status. Most transfers do not cross urban-rural boundaries. The ones that do are mostly urban-to-rural transfers. For example, Figure 6 is based on domestic transfer events, and it shows that 70 percent of all transfers were either rural-to-rural (51 percent) or urban-to-urban (19 percent). Among transfers that cross urban-rural boundaries, about 3 transfers flow from the city to the countryside for every one flowing in the opposite direction. Figure 7 repeats these calculations but tracks the money value of transfers instead of events. The numbers are different, because more money is transferred among the urban households, who are richer on average. But the conclusions are the same—a little over 70 percent of the money transferred does not cross urban-rural boundaries.

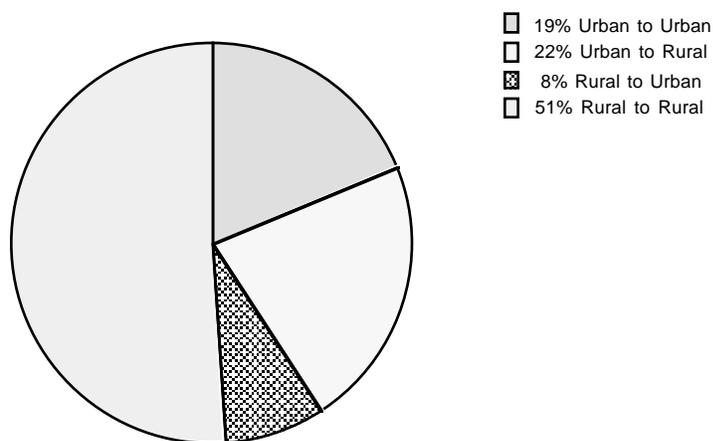


Figure 6. Urban/Rural Incidence of Private Transfers, 1992/93

²³ The average within-locale transfer was 570 TDY; the average between-locale transfer was 532 TDY. In contrast, the average international transfer was 6056 TDY.

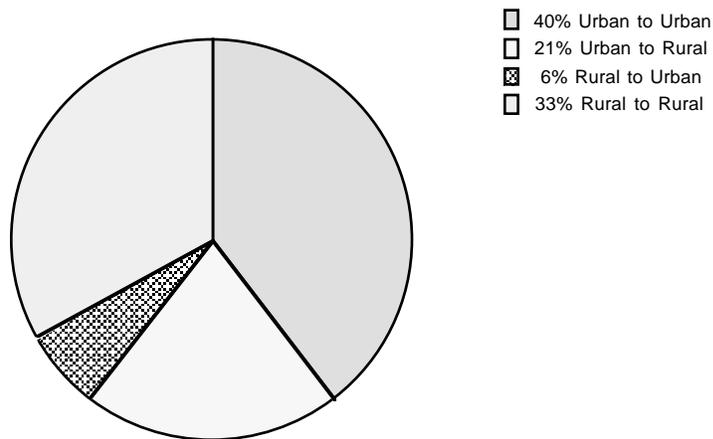


Figure 7. Urban/Rural Value of Private Transfers, 1992/93

The 1997/98 VLSS.

I constructed the same figures using data from the 1997/98 VLSS (Figures 8 through 11).²⁴ The regional patterns in private transfers are similar to those in 1992/93, except for the somewhat diminished importance of the money value of international transfers in 1997/98 (Figure 9). Most domestic transfers still occur within rather than between locales and the ratio of domestic transfers within versus between locales is still 3:2. And, as in 1992/93, about 70 percent of transfers do not cross urban-rural boundaries.

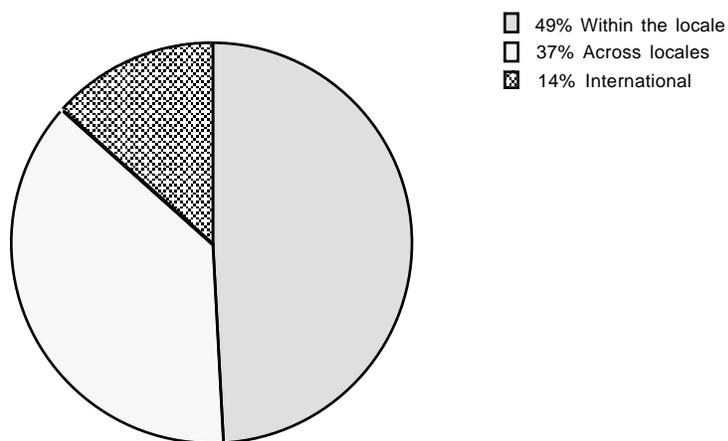


Figure 8. Regional Incidence of Private Transfers, 1997/98

²⁴ I used sample weights for constructing the Round 2 figures.

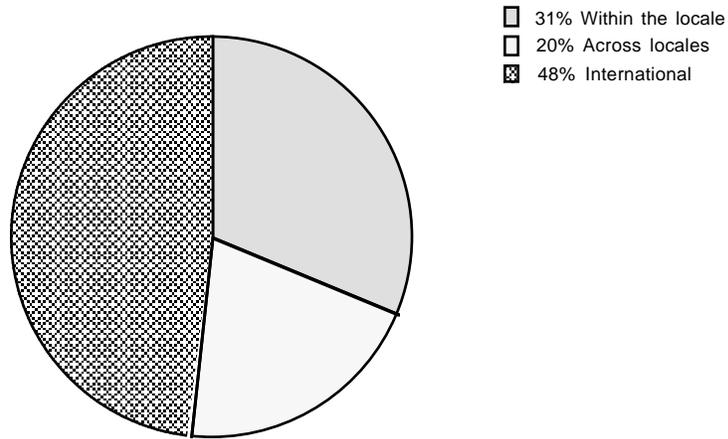


Figure 9. Regional Value of Private Transfers, 1997/98

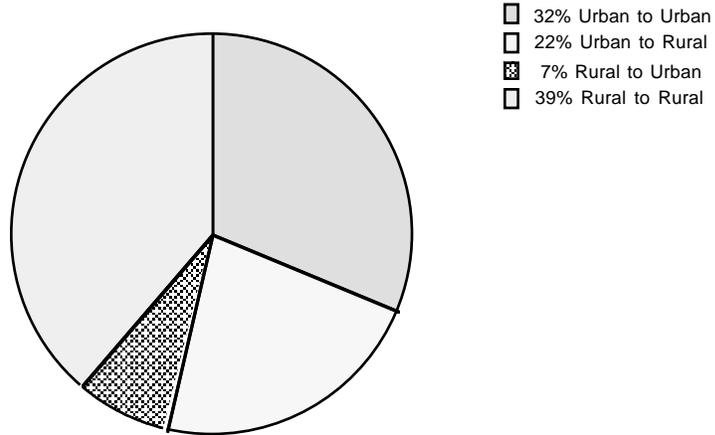


Figure 10. Urban/Rural Incidence of Private Transfers, 1997/98

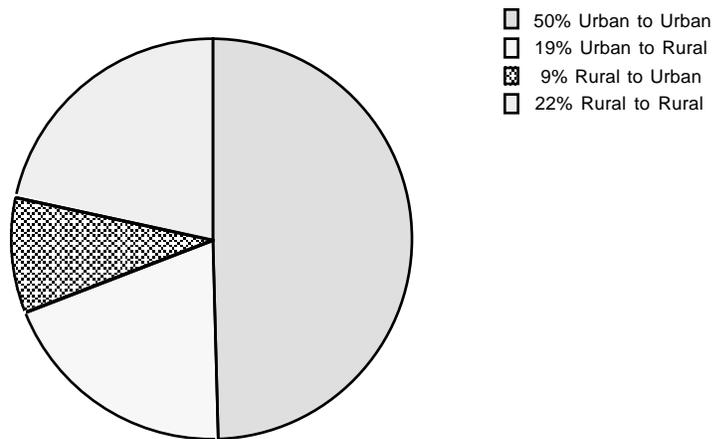


Figure 11. Urban/Rural Value of Private Transfers, 1997/98

Growth poles.

Industrialized urban areas grew the fastest between surveys. These places—the Hanoi-Haiphong corridor, Danang, and Ho Chi Minh City—attracted a disproportionate share of public investment (World Bank (2000), p. 18). How does private transfer activity in these “growth poles” compare to that of the rest of the country?

I split the sample of households into those residing in growth poles versus those not. The “growth pole” households exhibited much more transfer activity in both surveys. More growth-pole households were involved in transfers, as givers, recipients, or both (Tables D-1 and D-2). Further, the panel evidence in Table 19 indicates that, while a large percentage (40 percent) of “growth pole” households experienced a decline in net transfer receipts between surveys, over a third of them had increases in net transfer receipts. Growth-pole households are clearly more active in private transfers.

Part of the reason for the higher transfer activity in growth pole areas could have to do with income inequality. Inequality, as measured by the coefficient of variation of log income, is higher in growth pole areas than in non-growth-pole areas (Table 20). This is true for both survey years, and it is also true whether income is measured before or after private transfers. If transfers help equalize incomes within these areas, as the numbers in Table 20 suggest they do, then more inequality in income before transfers means more scope for income redistribution via private transfers, and hence more of them.

 Table 17--Households Involved in Private Transfers in 1992/93
 by Growth-Pole Status

	Growth-pole hh's		Non-growth-pole hh's	
	Number	Percent	Number	Percent
(1) Households involved	319	56.1	1361	32.3
Only gave	87	15.3	500	11.9
Only received	183	32.2	710	16.9
Did both	49	8.6	151	3.6
(2) Neither gave nor rec'd	250	43.9	2848	67.7
Total (1) + (2)	569	100.0	4209	100.0

 Table 18. Households Involved in Private Transfers in 1997/98
 by Growth-Pole Status

	Growth-pole hh's		Non-growth-pole hh's	
	Number	Percent	Number	Percent
(1) Households involved	544	54.5	1843	37.3
Only gave	146	14.7	667	13.5
Only received	316	31.7	935	18.9
Did both	81	8.2	242	4.9
(2) Neither gave nor rec'd	455	45.5	3098	62.7
Total (1) + (2)	999	100.0	4941	100.0

 Table 19. Increases versus decreases in private transfers per-capita by
 growth-pole versus non-growth-pole residence

Subsample: Households in	Percentage of households whose excess of receipts over gifts...			
	increased	decreased	stayed the same	Total
growth-pole areas (N=451)	33.9	40.1	25.9	100.0
non-growth-pole areas (N=3770)	27.5	25.0	47.5	100.0

 Table 20--Income Inequality--Growth-pole versus
 Non-growth-pole households

Income measure	Coefficient of variation in household log income	
	Growth-pole	Non-growth-pole
1992/93 Income before transfers	.28	.19
1992/93 Income after transfers	.24	.18
1997/98 Income before transfers	.24	.20
1997/98 Income after transfers	.2	.18

E. Typhoon Linda

In early November of 1997, the southernmost provinces of the Mekong Delta were hit with a devastating typhoon, the worst it had seen since 1904. The tropical typhoon Linda resulted in the death of over 600 people and destroyed thousands of homes and one half million hectares of rice fields. Hardest hit were the provinces of Ca Mau, Kien Giang, Bac Lieu and Soc Trang. How did private transfers respond?

This question is difficult to answer because of the structure of the VLSS. Respondents had a 12-month reference period for income and private transfers, making it difficult to pinpoint the

storm's impact. In fact, the documentation cites the long time frame as an advantage, which would "...help to even out the impact of this natural disaster." (World Bank (June 2000), p. 37). Still, it warns that survey results might have been affected for households interviewed not long after the typhoon.

Because of the ambiguity introduced by the time frame, it is difficult to gauge Typhoon Linda's effect on private transfer behavior. With this caveat in mind, I used information from the community questionnaire, along with information about the path of the storm to identify the communes affected.²⁵ I replicated the panel analysis of the impact of events on private transfers, comparing these households with the rest of the sample (Table 21).

Table 21. Increases versus decreases in private transfers per-capita by typhoon versus no typhoon

Percentage of households whose excess of receipts over gifts...				
	increased	decreased	stayed the same	Total
Subsample: Households in				
typhoon areas (N=340)	25.59	22.35	52.06	100.0
earlier interview (N=67)	34.33	17.91	47.76	100.0
later interview (N=273)	23.44	23.44	53.11	100.0
non-typhoon areas (N=2885)	26.38	24.61	49.01	100.0

For the 340 panel households affected by the typhoon, evidence of private transfer effects is mixed. Compared to the rest of the sample, a slightly smaller percentage of these households had a reduction in net transfer receipts, but a slightly smaller percentage had an increase too.

Consistent with the documentation's assertions, however, timing of the interview appears to matter for gauging the typhoon's effects. For the sub-sample of affected households interviewed between December 1997 and March 1998, there does appear to be a boost in transfer inflows. A much larger-than-average percentage of them had increases in net transfer inflows

²⁵ There were about a dozen communes outside of the Mekong Delta region also reporting typhoon damage, and these were assumed to have been affected by storms other than Typhoon Linda. The 1992/93 commune

between surveys, and a lower-than-average percentage had reductions net transfer inflows. But this result must be interpreted with caution, because this sub-sample contains only 67 households. In addition, the Tet holiday was celebrated on January 28, 1998. Even with a 12 month time frame, interviews conducted around this time could contain distorted responses because of holiday-related increases in expenditures, and perhaps transfers as well.

IV. Conclusion

Typhoon Linda is just one of several issues addressed in this chapter that merits its own individual study and raises several questions for future research. Were households with links to non-typhoon-prone provinces better able to maintain their consumption in the face of declining incomes? How did the storm affect transfers over and above its impact on income? For instance, did it matter that incomes were affected by an unexpected storm instead of some other reason? Were risks well diversified, or did some typhoon victims find it necessary to provide support to nearby relatives or neighbors who were affected even more adversely? Just as many questions could be posed concerning the association of private transfers with health expenditures, retirement, and several of the other patterns uncovered by the simple descriptive analyses in this chapter.

Of all the patterns that warrant further investigation, one of the most pressing is Vietnam's striking age patterns of private transfers. Unlike nearly all developed countries—and many developing countries too—Vietnam's private transfers tend to flow from young to old, rather than the other way around. But one hallmark of a developed economy is its preponderance of transfers from older to younger people. Will Vietnam's age pattern of private transfers eventually reverse itself? If so, how will its elderly be provisioned in the new regime? If not, how will Vietnam's progress in education continue? Why Vietnam's age patterns in private transfers are the way they are, how they might be reversed, and what the likely consequences of such a reversal would be, are all critical research and policy questions for its future.

identification numbers for the communes affected by Typhoon Linda were no.'s 92, 98, 99, 101, 105, 106, 112, 113, 117-120, and 150.

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Appendix—Panel Response Rate

Of the 4800 households in the 1992/93 VLSS, 495 of them, or 10 percent, were not re-interviewed in 1997/98. Of these 495, 96 households were not interviewed because three communes had to be dropped from the Red River Delta because the over-sampling done in 1997/98. (The extra 1200 households included in 1997/98 were not representative of the population, but were chosen disproportionately from cities and other areas, especially the Central Highlands, to facilitate disaggregated analyses.) (World Bank, 2000, pages 27-28).

Of the 495 households, 281 were not re-interviewed because they moved away. Nineteen were missed because they were temporarily away from the commune, and 12 refused to be re-interviewed. One household was not re-interviewed because it dissolved because of death. 16 other households of the 495 were not re-interviewed for some other reason. 46 households were not re-interviewed for reasons unknown.

A summary of the reasons households in the 1992/93 VLSS were not followed up in 1997/98 is provided below:

Deliberately dropped from the sampling frame	96
Moved away	281
Temporarily away	19
Refused	12
Death	1
Miscellaneous reasons	16
Unknown reason	46
Reason not recorded	24
Total	495