



## The reality of traditional craft villages development in Vietnam from a financial perspective

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### ABSTRACT

In Vietnam, traditional craft villages represent a specific type of production and business that promotes local resources and leverages the comparative advantages of each regional area. Thereby, this field supports creating employment opportunities, increasing income, and improving the livelihoods of the local population. Based on the characteristics of scale, structure, and the production and business features of traditional craft villages, our research group has examined the reality of traditional craft village development in Vietnam and proposed solutions from a financial perspective including: (i) Capital mobilization, (ii) Revenue and profits, and (iii) Costs. The research results reveal spontaneous and small formation and development; small-scale capital, manual production equipment, outdated technology, low efficiency in fuel utilization, limited production grounds of traditional craft villages resulting in low business performance for some; products often lack competitiveness due to their monotonous designs; high production costs are incurred due to manual production methods; and the export market is limited in scope.

### KEYWORDS

traditional craft villages, Vietnam, finance, development status



## 1. BACKGROUND

Traditional craft villages are one of the distinctive socio-economic entities in rural areas, playing a crucial role in the economic development process of Vietnam (Ha, N.T.T., 2023). To capitalize on the comparative advantages of each regional area, the development of traditional craft villages is one of the suitable forms of socio-economic organization that is expanding in Vietnam. Activities in these villages are non-agricultural economic activities, including handicrafts and small to medium-sized production service activities involving various economic sectors such as households, production units, cooperatives, and private enterprises... These households and economic organizations are closely interconnected with rural areas through the utilization of means of production, capital, and human resources in rural regions, significantly impacting the socio-economic development of rural areas. Many products manufactured directly in traditional craft villages have become valuable commodities, contributing to the improvement of people's livelihoods and providing consumer goods for society. The development of traditional craft villages helps to utilize local agricultural labor resources.

However, the current development of traditional craft villages is revealing several issues stemming from their spontaneous, small and scattered formation and development; manual and simple production equipment; outdated technology, low efficiency in fuel utilization; limited production spaces. From a financial perspective, a part of traditional craft villages faces low business performance; small and odd capital sources; non-competitive products due to their monotonous designs; small-scale production; a shortage of raw materials; and narrow export markets,... These fundamental reasons pose the risk of bankruptcy and business cessation for traditional craft villages.

Although the Government has initiated financial support projects for traditional craft villages, in reality, these policies have not been particularly effective. The majority of these initiatives remain theoretical in nature and have not rectified the spontaneous development of traditional craft villages. There is a lack of clear planning, and requires the initiative of individual localities. Vietnam's approach to traditional craft village development is closely tied to the market and international economic integration, with an emphasis on boosting exports; aligning with the strategy and direction of sustainable socio-economic development; green growth; promoting closed-loop production models to save resources; protecting the environment, adapting to climate change; applying of digital technology in product management, promotion, and trade promotion for traditional craft villages (Prime Minister, 2022). This research article will consider the following:

- The reality of traditional craft village development in Vietnam
- The status of capital mobilization and utilization, revenue, costs, and profitability in traditional craft villages
- Solutions to address the financial indicators of traditional craft villages.

## 2. THEORETICAL BASE

According to Article 3 of Decree 52/2018/ND-CP, the definition of a traditional craft village is as follows: 'A traditional craft village is one or more residential clusters at the hamlet, village, commune, or similar residential communities engaging in rural occupations activities, including the following 7 sectors:

- Processing and preserving agricultural, forestry, and aquatic products;
- Producing handicrafts;
- Handling and processing raw materials for rural occupations production;

- Producing wooden furniture, rattan, ceramics, glass, textile, lace, embroidery, and small-scale mechanical products;
- Producing and trading ornamental creatures;
- Producing salt;
- Services for serving production and rural residents' life.

In particular, traditional craft villages are craft villages with traditional occupations that have been established for a long time. To be recognized as a traditional profession, it must meet all three of the following criteria:

- The craft has been present in the locality for over 50 years and is still continuingly developing at the time of the recognition proposal.
- The craft creates products bearing the national cultural characteristics identity.
- The craft is associated with the name of one or more artisans or the name of the craft village.

A recognized traditional craft village must meet all three of the following criteria:

- At least 20% of the total households in the area are engaged in one of the activities or rural occupation activities specified in Article 4 of this Decree.
- Stable production and business activities for at least 02 consecutive years up to the time of the recognition proposal.
- Comply with the environmental protection conditions of the craft village as regulated by the current laws.

Thus, traditional craft villages have been formed for a long time, creating unique products with distinct characteristics that have been passed down and developed to this day or are at risk of being gradually lost. Traditional craft villages are places where the essence of long-standing culture crystallizes. They are not only an internal resource that helps localities develop their socio-economic conditions but also preserve traditional cultural values. The scope of this study includes both craft villages and traditional craft villages that have been recognized by the local people's committees and does not include unrecognized spontaneous craft villages.

The development of craft villages is closely tied to the community, fostering both economic growth and the preservation of national identity and local characteristics. From an economic perspective, the development of traditional craft villages is an effective measure to meet the requirements of restructuring the rural economy towards industrialization and modernization; attract local idle capital; find outlets for agricultural products and cottage industry; and increase the value of commodity goods for the economy. From a social standpoint, craft villages contribute to employment opportunities for rural laborers; utilize their time and labor force, improve living standards, and reduce free migration. As a result, the development of traditional craft villages also plays a role in preserving the cultural values of the nation.

Although handicraft industries are gradually separating from pure agricultural activities, they remain an integral part of rural life. Agricultural production and industrial production in these craft villages are intertwined. Some key characteristics of craft villages include:

- **Technology:** Production technology in craft villages is often rudimentary and outdated, relying primarily on manual techniques, and labor tools are mostly manual.
- **Raw Materials:** Craft villages mainly use locally available raw materials, which are sourced within the area.
- **Local Market:** The majority of craft village products are consumed locally, on-site and small-scale.

- The predominant form of production organization in craft villages is small-scale, family-based.
- The strong development of craft villages can have negative environmental impacts on the local area.

These characteristics directly influence the production and business performance of craft villages. The essential financial indicators include: (i) Capital mobilization and utilization, (ii) Revenue, (iii) Costs, and (iv) Profit, which are used to assess the development of craft villages in Vietnam from a financial perspective.

### 3. RESEARCH METHOD

#### *Data Collection Method:*

The research team employed a literature review approach to systematize the theoretical foundation regarding craft villages and the financial indicators used to assess the performance of craft villages, including capital mobilization, revenue, costs, and profit.

The article synthesized selected theories from various sources, namely Scopus, online libraries of Government ministries and departments, legal regulations related to financial support for craft villages, and specialized journals. The primary observations were analyzed thematically and processed through methods of synthesis, description, and narration.

To investigate the reality of development of craft villages in Vietnam from a financial perspective, the research team focused on examining the situation of craft villages in Vietnam. This included analyzing the scale, structure, and characteristics of craft villages and assessing their financial aspects from 2018 to 2022, which consisted: (i) Capital mobilization, (ii) Revenue, profit; (iii) Costs. The craft village data presented in this article includes both traditional and newly recognized craft villages as designated by the People's Committees of provinces and centrally-run cities. The data was collected from scientific journals, both domestic and international, as well as from consolidated data from the Ministry of Finance, the Ministry of Agriculture and Rural Development, the Ministry of Natural Resources and Environment, the Ministry of Industry and Trade, and various local government websites.

From the collected data, the authors synthesized and selected relevant information to clarify the current state of the craft villages. They employed a combination of descriptive statistical methods to provide clarity and used a synthetic analytical approach to compare and contrast various aspects. This included legal regulations, programs, incentives, and support measures for craft villages, as well as the existing limitations and challenges facing craft villages in Vietnam.

**Data Processing Method:** Collected data is aggregated, calculated, and reflected in tables. To evaluate and analyze the data, this article also utilized a comparative method to assess the results of the production and business activities of craft villages in Vietnam during the period from 2018 to 2022.

### 4. REALITY OF CRAFT VILLAGE ACTIVITIES FROM A FINANCIAL PERSPECTIVE

#### 4.1. Overview of the scale and structure of craft villages in Vietnam

The majority of craft villages in Vietnam have a history of development spanning hundreds of years, sustained and grown in parallel with the nation's socio-economic, agricultural culture progress. According to the Ministry of Agriculture and Rural Development (2023), there are a total of 1,951

craft villages in the country, consisting of 1,062 newly recognized craft villages and 889 traditional craft villages. The criteria for recognizing craft villages are implemented by the provincial people's committees, in accordance with the regulations outlined in Decree No. 52/2018/ND-CP

**Table 1: Quantity and structure of Vietnamese craft villages**

No.		Quantity	Proportion
	<b>Total</b>	<b>1.951</b>	<b>100%</b>
1	<b>Profession</b>		
	Processing and preserving agricultural, forestry, and aquatic products;	640	32,8%
	Producing wooden furniture, rattan, ceramics, glass, textile, lace, embroidery.	935	47,9%
	Others	376	19,3%
2	<b>Production properties</b>		
	Industrial craft village, cottage industry.	1.656	84,8%
	Agricultural craft village	295	15,2%
3	<b>Region</b>		
	Red river delta	783	40,7%
	Northern midlands and mountainous	488	24,8%
	The North Central and Central Coastal areas	423	21,5%
	Mekong River Delta	233	11,8%
	Highlands	19	0,9%
	Southeastern	5	0,3%

Source: Ministry of Agriculture and Rural Development, (2023)

In general, craft villages in Vietnam are mainly industrial craft villages and cottage industries (but closely linked to rural raw materials). Therefore, their scale, technology, and types of products vary according to regional characteristics. Craft villages are primarily distributed among different sectors, including Processing and preserving agricultural, forestry, and aquatic products (accounting for 32.8%, equivalent to 640 craft villages); Producing wooden furniture, rattan, ceramics, glass, textile, lace, embroidery (accounting for 47.9%, equivalent to 935 craft villages); the remaining craft villages make up 19.28% (with 376 craft villages). Craft villages are not evenly distributed throughout the country, with a predominant concentration in the Northern provinces (40.7% in the Red River Delta region). The Northern delta region has a relatively high density of traditional craft villages, accounting for two-thirds of the total craft villages in the country, known for famous products like Van Phuc silk, Dong Ky wooden products, Dai Bai bronze products, Dong Ho folk paintings, Bat Trang ceramics, and Vong young sticky rice. Among these, Hanoi has the highest number of recognized operating craft villages, with 313 craft villages, followed by provinces like Thai Nguyen with 263 craft villages, Thai Binh with 117 craft villages, Ninh Binh with 75 craft villages, Nam Dinh with 72 craft villages, and Nghe An with 173 craft villages... (Ministry of Agriculture and Rural Development, 2023).

## 4.2. Reality of Vietnamese craft villages from a financial perspective

### (i) Capital mobilization and utilization

- *Equity*: Production in craft villages is typically small-scale, with minimal capital and labor resources, making it highly suitable for mobilizing funds and other physical resources from households (Ba, T. K., 2022). Craft village production activities often utilize locally available materials, make use of various waste and scrap materials, and employ local labor and seasonal, part-time laborers during periods of free time. Therefore, craft villages operate with low capital investment, primarily relying on accumulated funds and self-financing by households, with limited capacity for expanding production scale and reinvesting capital (Ministry of Industry and Trade, 2022).

To address the issue of capital shortage, craft villages have actively shifted their focus to develop green tourism, e-commerce, and more. In many regions (such as Ninh Binh, Vinh Long), networks of businesses, cooperative groups, and cooperative partnerships have been established to collaborate with households and craft villages in the supply of raw materials, production, and product consumption. This has led to a significant increase in production quantity, quality, and efficiency, contributing to higher income for laborers and increased profits for businesses (Ministry of Industry and Trade, 2022).

Apart from the proactive initiatives within the craft village community, two potential sources of funding for craft villages include: government and local authorities' support, and loans.

- *Assistance capital*: Craft villages and traditional craft villages benefit from policies aimed at fostering their development. There are funds allocated to support investment credit loans, interest rate subsidies for investments, and investment credit guarantees.

### **Box 1: Regulations for support types and content of craft village production and business activities**

#### **1. Types of support**

- The primary policy framework is established under Government Decree No. 52/2018/ND-CP, dated April 12, 2018, on the development of rural industries.
- Circular No. 08/2019/TT-BTC issued by the Ministry of Finance regulates the content of expenditures and levels of expenditures to support the development of rural industries in terms of management and use of non-business funds to implement the national target program for construction of new rural areas.
- Circular No. 17/2018/TT-BCT from the Ministry of Industry and Trade outlines the planning, implementation, and management of national industrial promotion funding and the organization of consideration for conferment of the titles of People's Artisan and Excellent Artisan in craft villages.
- The Green Growth Program from the Ministry of Planning and Investment (with the Department of Natural Resources and Environment as the lead investor);
- Policies to assistance capital and operating costs of localities all have regulations to support capital and other fundings from the local budget: Hanoi offers preferential loans to craft village; Binh Dinh provides support for environmental pollution remediation, 100% funding for solid waste transportation from collection points to processing sites, and expenses for waste treatment. Binh Dinh allocates 666 million VND for the renovation and upgrading of centralized wastewater treatment systems...

#### **2. Support content**

- Direct funding support as specified in the recognition decision for traditional crafts, craft villages, and traditional craft villages.
- Funding support for infrastructure investment in craft villages. This includes investment in the renovation, improvement, and completion of craft village infrastructure, such as roads, electricity, clean water, sewage systems; and the construction of centers, retail points, and craft village product showcases.
- Funding support for implementing environmental pollution reduction measures.
- Support for vocational training, skills transmission, the establishment of local clubs, associations, and craft guilds, and the preservation of traditional craft spaces and cultural heritage values, namely exhibition spaces for product introduction and craft ancestral temples.
- Support investment in infrastructure to preserve craft villages while promoting cultural development and tourism (centers, market stalls, product showcases,...)
- Support priority financial support for gradually lost craft villages; craft villages of ethnic minorities; craft villages with strong market demand; craft villages related to tourism and new rural development; craft villages that create employment and increase local income; and craft villages that contribute to the preservation and development of cultural values.



(Note: VND refers to Vietnamese Dong, the currency of Vietnam.)

- *Loans*: A majority of craft village production facilities in Vietnam have small-scale operations (Ministry of Industry and Trade, 2022). In the Red River Delta region, most businesses are individual households (comprising about 93-95%), with cooperatives and cooperative groups making up about 0.5-1%, and the remainder being enterprises (joint-stock companies, limited liability companies, private enterprises). Given that there is often no market for their products, the demand for accessing loans to develop craft villages is low (Thanh, V. Đ, 2017). Therefore, accessing microfinance and preferential loan sources from the banking system is an appropriate choice. According to the State Bank of Vietnam (2022), Agribank and the Social Policy Bank, along with several microfinance funds, have been actively involved in various OCOP programs. They have coordinated to provide preferential credit programs to traditional craft sector entities. Thanks to these efforts, many traditional craft entities have improved their ability to access investment capital and credit, contributing to the maintenance and development of traditional crafts and local products.

However, in reality, the available sources of funding for craft villages remain very limited. The capital shortage is due to the low capacity for accumulating funds for production investment of these entities and the limited access to formal or semi-formal funding sources. Additionally, there is a weak economic link with other economic entities, and limited flexibility (Institute of Strategy, Resource, and Environmental Policy, 2022).

#### (ii) Revenue and profit of craft villages

Craft villages have experienced growth in revenue, production value, and exports over the years.

**Table 2: Revenue of craft villages in Vietnam in the period 2020-2022**

No	Criteria	Unit	2018	2019	2020	2021	2022
1	Revenue	billion VND	48.338	54.985	58.388	59.760	75.720
2	Growth rate	%	-	13,75%	6,2%	2,34%	22,9%
3	Average income per month	million VND per month	4,31	4,7	4,98	5,56	5,72

Source: Ministry of Agriculture and Rural Development, (2023)

- *Revenue*: With the support policies and encouragement for capital and physical facilities mentioned above, craft village revenues have shown an increasing trend, rising from 58,388 billion VND in 2020 to 75,720 billion VND in 2022. The total capital and assets of production establishments in industrial and small-scale industrial craft villages exceed 14,000 billion VND. The average income of laborers has slightly increased, reaching 5.72 million VND per person per month in 2022.



- *Export turnover*: Vietnam's handmade products have reached 163 countries and territories. The export turnover of Vietnamese handicrafts averaged a growth rate of 9.5% per year from 2015 to 2022. It increased from 2.23 billion USD in 2019 to nearly 3 billion USD in 2021 and then decreased to around 2.4 billion USD in 2022 due to the impact of the pandemic and political developments that reduced the export of Vietnamese handicrafts. The main export products in this sector include handicrafts such as ceramics, bronze items, wooden paintings, oil paintings, glassware, gemstone items, carpets, lanterns, various types of hats, bags, and handmade footwear (Ministry of Industry and Trade, 2023).

- *Profitability*: Besides the craft villages that have established outlet markets for their products, especially profitable exports, many smaller craft villages serve local needs and have little to no profitability. They even face challenges in production and product consumption (Ministry of Industry and Trade, 2023). A lack of capital, raw materials, and inability to find markets for their products, coupled with products that may lack branding or do not meet consumer preferences, contribute to this situation.

- *Production models*: Although many traditional craft villages are small in scale (90% are operated within households, with only 10% operating outside residential areas), they primarily produce agricultural, handmade, and cottage industry products (Ministry of Agriculture and Rural Development, 2021). Currently, production businesses have started investing in machinery for certain production stages, such as initial processing and raw material completion before product finalization. However, due to a lack of investment capital, the application of mechanization in the extraction, initial processing, and product processing phases is still underdeveloped, leading to resource wastage, lower raw material quality, and environmental pollution.

Service models that add value and contribute to increased revenue and profits for craft villages, such as craft village tourism, have not fully developed. To date, out of a total of 1,951 craft villages nationwide, only 175 (approximately 9%) are associated with tourism development, attracting hundreds of thousands of tourists each year (Ministry of Agriculture and Rural Development, 2021).

### **Box 2: The craft village tourism model and community tourism in Bac Ninh**

Currently, Bac Ninh has 65 craft villages, of which 41 are traditional craft villages. These craft villages in Bac Ninh are rich and diverse, engaging in activities ranging from processing agricultural products, food production, and the manufacturing of household items to the creation of various artistic and creative products. To this day, most of these craft villages have preserved their customs, practices, historical relics, and the enduring cultural heritage of ancient Kinh Bac. They are closely associated with historical and cultural relics, along with regions that host traditional festivals, such as the Do Temple, Dau Pagoda, But Thap Pagoda, and Lim Hill. Traditional craft villages include Dong Ho folk painting village (Thuan Thanh district), Phu Lang pottery village (Que Vo district), Dai Bai bronze casting village (Gia Binh district), Dinh Bang lacquer village (Tu Son district), and Phu Khe wood carving village (Tu Son district).

The craft village tourism model in Bac Ninh offers a variety of services, allowing tourists to actively engage in the handicraft production process. Visitors can participate in different stages of crafting these products, which adds significant appeal and interest to foreign tourists. This makes

Bac Ninh a captivating destination for cultural and historical tourism.

Since 2010, Bac Ninh province has been implementing a pilot community tourism program in three traditional craft villages: Quan Ho singing village in Diem Xa (Bac Ninh city), Phu Lang pottery village (Que Vo district), and Tuong Binh Tu spirit tablet village (Thuan Thanh district). This program has helped to preserve and develop these craft villages.

*Source: Bac Ninh Provincial People's Committee and bacninhonline.com.vn*

Craft village tourism is predominantly spontaneous, and tourists often visit only once, with limited ongoing tourism activities. Many regions lack proper strategies, mechanisms, and policies, as well as infrastructure and support services for developing craft village tourism. Additionally, pollution in many craft villages serves as one of the factors limiting their ability to attract tourists. The synergy and collaboration between entrepreneurs, producers, and local authorities have not been fully harnessed to realize the significant potential of craft villages and the strengths of craft village tourism (Thang, N.D., 2023).

- *Product distribution and consumption:* 81.53% of craft village businesses engage in both production and self-consumption, while 14.71% undertake product processing for other entities (Vietnam Craft Village Association, 2022). The production in craft villages lacks coordination among stakeholders in the value chain, from training, design, raw material production to processing, market development, and product consumption. This is due to a lack of long-term strategies and the shortage of professional human resources in these craft villages. Furthermore, while craft village products are diverse and plentiful, they often lack competitiveness, do not fully meet market demands, and have few products with national and international brands (Ministry of Agriculture and Rural Development, 2021).

### (iii) Costs

- *Environmental Costs:*

Waste collection and disposal in industrial areas, craft villages, manufacturing facilities, and rural residential waste and wastewater management still face numerous challenges. The 2020 Environmental Protection Report from the Ministry of Agriculture and Rural Development highlights that only 20.9% of craft villages have industrial waste collection and disposal systems, and 16.1% have centralized wastewater treatment systems that meet the required standards. Approximately 36% of households in craft villages do not have waste disposal facilities. The environmental quality in most craft villages falls below standards, exposing workers to health hazards. This includes 95% of dust-related issues, 85.9% due to heat, and 59.6% from chemical exposure. In Hanoi alone, about 139 craft villages are severely polluted, and nearly 100 more suffer from various degrees of pollution, mainly in the fields of traditional crafts, agro-food processing, textiles, and apparel. Additionally, due to limited land resources, relocating manufacturing households from craft villages to industrial zones is a challenging task in terms of environmental protection.

- *Labor Costs:*

The development of craft villages has significantly contributed to employment generation, poverty reduction, and increased income for rural residents. Currently, the income of laborers in craft villages is still relatively low, averaging only 4.3 million VND per person per month during the period

from 2015 to 2022. In 2022, the average monthly income of laborers increased to 5.72 million VND. However, there are notable exceptions, with some craft villages achieving high average income levels. For instance, the traditional "xoi" (sticky rice) craft village of Phu Thuong in Tây Hồ District has an average labor income of 18.5 million VND per person per month, and the traditional photography craft village in Lai Xa, Kim Chung Commune, Hoai Duc District, attains an average labor income of 10.8 million VND per person per month.

Although the average income in craft villages is relatively low, it is still 2-3 times higher than the income of pure agricultural laborers. The poverty rate in areas with craft villages is significantly lower than the national poverty rate. However, when compared to the overall average income, craft village income remains relatively low. This is the primary reason for the declining labor force in craft villages, particularly among young workers who leave their rural homes to seek higher-paying jobs in urban areas. This trend poses challenges for the future development of craft villages. Income levels for craft village workers vary depending on their skill level, the type of craft, and the amount of time worked per month. High-income crafts include lacquer painting, carving, woodworking, ceramics, and low-income crafts such as bamboo weaving, lace embroidery, and palm leaf hat making.

*- Material and production costs:*

Using energy-saving and efficient practices is one of the solutions to reduce costs for businesses, lower environmental pollution, and combat climate change. However, many craft enterprises continue to use outdated technology that consumes a significant amount of energy. For example, in the paper manufacturing industry, energy costs typically account for 20-40% of the production cost.

Many craft villages heavily rely on local raw materials. However, most regions lack long-term development plans or programs for centralized, large-scale raw material development. This situation has led to shortages of raw materials in some craft villages with a high export turnover. For instance, in the group of handmade products made from bamboo, rattan, and reeds, there are approximately 600 craft villages involved in weaving. The bamboo raw material covers around 1.5 million hectares, with a total number of approximately 9.5 billion bamboo plants. On average, about 500 to 600 million bamboo plants are harvested each year, resulting in a production of roughly 2.5-3 million tons. However, the demand for these materials is much higher, ranging from 900 to 1,000 million bamboo plants per year. As a result, many craft enterprises in this field are forced to import raw materials from countries like China, Laos, and Cambodia. On the contrary, many crop varieties are deteriorating, and the technology for processing raw materials is outdated, leading to products that are inconsistent in quality, especially when it comes to competing in foreign markets.

## **5. SOME RECOMMENDATIONS**

To develop craft villages, maximizing social resources and state support for the preservation and development of craft villages is essential.

### **Firstly, expand capital sources solution**

- Diversify investment sources for the development of craft villages. Take advantage of State programs and projects.

**Table 3: A list of priority projects and corresponding funding under the government's craft village preservation and development program**

No	Project	Execution time	Expected funding source
Project of the Ministry of Agriculture and Rural Development			
1	Building and digitizing a database system to serve the management, preservation, and development of crafts and craft villages in Vietnam.	2022 - 2025	State budget
Project of the People's Committees of provinces and centrally-run cities			
2	Projects for developing centralized raw material areas to supply craft villages (raw material areas for bamboo, rattan, reeds, water hyacinth, medicinal herbs, etc.).	2022 - 2030	State budget, other legal capital sources
3	Projects establishing exemplary craft village models with certification linked to raw material areas.	2022 - 2030	State budget, other legal capital sources
4	Projects developing conservation and tourism-linked craft village models in ecological regions.	2022 - 2030	State budget, other legal capital sources
5	Projects implementing science and technology applications in craft production and environmental pollution control in craft villages.	2022 - 2030	State budget, other legal capital sources
6	Projects focused on conserving and developing traditional handicrafts of ethnic minority communities linked with tourism.	2022 - 2030	State budget, other legal capital sources
7	Other craft village preservation and development projects tailored to local conditions.	2022 - 2030	State budget, other legal capital sources

Source: *the Decision No. 801/QĐ-TTg dated July 7, 2022, by the Prime Minister of the Government of Vietnam.*

In addition, funding is mobilized from domestic and foreign organizations and individuals to directly invest in the development of production, business, and services in various scales and forms,

including small and medium-sized enterprises, cooperatives, collaborative groups, and household businesses operating in accordance with legal regulations.

The measures proposed for the harmonious development of small and medium-sized enterprises and diverse forms of production and business organization within craft villages include:

- Combining modern technology with traditional methods to maximize production and business efficiency.
- Conducting surveys, reviews, statistics, assessments, and classification of the list of traditional crafts and craft villages and expediting the process of preparing dossiers and recognizing craft villages. This classification is based on the financial status and specific financial difficulties, aiming to provide appropriate solutions.
- Diversifying the forms of ownership of raw material areas, facilitating production and business establishments, especially enterprises engaged in export activities in craft villages, participate in the development of raw material areas (including breeding, protection, infrastructure development for exploitation and processing) through public-private-community partnerships (PPCP).

### **Secondly, increasing revenue solution**

- Funding sources from the state budget (both central and local) as regulated by the State Budget Law, Public Investment Law, and relevant legal provisions; funds from national target programs, integrated from related programs, projects, plans, and investment proposals; legal funding sources from domestic and foreign enterprises, organizations, and individuals.

Building distribution channels and promoting craft village products; prioritizing the establishment of craft associations and cooperatives at the local level, innovative and creative centers, vocational training institutions; supporting product design, product improvement, market information to serve the preservation and development of crafts and craft villages.

Product consumption market, concerning domestic markets: Connecting product consumption with major urban areas; diversifying service types to meet the increasing demand; creating rural and craft village tourism programs to promote on-site exports of rural products.

For the export market: Diversifying export products to traditional markets like China, the United States, Europe, Japan, South Korea, etc.; expanding to potential markets in the Middle East, Latin America, and Africa.

- Most traditional craft villages are typically located in regions with convenient transportation, both by road and river, making them suitable for the development of combined tourism programs. Dynamic regions in harnessing these advantages include Hanoi, Hoa Binh, Bac Ninh, Thua Thien - Hue, Quang Nam, Da Nang, among others. Leveraging this advantage is crucial, and it is necessary to improve infrastructure to promote craft village tourism.
- Diversify forms of organizing production and business in craft villages, including developing craft villages linked with tourism. These contribute to rural economic development and the construction of new rural areas. Each craft village represents a long-standing cultural, economic, and traditional technical environment, preserving the essence of arts and traditional production techniques from generation to generation. In this context, traditional craft village tourism will be an

ideal destination for visitors to explore cultural values, customs, traditions, and festivals, contributing to the preservation and promotion of the traditional culture of the nation.

### **Thirdly, cost savings solution**

- Localities should proactively review areas with specific craft village characteristics that currently exist locally. These areas should have long-term development plans for the establishment of centralized material supply zones on a large scale, serving businesses, and allocating land for the construction of craft village material supply zones.
- Establish centralized material supply zones, develop value chain linkages for craft villages, promote the development of human resources, apply new science and technology, intensify trade promotion activities, and build and develop the brand of local craft village products.
- Support exemplary OCOP (One Commune One Product) products from craft villages to participate in domestic and international promotional events and trade activities.
- Develop apprenticeship programs and vocational training at the local level and create incentives for students and trainees to participate in the development of craft villages.
- For investment projects that require strict environmental pollution control, support for craft villages to meet the requirements of researching and producing new products is prioritized. Land allocation or land leasing in concentrated industrial zones is encouraged for such projects.

## **6. CONCLUSION**

*The article is conducted with the aim of evaluating the development of craft villages in Vietnam from a financial perspective. The study examines the current state of craft villages in Vietnam, legal regulations related to craft villages, and the support mechanisms for their development. It assesses the financial aspects of craft villages, including capital, revenue, costs, and profitability. The article highlights the limitations of low revenue and profitability, as well as high costs due to the scale, labor specificity, technology, raw materials, and the local nature of craft villages. Based on the comprehensive analysis, the authors propose several recommendations to promote the development of craft villages in Vietnam. Future research could focus more on specific financial aspects, such as capital support for craft villages, production planning, diversification of craft village products, especially in the context of craft village tourism, and product distribution and marketing. Since craft village activities have strong regional characteristics, future research may limit its scope to specific geographic regions or economic areas and employ modern research methods, combining qualitative and quantitative research approaches for a more comprehensive and in-depth analysis of these topics.*



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